The world of marketing has never been more challenging. And it's never been more exciting. Change is happening at lightning speed, bringing us an almost constant flow of innovations. Innovation is occurring on all levels, and in all channels, all at the same time. Every day, news headlines tell of advances in digital channels such as social, mobile, search and apps. Every day, new developments in data and analytics sharpen and deepen our understanding of how to create highly effective marketing strategies via traditional channels such as email, direct mail, broadcast media and telecommunications.

Direct marketing encompasses all these channels and more. We are more than the sum of our parts. Forward-thinking and passionate, DMA's membership represents the full spectrum of marketing disciplines—and our understanding of the interconnectivity of all direct marketing channels is constantly growing and deepening.

DMA enriches and empowers this diverse community in many ways: DMA advocacy provides marketers and consumers with a powerful collective voice, representing their interests in key policy issues as they develop; top-tier education initiatives empower marketers to stay ahead of the curve; highly respected research products give marketers the data and analysis they need to make the best strategic decisions; DMA conferences and events, especially our annual conference, bring together marketing professionals from around the globe—to learn from top experts and from one another how to achieve real, meaningful results that elevate their bottom lines and increase customer engagement.

Marketers today should feel inspired. Opportunities abound to connect with consumers and achieve success in ways that never before existed. As the marketing community continues to embrace and integrate the full spectrum of traditional and digital channels, the more powerful it becomes—and the potential for success becomes unbounded.

Lawrence M. Kimmel
CEO
DMA

INSIDE

The Right Tools at the Right Time
The triple impact of digital, data explosion and demand for accountability is spurring explosive growth in the direct marketing industry. Page C2

Q&A With Lawrence Kimmel
Direct marketing, today a $154.4 billion industry in the U.S., has made enormous strides—and is looking even brighter for the future, says DMA CEO Lawrence M. Kimmel. Page C4

Fueling Growth
Direct marketing spending will push economic growth in the future, according to a new study, “The Power of Direct Marketing.” Page C6
With its one-on-one, targeted approach of relevant messaging and long-term focus on measurement of results and accountability, direct marketing has found itself in the right place with the right tools at the right time. The triple impact of digital, data explosion and demand for accountability among major marketers across industries has spurred explosive growth in the direct marketing industry, once considered the domain of retailers, book and record clubs, catalogs, publishers, credit cards and small businesses.

Much of this expansion has come as marketers are reaching consumers with messages in real time via some of the newest digital channels, including social media and mobile, channels that direct marketing experts say offer huge opportunities. Even marketers of food, beverages and tobacco, not thought of as typical users of direct marketing, have joined the list of top 10 spenders in direct marketing among consumer market industries.

With its roots in direct mail, the direct marketing industry has so broadened its scope that some industry execs say even the term “direct marketing” is too limiting. In the most recent Direct Marketing Association annual report, CEO Lawrence M. Kimmel and Chairman G. Steven Dapper say, “What began as a smaller community focused on one channel is now a means to drive sales through a multiple, complex and ever-expanding list of channels.”

“This is a prime moment for direct marketing because of what’s happening in the media marketplace and among the chief marketing officers,” says Brian Fetherstonhaugh, chairman-CEO, OgilvyOne Worldwide, the global direct marketing and interactive marketing network of Ogilvy & Mather.

The changes have been so extensive that Arjan Dijk, global director of small-business marketing at Google, says direct marketing is now better described as “engagement marketing.” “Engagement is the key for any marketer who wants to have his or her customers do something,” he says, not simply about response but more holistically around how customers and prospects engage with a campaign.

While industry execs agree that direct marketing is uniquely positioned to help companies achieve goals in the new media landscape, there are still challenges ahead, not to mention attitudinal and organizational changes needed to guarantee that the multichannel mindset is fully embraced.

“Those that cultivate that deep insight of customers and project it to wherever customers are in a respectful way are in a position to take advantage of an enormous opportunity,” says Tim Suther, senior VP-CMO, Axiom Corp., a marketing technology and services provider that enables marketers to manage audiences, personalize consumer experiences and create customer relationships.

But what’s required is much more than an attitude adjustment. Marketers must create an organization that has a holistic view of their customers, and they must judge success based on how well they serve customers and grow their relationships with them. As long as organizations are siloed and measure success medium by medium, they won’t be able to capitalize on the biggest opportunities, execs say.

“Most major marketers are still not there yet,” Mr. Suther says. “A lot say they are customer-centric but [only] a significant minority are truly customer-centric.”

One marketer that does get it, Mr. Suther says, is Macy’s. For example, the head of the retailer, Terry Lundgren, doesn’t describe himself as CEO but as chief customer officer. “If more companies were to follow that lead, they would back up their promises of being customer-centric with organizational design, practices and incentives,” Mr. Suther says. “The person at the top has to be committed to having the customer be the center of the universe.”

Clare Hart, president-CEO, Infogroup, a provider of data, research and sales and marketing services, says she believes this is already happening at many companies. She says five years ago many companies had separate marketing organizations for traditional marketing and digital marketing. Today, more and more companies have one CMO responsible for marketing across all venues, from traditional through social media.

Mr. Fetherstonhaugh sees progress, too. Direct marketers are getting better at integrated marketing and not looking at direct marketing as a solo enterprise, he says, citing Ogilvy’s IBM campaign surrounding the Watson competition on “Jeopardy!” earlier this year.

“Direct marketing was there right at the beginning of the strategy and not an afterthought,” he says. The campaign involved public relations, advertising and direct marketing. PR was used to tell the story, advertising mapped out the messaging and direct marketing played a big role in engaging customers and prospects ultimately to sell them hardware, software and services from IBM.

“This is the new style of direct marketing, which is not done in a silo and is respectful of brands and also brings social media into it,” he says.

This holistic approach is exactly why Mr. Dijk advocates new terminology. In fact, he says, the questions for engagement marketing are, “Where and how does it fit into a larger marketing and business strategy, and what form will it take?”

“The key will be to stay on top of new advancements and trends, such as the ability to hyper-target and the increasing importance of social and mobile media,” he says.

Companies that were launched during the digital age may seem to have a head start, but, Mr. Dijk says, “To me this means that we are not burdened by an ingrained or entrenched way of thinking or doing things. However, the reality is that any company in business today needs to have a grasp of traditional marketing techniques as well as the latest advancements. This is just as true for Google as it is for an older, established company like Procter & Gamble. Ultimately, we are all part of the same media landscape. Even for Google, where most of our products are online or mobile, the key challenges are the same.”

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**DM Advertising Expenditures and DM-Driven Sales, 2010-2012**

<table>
<thead>
<tr>
<th>(Billions of dollars)</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2010-11</th>
<th>2011-12</th>
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<td><strong>DM AS % OF TOTAL U.S. SALES</strong></td>
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<td>6.2%</td>
<td>6.2%</td>
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Source: The Power of Direct Marketing 2011-12, DMA.
The Future of Direct Marketing

Industry execs pinpoint trends

Brian Fetherstonhaugh
Chairman-CEO
OgilvyOne Worldwide

Analytics is coming out of the backroom and reaching the boardroom to meet the needs of CMOs, who are hungering for ROI.

Social selling, the process of a person’s social network directly influencing a purchase decision, will dramatically affect how things are bought and sold, rising from having an impact on the current estimate of $1 billion in sales up to $30 billion in five years.

Mobile will be a CRM commerce vehicle as smartphones become deeply embedded in the shopping experience.

Clare Hart
President-CEO
Infogroup

Within five years, there will be much more real-time response to customers’ messages and requests.

Marketers will rely much more on self-service applications to do everything from developing and executing campaigns to managing lists and implementing other marketing tasks rather than using outside services.

Mobile and location-based marketing are going to have an even more significant impact on connecting with prospects and customers than other digital developments have had, such as search, email and social.

Tim Suther
Senior VP-CM0
Axiom Corp

Direct marketers that recognize their underlying information assets and connect across all touch points will be rewarded with above-average growth and above-average margins.

The world will continue to get more complex, with more sophisticated technology such as interactive television. For example, advertisers will be able to deliver on TV and interact one on one with each customer on a broad scale, having the same types of highly customized experiences that traditional direct marketers do.

Distinctions between “above the line” and “below the line” will disappear because all touch points will be rewarded with above-average growth and above-average margins.

Internet-based, we have to figure out ways to reach an audience that is perhaps not technologically savvy or perhaps not even online.”

He says Google recently launched an initiative to get small businesses online by offering them free website-creation support in close cooperation with industry and government partners. “We also know the value of human interaction, which is why we have been expanding our phone support programs for business prospects and customers,” he says. “Even for a successful technology company like Google, we have to find ways to reach new customers, and oftentimes this can involve using more traditional techniques.”

For example, Google has found that by focusing on personalized communications, it gets significant increases in customer engagement. In one test, personalizing the signature showed a 73 percent increase in conversion, he said. Personalizing the customer name resulted in a 160 percent increase, and combining the two led to a 214 percent increase. “These results are an example of known best practices in the more traditional direct marketing world but were applied in the current online media environment,” he says.

Even given the industry’s experience in a measurable medium, there is a learning curve with the advent of digital and the availability of massive data. Marketers and agencies are learning that they must dial up the speed of campaigns, especially compared to the weeks and months it used to take to get big-scale direct campaigns rolling. Now, it’s no longer a “big factory launch” like introducing a new car, Mr. Fetherstonhaugh says. “People are becoming nimbler and faster so they are operating in real time. That’s an adaption of our business.”

While massive amounts of data do present some challenges, technology and advances in analytics, modeling and targeting can present very powerful tools, Ms. Hart says. CMOs can now turn on a dime right “in the midst of a campaign, should they realize that one channel is working better than another,” she says.

Traditional users of direct marketing have been especially successful. Mr. Suther says Rodale Inc., after doing a lot of work on subscription acquisition through traditional channels and similar work through digital channels, recognized the efficiency of combining the two and made a substantial improvement in revenue per communication by coordinating communications across channels.

Advanced research techniques, such as multivariable testing, that until the last decade were confined mainly to academia and not brought to the marketplace, are also adding value, says Gordon H. Bell, president of LucidView, which is bridging the gap between statistical theory and the real world.

These techniques help companies measure advertising effectiveness and identify new ways to increase marketing ROI. For example, in one test for Cosmo, Hearst Magazines tested 12 changes in one campaign and found six significant effects for a 24 percent jump in net response rate. Traditional tests would have required mailing 2 million more people for equal confidence and completely missed interactions between elements, Mr. Bell says.

In another example, Bonnier ran a five-element email test and was able to increase its conversion rate 15.2 percent, see relationships among the elements and roll five campaigns’ worth of testing into one.

The process also works for other industries. Mr. Bell says one circular advertising test for a retailer included 10 marketing-mix variables and pinpointed ways to increase sales more than 4 percent. Standard controlled-store testing would have required 17,000 additional stores—or another year of testing—for the same results. Another two-month retail test of 18 in-store and advertising elements identified 11 important variables worth tens of millions of dollars in sales. Normal controlled-store tests would have required 7,600 more stores—or another two years of testing—to see the same main effects, but would never have been able to quantify interactions and been hit with seasonality and other major sources of error.

Search techniques are changing the rules of marketing, too. Even before OgilvyOne starts developing messages for its clients such as Nestlé, with more than 20 brands of infant nutrition, coffee and confectionery products around the world, the agency carefully examines the actual key-words consumers use.

“This is incredibly useful and effective,” Mr. Fetherstonhaugh says. “It’s like reading digital body language. Consumers tell you exactly what’s on their mind. Then we design a website and use the language they use. We’ve always wanted to know what was on consumers’ minds. Now with search and some of their social media behavior, they actually tell us.”

However, he sees many fundamental things about the industry remaining the same. “Our roots have always been, ‘Be close to the customer and close to the cash register,’” he says. “Our philosophy is a quote from David Ogilvy: ‘We sell or else,’ which means always know that some day this thing we do needs to sell.”

October 3, 2011

C3
Before joining the DMA in 2010, Mr. Kimmel was chairman-CEO of Grey Direct Global Network, responsible for offices in 42 countries. Earlier, he worked at Draft Worldwide and before that founded Unimark, an integrated marketing agency serving small and midsize businesses.

Mr. Kimmel recently talked with writer Nancy Giges about the current state of direct marketing and how he sees the future unfolding. An edited transcript of that interview follows:

ADVERTISING AGE: Direct marketing appears to be a much broader industry than even a decade ago. What is the current state of the industry?

LARRY KIMMEL: Direct marketing is in an amazing position and poised for extraordinary growth. It is the Holy Grail of marketing and always has been. There are three components that are revered in contemporary marketing: data, customer-centricity and accountability. That’s what direct marketing has always been. But direct marketing, if you go back 15 years, was costly on an individual basis and slow to market. The ability to evaluate results took time. To communicate with specificity and relevancy was costly. Today it’s all changed. The ability to store, leverage and analyze data faster and more cost-effectively has transformed direct marketing. Now everybody is gravitating toward the utilization of data, customer-centricity and accountability.

AD AGE: Would you say it’s more of a transformation of industry or has direct marketing just come into its own?

MR. KIMMEL: It’s both. Direct marketing is far more applicable to many more advertisers because data, as stated, is available less expensively and the analytics are more available. Direct marketing’s applicability in all online advertising, interactive television and in digital out-of-home makes it relevant across a broader spectrum of media channels. Historically, it was about direct response television, direct mail and direct response print. Now it’s the full spectrum of channels.

We have two new layers of powerful data in the mix that enable marketers to provide far more relevant information to consumers. Those layers are localized data provided from the expansion of smartphones and social data in combination with search. Google+ in combination with Google’s underlying search power, or the relationship of Facebook and Bing that enables social understanding and the interconnectedness of your circle of friends to your search behavior, is unbelievably powerful. When you look for a restaurant and query that, you will get a list of what your five friends like. That level and quantity of data in combination with search is unbelievably relevant.

AD AGE: What is the impact on various components within the industry—on marketers, agencies and other companies involved?

MR. KIMMEL: It’s complicated. The first thing that comes to mind is about tablets having a chance for a massive do-over so publishers get it right. Hearst is getting traction with its tablet publications. The New York Times’ pay wall is exceeding expectations. The interactive potential of tablet advertising will provide traditional print publishers and advertisers more data, more customer-centricity and accountability. This creates opportunities for promise and peril. The promise is what your advertising is getting [you]. And the peril: The first generation of display advertising didn’t really work, meaning that pricing in an accountable world can bring new pressure on publishers. That’s just one industry.

Agencies and marketers have to worry about social,
mobile, search and digital out-of-home in combination with television, email, mail and apps. If I’m a marketer, do I need agencies and vendors for my social activities? For mobile? For search? For television? For mail? For email? For SEO?

Monitor, the consulting group, did an organizational analysis recently and suggested marketing teams are like football teams. There are separate players for social, mobile, search, TV, email, etc. But marketing departments should be more like hockey teams: People have assigned positions, but everyone can play offense or defense together when need be.

**AD AGE:** Is that happening?

**MR. KIMMEL:** It’s one of the most profound organizational struggles. Agencies and marketers have figured out that integration and coordination invariably are going to win, but it is still complex and confounding to do well.

There’s also a new expectation among consumers about relevancy, immediacy and transparency. Spotify, the music-sharing service, is the rage because of immediacy. Its developers are obsessed with delivery of content information in under 200 milliseconds. When you realize that’s part of their differentiated advantage, that speed of information is electrifying consumers, you realize, wow, the world is changing its expectation for immediacy. (Regarding) transparency, for lots of retailers, the ball game has changed. They recognize that they’re forced to be transparent like never before. People are walking in using their mobile devices for price comparisons like never before. The demands for relevancy, immediacy, transparency are so profound that it has huge implications for the entire ecosystem—the marketer, the agency, the database provider.

**AD AGE:** What do you think the industry’s greatest accomplishments have been recently?

**MR. KIMMEL:** In many ways the world has gravitated toward the core principles of direct marketing. Look at how much of the $28 billion in expenditures in online domestic advertising is being used in search, which is essentially direct. It’s built on largely the same model of direct response television: Buy at the lowest price and pay for each individual. What we’re less good at is the clarity of results. Suddenly when a promotion code on a postcard sent to 3,000 people gets picked up by a blogger and posted on a deal site, it’s very hard to say it was this promotion component that provided ROI.

With direct response television 15 years ago, you knew the ROI exactly. As email started, it was clearer. Now, there are many people using “last touch” to evaluate ROI, but some people argue that is inappropriate. The television guys say, “Go look at your search results when you run television advertising, and they’re 30 percent better.” How to find appropriate attribution across all channels when you have so many is the new challenge. There’s so much more to consider to delineate the exact investment and response from each subcomponent—and more to consider with allocation, analytics and attribution. Where do I spend my money? And where do I attribute the success?

**AD AGE:** What are some of the industry’s near-term challenges?

**MR. KIMMEL:** It’s about attribution. Direct marketing has always been the best go-to-market strategy for two reasons: We had data and information that enabled us to provide more relevant information to you and your life, and we had clarity of result information. Now, with new layers of data—social and geographic data—we are even far more applicable and relevant for social spending is probably up 29 percent this year. That is an indication that more people believe they’re getting something for it. A lot is in customer service. In the new marketing paradigm, customer service is certainly a component of the essence of the brand.

When Tony Hsieh started his marketing for Zappos, he didn’t spend money on traditional advertising. He promised one-week delivery and surprised people by delivering shoes even sooner. That experience was buzzworthy. He started by making sure that his marketing was about marketing and not marketing communications.

A good customer interaction done well is incredibly important, and social is being used for that. I’ve been on a bandwagon for many years to say that marketers have to do all parts of marketing: product, place, price and promotion. That really defines the contemporary brand experience. But most marketers in most companies these days still do “mar-com.”

So the rules are changing. Monetization of new media should be looked at from a customer service perspective and not just from a classic advertising and sales perspective. If you’re IBM or Oracle, if you have big, meaningful engagements, every customer interaction is important. Even if you’re J. Crew [you want to serve] your best customer extremely well every time. Why do Comcast and Best Buy have Tweet forces to answer instantaneously? It’s because they recognize the engaged community has huge value. There are some that believe that’s the way to monetize social media. You can’t talk to everybody, but if you can talk to the people who matter most, that matters a lot.

**AD AGE:** Do you think there will be better ways to measure soon?

**MR. KIMMEL:** Yes, there’s a huge concentration of time, energy and money put into that. Part of our job is to make sure that we provide objectivity and connections between things that are working and people who have enhanced understanding and technologies.

**AD AGE:** What do you expect the industry will be like in five years?

**MR. KIMMEL:** More of marketing will be defined as direct marketing. Mobile will increase in importance and expenditures, and will be more relevant. Television will be more relevant and customized for each viewer as well. Traditional out-of-home will also gravitate toward more interaction and accountability.

The expectation of consumers about relevancy, immediacy and transparency will be operating at a whole new level. If already Spotify is fixated with delivering content in under 200 milliseconds, can you imagine what the competition will be in five years? About 12 years ago I [worked on] the Oracle business. The first ads we wrote were about seven seconds. If the consumer was online and didn’t get the content that they wanted within seven seconds, they’d be gone. Now seven seconds is a lifetime.

Lastly, I would say, and this phrase did not originate with me, that “data is the new oil.” Leveraging it smarter and faster will continue to transform the world. We live in a world where nanoseconds matter, and extraordinary experiences are the new expectation and action standard.

If we do it right and smartly and are respectful of the data and information that we leverage from consumers, direct marketers will change the face of marketing once again.
Direct marketing spending, while tracking closely with total sales growth in the weakened U.S. economy, is fueling future economic growth.

That’s one of the key findings of the 14th edition of the Direct Marketing Association’s “The Power of Direct Marketing,” an annual forecast of direct marketing’s economic impact on the U.S. economy, including advertising expenditures, sales and employment. The report is updated annually for DMA by Global Insight, a provider of economic and financial information on countries, regions and industries.

The report issued this month helps marketers plan expenditures, sales, return on investment and employment through 2012. The survey numbers were determined by a customized computer model and methodology that isolate incremental sales and employment contributions to the U.S. economy caused by direct marketing. A wide variety of information is analyzed and incorporated into the model, including government data and trade statistics.

The finding that spending in direct marketing overall is expected to end this year up 5.6 percent, to $163.0 billion, is more positive than expected, given the tepid economic recovery, says Yoram Wurms, DMA director of marketing & media insights. Growth in 2012 is expected to slow to 3.4 percent, according to the report.

Other key findings include:

- Direct marketing continues to be an engine for U.S. economic growth: 8.7 percent of U.S. gross domestic product comes as a result of direct marketing, as do nearly $2 trillion in sales and 9.2 million jobs.
- Online marketing channels (including email and mobile) continue to grow at a rapid rate and are taking an ever-larger slice of the direct marketing budget: an estimated 21 percent in 2012, compared with 19 percent in 2011.
- Despite the general trend toward digital channels, some traditional channels have bounced back from a difficult 2008 and 2009 with healthy growth in 2011, particularly direct mail and direct response television. Direct mail, however, remains well below peak numbers of 2007.
- Direct marketing’s share of total advertising spending is expected to account for 52.1 percent of total ad spending in 2011, a percentage that should increase through 2016.
- The channel with the highest impact on sales per dollar spent remains email, with an ROI of $40.56. Internet search follows at $22.24.

Dr. Wurms says the numbers suggest there are many opportunities for the industry along with challenges. The areas of opportunity come as no surprise: Mobile, social network marketing, real-time marketing and the ability to integrate numerous communication channels offer great promise and reward.

The challenges start with the uncertainty and complexity of massive change, including measuring and attributing return on investment and creating the right media mix.

"Is it even appropriate to measure the ROI for individual media instead of whole campaigns?" Dr. Wurms asks. "What’s the right media mix? The tried and true assumptions of the past need to be revisited!"

Finding the right talent for this environment and transforming traditional media channels so that they remain relevant are also demanding much attention.

This year, direct marketing advertising across all economic sectors is expected to add more than $1.3 trillion of incremental final demand nationwide, accounting for 8.7 percent of total U.S. GDP.

The report predicts direct marketing-driven sales revenue will increase nearly proportionally to ad spending, rising by 7.1 percent in 2011 to $1.96 trillion, from $1.83 trillion in 2010. This represents 6.2 percent of the $31.9 trillion in total sales forecast for the U.S. economy in 2011. Sales generated by all types of advertising, both general and direct, are expected to total nearly $2.7 trillion, or 5.7 percent more than in 2010. This is a slightly faster rate than that for total U.S. sales, expected to rise 5.1 percent this year.

For 2012, direct marketing-generated sales are forecast to grow by 4.7 percent, to $2.05 trillion, while the share of total U.S. sales is expected to remain steady at 6.2 percent.

(For this study, direct marketing advertising is not defined as a separate medium but measured as a component within any media that generate a trackable response. The expenditures include all money spent to create, deliver and fulfill the communications and include labor and media-buy costs.)

Strong increases for direct mail and digital

Commenting on the results, Dr. Wurms says he was surprised by the strong 5 percent projected 2011 growth rate for direct mail spending and the double-digit increases by digital channels.

"Facebook, Twitter and other social media platforms have been able to monetize their services more quickly than I expected, which is reflected in the 27.4 percent increase in social media marketing. I am also impressed that search engine marketing, which accounts for nearly half of all Internet marketing, has been able to maintain close to 20 percent growth this year," he says.

Overall, digital channels are projected to receive $14.5 billion more in 2011 than in 2006. In every Internet-based media channel, direct marketing advertising is expected to post double-digit growth both this year and next. The channel growing most quickly is mobile, expected to get more than 50 percent more money in 2011 than in 2010 and to more than double to $1.2 billion from 2010 to 2012.

Growth is expected to continue at a rapid pace as marketers capitalize on mobile’s real-time and location capabilities.

One area of strong growth, averaging 18 percent to 20 percent, include non-email Internet marketing, Internet “other” (including rich-media ads, advergaming and blogs) and Internet display, the second-largest component of Internet advertising.

Direct marketing spending in several traditional channels—magazine, newspaper and radio—is projected to decline. The only traditional channel expected to grow faster than the overall average is direct response television, projected at a 6.1 percent growth rate in 2011 and 3.8 percent in 2012. Other traditional media are projected to see relatively little growth, and several channels—including direct response newspaper and radio—are expected to reverse their decline by 2012. Dr. Wurms says he was particularly surprised by the 7 percent decline in direct response newspaper advertising, especially because direct response magazine advertising is expected to grow 2 percent.

Direct marketing’s share of total advertising is expected to rise from 52.1 percent in 2011 to 55.5 percent in 2016. This is up from 48 percent in 2006. Similar to a slowing of growth in advertising expenditures for direct marketing to 3.4 percent in 2012, general advertising growth is expected to moderate from 2.5 percent in 2011 to 0.9 percent in 2012. As a result, for the next five years, direct marketing is expected to account for more than 50 percent of total advertising expenditures.

According to the report, one reason for direct marketing’s growth is its ability to provide ROI data. The study found that for 2011, an investment of $1 in direct marketing is expected to return, on average, $12.03 in incremental revenue across all industries. This exceeds the $11.86 achieved in 2010 and is expected to improve to $12.18 in 2012, compared to $5.26 for non-direct marketing ad spending.

DM Percentage of Total Advertising Spend by Media, 2006–2011

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<th>Media Type</th>
<th>2006</th>
<th>2011</th>
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**Source:** Power of Direct Marketing 2011-12, DMA.
In today's world of constant news feeds, Facebook posts and instant messaging, consumers are bombarded with messages from all sides. The good news for direct marketers is that the technology has enabled us to become more targeted, timely and cost-efficient. The bad news is that the complexity of what we do is increasing to no end, and there are more and more channels for us to leverage. The chatter around “big data,” “relevance” and “two-way engagement” began awhile ago, yet most marketers still find these to be daunting.

We have found that we need to be able to accept a level of complexity that makes sense for our business and look for ways to plan ahead and automate as much as possible. Further leveraging trigger communications, especially emails, has worked well for us. For example, with every promotion we now have a trigger email series planned ahead of time. Throughout the promotional period, we send messages on a regular basis that are targeted based on the specific offer the consumer is eligible for and his participation to date. Setting up these triggers has allowed us to communicate more frequently with ease and be targeted and relevant in a meaningful way. We’ve seen significant increases in opens, clicks and registration rates for our promotions.

In addition to promotions, trigger communications will be further leveraged for our life cycle and relationship marketing programs. It’s important for us, a loyalty program, to build engagement by optimizing each component with testing, data analytics and modeling.

Recently, we asked consumers to submit the reason why they deserve a summer vacation along with an engaging photo that brings this to life. This contest generated millions of engagements. We leveraged emails to drive engagement with the contest on our website, and because it was also integrated to drive engagement with the contest on our Facebook “likes” sevenfold. Managing the full scope of Xerox’s business processing and document management, we are able to show how we can come into your office and help solve problems you face every day.

I’ve heard that the world now generates more data in a two-day span than was produced from the beginning of mankind to 2002. I don’t know if that’s factual, but it makes clear that the future is in data integration and data analytics as the foundation for any marketing decision-making. Xerox is on the leading edge of this approach. All of our marketing decisions are driven by intelligence derived from data analytics and understanding of customer behavior. Setting up these triggers has allowed us to show how we can come into your office and help solve problems you face every day.

In the future I think we’ll see a merging of the social media side. Companies are setting a great benchmark, but it’s such a new space that there’s a lot left to explore. In the email space we’ve got a particularly good knowledge and understanding of our customers, where they are in the life cycle of our products and what messages are relevant to them that will help drive sales. We want to give them information that will have meaning, not clog up their inbox.

The social media side is much less of a push to the customer than a pull from the customer. We have conversations with our customers when they reach out to us. Our Twelpforce on Twitter, which is going into its third year, is proactive about answering customers’ questions: What’s the best laptop to get? What’s the best network router? How do I set up my Wi-Fi network? We were the first team in the league with a Facebook app—and among the first in pro sports—when we launched in October 2009. That app, Celtics 3-Point Play, allows us to identify fans on Facebook and get them into our database. It’s a simple fantasy game that enables people to predict players’ stats before every game and get awarded points.

We can identify fans and collect basic marketing information through 3-Point Play, and then we can turn these fans into customers who buy jerseys, tickets and—the ultimate ambition—fan tickets to every game and get awarded points. When people sign up for 3-Point Play, we can find out if they’ve bought tickets in the past. We sold $150,000 in tickets to fans who played last season. Some would have bought tickets regardless, but it tells us that Facebook fans do come to the games and want to become customers.

Overall, there’s more social media integration with our website. We’ve seen traffic drop on Celtics.com, but we’ve had dramatic growth on our social media. People want you to come to them as they spend more time on Facebook and Twitter and less time surfing the Web. You have to be where your fans are: talking about your brand and engaging with them with a constant presence and dialogue.
A SPECIAL THANK YOU AND CONGRATULATIONS TO ALL DMA:2011 CONFERENCE & EXHIBITION SPONSORS, EXHIBITORS, SPEAKERS AND PARTNERS.