



THE PLACE OF DIRECT-MARKETING ON THE MARKETING OF INDUSTRIAL OF PRODUCT

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DIRECT MARKETING

Direct marketing is a form of advertising that specifically targets a person or company to generate new business, raise the profile of an organisation or product, or make a sale. Direct mail, telemarketing and email marketing are all popular types of direct marketing.

Direct marketing trades on the greatest of all sales advantages - the opportunity to communicate directly with your customer to build a personal relationship. It allows you to reach your target audience with direct messages, without using traditional, costly advertising methods such as TV, newspapers and radio advertising.

Because they bring you into direct, unsolicited contact with your customer, direct marketing campaigns are governed by important privacy regulations. If you are considering a direct marketing campaign, you need to be aware of these regulations and abide by them at all times.

This guide explains different types of direct marketing, and provides information on how to make the most of your direct marketing campaign.

BENEFITS OF DIRECT MARKETING

Good direct marketing campaigns focus on promoting a specific product or service, and call on your customers to act - to receive further information, register their interest, visit your website, make a booking or a purchase.

Direct marketing gives you the opportunity to promote your products and services directly to the customers who most need them. A good direct marketing campaign will:

- help you build relationships with new customers
- test the appeal of your product or service
- tell you which marketing approaches reach your target market

- provide customers with compelling content they can share with potential customers increase sales.

However, direct marketing campaigns require careful planning and a clear understanding of responsible direct marketing practice. Being aware of the benefits and challenges of direct marketing will help you use direct marketing effectively.

MAKING THE MOST OF DIRECT MARKETING

A well-planned direct marketing campaign can take you straight to your ideal customers. Identifying the benefits of direct marketing will help you stay focused on getting the most out of your direct marketing campaign.

TARGET YOUR IDEAL CUSTOMERS

Using direct marketing allows you to target specific groups of customers with tailored messages. By taking the time to research and identify the customers who are most likely to need or want your products and services, you can focus your marketing efforts where they have the highest chance of achieving results.

A well-targeted direct marketing campaign will also provide you with an accurate understanding of how your customers are responding to your product and service offers.

MARKET ON A BUDGET

Direct marketing that is targeted to a specific audience can help you set realistic sales goals and improve sales results on a tight marketing budget. Businesses can run effective and purposeful direct marketing campaigns at a fraction of the cost of broadcast advertising.

INCREASE SALES TO CURRENT AND LAPSED CUSTOMERS

Most customers welcome contact from familiar business people who make an effort to understand their needs and build a personal relationship. You can increase sales to your existing customers by maintaining reliable customer records and choosing simple, well-planned promotional tactics.

You can also use direct marketing tactics to re-establish relationships with customers who haven't returned to your business in a while. Approaching lapsed customers is an opportunity to rekindle sales, keep your customer records accurate, and find out why your customers move on.

IMPROVE CUSTOMER LOYALTY

Direct marketing helps you build direct relationships with your customers. You can personalise promotions, letters and offers to create an immediate link with your customer and increase their personal connection to your business.

Many businesses combine direct marketing and customer loyalty strategies to keep and build customer relationships (e.g. by sending birthday cards, discount offers, invites to upcoming sales).

CREATE NEW BUSINESS

When using direct marketing you can communicate directly with your chosen target market and this should give you a better sales success rate than communicating to the mass market, many of whom may not be interested in your products and services.

If you use effective techniques for sourcing and finding new customers, you can generate new customer prospects and grow your sales to new customers.

Direct marketing lets you adapt and respond to the needs of your market, and your business. You can achieve fast and flexible sales results using direct marketing. For example, you could use a direct marketing campaign to:

- boost sales of a particular product
- run out discontinued stock
- renew stale sales figures
- increase customer contacts
- directly follow-up on a promotion.

Word-of-mouth is the most powerful form of marketing. An effective marketing campaign will provide customers with collateral about your business that they can easily share with their friends, colleagues and family. This can generate new leads for your business.

TEST AND MEASURE YOUR PRODUCTS AND SALES PERFORMANCE

Direct approaches provide direct feedback. Direct marketing is also a great way to gauge your customers' appetite for your products and trial new products or services.

Direct marketing also allows you to test new markets, review sales results, measure the effectiveness of your sales and advertising tactics, and easily make adjustments to your campaign. Each time you run a direct marketing campaign you should monitor and review the results, using this information to improve the success of your next campaign.

For example, if you mail 100 customers a catalogue with a discount voucher on the back page and 20 customers bring this into your business to use, the campaign had a response rate of 20%. By working out the cost of creating and mailing the catalogue, as well as the profit you made from each customer that responded, you can assess the success of your direct marketing campaign.

TIPS TO MANAGE DIRECT MARKETING CHALLENGES

Direct marketing campaigns require careful planning and analysis. While direct marketing can be a powerful tool for growing your business, it must be properly considered, and supported by good information and recognised marketing principles and practices. Consider these tips for managing direct marketing challenges.

TIPS FOR AVOIDING DIRECT MARKETING PITFALLS

Don't offend customers

Poorly planned or delivered direct marketing tactics can offend potential customers. Identify the customers who you believe are likely be interested in your product or service. Build a database of potential customers and work through your contacts. Approaching people who have no interest in your products or services can cause frustration and create negative perceptions about your business. Similarly, invasive and overly persistent communication tactics can also damage your reputation.

Understand marketing laws and ethics

Direct marketing practices are governed by the Australian Direct Marketing Association's code of practice and best practice guidelines. Take the time to learn about responsible direct marketing, and understand your direct marketing obligations (e.g. you must not contact individuals who have formally asked not to receive direct marketing). If you understand the laws relating to unsolicited mail and telemarketing you can avoid a regulatory breach that would incur serious penalties for your business.

Be organised

Effective direct marketing campaigns are well-organised, purposeful and professional. Your direct marketing approaches are often your first meeting with your customers. First impressions count. Plan and script your approaches to customers carefully. Making confusing, poorly targeted or poorly delivered offers can lose you sales, opportunities, trust and credibility.

Avoid waste

Sustainable direct marketing practices reflect well on your business. Many of today's successful direct marketing campaigns rely far less heavily on paper and more on electronic delivery. When choosing your direct marketing tactics, consider the environmental implications. Review your market research and analyse whether your target market respond better to print or electronic communication.

TYPES OF DIRECT MARKETING

Direct mail

Direct mail is posted mail that advertises your business and its products and services. There are several different types of direct mail (e.g. catalogues, postcards, envelope mailers). Direct mail campaigns are usually sent to all postal customers in an area or to all customers on a marketing list.

Telemarketing

Telemarketing involves contacting potential customers over the phone to sell products or services. It is capable of generating new customer prospects in large volumes and is also a useful tool for following up on direct marketing campaigns. However, a successful telemarketing involves planning and using accurate and well-researched customer data to match customer profiles to product profiles.

Email marketing

Email marketing is a simple, cost-effective and measurable way of reaching your customers. It can include e- newsletters, promotional emails to generate new leads or offers for existing customers, or ads that can appear in other business's emails.

Text (SMS) marketing

Text messaging allows businesses to reach individual customers and send messages to large groups of people at a low cost. You could use short message service (SMS) messaging to send customers sales alerts, links to website updates, appointment or delivery reminders, or personalized messaging.

Leaflet marketing using letterbox drops and handouts

Distributing well-designed leaflets or flyers through letterbox drops and handouts can work well for a local business whose products or services appeal to

a broad audience. It is a simple, inexpensive and effective way of reaching customers, although it is a less targeted form of direct marketing.

Social media marketing

Social media can be used effectively as a marketing tool for business as it gives you the opportunity to interact directly with your customers and regularly share relevant product or service information. Social media platforms also make it very easy for your customers to share your content with their entire network, increasing your reach exponentially. Consider developing a profile for your business that allows you to promote your products and services while also encouraging customers to provide feedback by leaving comments.

Direct selling

Direct selling is an effective way to grow a flexible, low-cost business. Direct selling involves an independent salesperson selling products or services directly to customers, often at a customer's home or workplace. Traditional direct selling methods include door-to-door sales, party plans and network marketing.

INDUSTRIAL MARKETING

Industrial marketing (or business to business marketing) is the marketing of goods and services by one business to another. Industrial goods are those an industry uses to produce an end product from one or more raw materials. Industrial, or business to business (B2B) marketing

See also: Business-to-business

Examples of a B2B selling process:

- An organization seeks to split the work between the two firms based on an evaluation of each firm's capabilities.
- A sales representative makes an appointment with an organization that employs 22 people. He demonstrates a photocopier/fax/printer to the office administrator. After discussing a proposal, the business owner signs a contract to obtain the machine on a fully maintained rental and consumables basis, with an upgrade after 2 years.

Main features of the B2B selling process are:

- Marketing is one-to-one in nature. It is relatively easy for the seller to identify a prospective customer and build a face-to-face relationship.

- Highly professional and trained people in buying processes are involved. In many cases, two or three decision makers must approve a purchase plan.
- Often the buying or selling process is complex, and includes many stages (for example, request for proposal, request for tender, selection process, awarding of tender, contract negotiations, and signing of final contract).
- Selling activities involve long processes of prospecting, qualifying, wooing, making representations, preparing tenders, developing strategies, and contract negotiations.

BLURRING BETWEEN B2B AND B2C

Industrial marketing can cross the border into consumer marketing. For example, an electronic component seller may distribute its products through industrial marketing channels (see Channel (marketing)), but also support consumer sales. Many products are equally desired by business and consumers—such as audio products, furniture, paint, hardware, etc. Nonetheless, manufactures and service providers frequently maintain separate industrial and consumer marketing operations to reflect the different needs of the two channels.

COMPETITIVE TENDERING

Industrial marketing often involves competitive tendering. This is a process where a purchasing organization undertakes to procure goods and services from suitable suppliers. Due to the high value of some purchases (for example buying a new computer system, manufacturing machinery, or outsourcing a maintenance contract) and the complexity of such purchases, the purchasing organization will seek to obtain a number of bids from competing suppliers and choose the best offering. An entire profession (strategic procurement) that includes tertiary training and qualifications has been built around the process of making important purchases. The key requirement in any competitive tender is to ensure that:

- The business case for the purchase has been completed and approved.
- The purchasing organization's objectives for the purchase are clearly defined.
- The procurement process is agreed upon and it conforms with fiscal guidelines and organizational policies.
- The selection criteria have been established.
- A budget has been estimated and the financial resources are available.
- A buying team (or committee) has been assembled.

- A specification has been written.
- A preliminary scan of the market place has determined that enough potential suppliers are available to make the process viable (this can sometimes be achieved using an expression of interest process).
- It has been clearly established that a competitive tendering process is the best method for meeting the objectives of this purchasing project. If (for example) it was known that there was only one organisation capable of supplying; best to get on with talking to them and negotiating a contract.

Because of the significant value of many purchases, issues of probity arise. Organisations seek to ensure that awarding a contract is based on "best fit" to the agreed criteria, and not bribery, corruption, or incompetence.

BIDDING PROCESS

Suppliers who are seeking to win a competitive tender go through a bidding process. At its most primitive, this would consist of evaluating the specification (issued by the purchasing organization), designing a suitable proposal, and working out a price. This is a "primitive" approach because...

- There is an old saying in industrial marketing; "if the first time you have heard about a tender is when you are invited to submit, then you have already lost it."
- While flippant, the previous point illustrates a basic requirement for being successful in competitive tendering; it is important to develop a strong relationship with a prospective customer organization well before they have started the formal part of their procurement process.

NON-TENDER PURCHASING

Not all industrial sales involve competitive tendering. Tender processes are time consuming and expensive, particularly when executed with the aim of ensuring probity.

Government agencies are particularly likely to utilize elaborate competitive tendering processes due to the expectation that they should be seen at all times to be responsibly and accountably spending public money.

Private companies are able to avoid the complexity of a fully transparent tender process but are still able to run the procurement process with some rigour.

STRATEGY

In solution selling, it is essential not to sell the solution before you understand the customer's requirements. Otherwise you may unwittingly sell him on how ill-suited your solution is to his requirements. To illustrate, imagine a couple tells an architect, "We want to build a house." If the architect immediately responds with a design without learning the details of the clients' desires and requirements, he will likely alienate them. If he patiently learns what the clients need, he has a much greater chance of successfully selling his services.

Marketing supports solution selling through methods like account-based marketing —understanding a specific target organization's requirements as the foundation of a marketing program. As research shows, sales success is heavily weighted towards suppliers who understand the customer. In UK research, 77 per cent of senior decision-makers believe new suppliers' marketing approaches are poorly targeted and make it easy to justify staying with current suppliers).

Sales force management has a critical function in industrial selling, where it assumes a greater role than other parts of the marketing mix. Typical industrial organisations depend on the ability of their sales people to build relationships with customers. During periods of high demand (economic boom), sales forces often become mere order takers and struggle to respond to customer requests for quotations and information. However, when economic downturn hits it becomes critical to direct the sales force outward to sell.

FROM CANNON FODDER TO PREFERRED TENDERER

The term "cannon fodder" derives from the World Wars and refers to the massing of undertrained and recently recruited troops sent to the fronts to face the enemy. Such troops invariably had a poor survival rate but provided the tactical advantage of distracting the enemy while professional soldiers mounted more effective operations. In adopting the term to Industrial Marketing it means those bids being submitted that have no chance of winning but are involved to make up the numbers (you can't have only one bid in a "competitive" tender process; that wouldn't satisfy the requirements of probity) (for example in government tenders, or for private enterprise the requirement to "truly test the market" and to "keep them honest"). The reader might be wondering why anybody would go to all of the work of submitting a tender when they had no chance of winning; for the same reason that troops were sent into battle to die; they thought they had a real chance.

INDICATORS

In industrial marketing personal selling is still very effective because many products must be customized to suit the requirements of the individual customer. Indicators such as the sales tunnel give information on the expected sales in the

near future, the hit rate indicates whether the sales organization is busy with promising sales leads or it is spending too much effort on projects that are eventually lost to the competition or that are abandoned by the prospect.

THE INTERNET AND B2B MARKETING

The dot-com boom and bust of the late 90's saw significant attempts to develop online shopping. Many entrepreneurs (and their investors) discovered that merely having a website (no matter how innovative) was insufficient to generate sales. The amount of conventional media advertising required to promote the sites burnt cash at a faster rate than on-line sales generated. They also presumed that consumers would eschew the conventional shopping experience (driving, parking, poor service etc.) for the convenience of shopping on-line. Some did, but for many companies, not in sufficient numbers. There were many unforeseen problems, and apart from some notable exceptions (Amazon.com and others) the business to consumer online failed for many companies. B2B selling, however, more frequently achieved impressive results.

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