

## Direct Marketing - An Essential Tool for Small Business

Small business is about identifying and servicing niche markets. If you know what your niche market is you have a fantastic marketing opportunity already at your doorstep - as long as you know how to reach it.

Knowing where the market is and how to reach it should all be written in your marketing plan. This is where you include all the information about the market in which you operate - what you're selling, where you're selling it and for how much, who else is selling it, who wants to buy it and who your specific target audience is.



Your marketing plan should also include *how* you are going to tell people about your products or services. The way you choose to market your business could easily determine how successful you become.

### Advertising versus direct marketing

Where general advertising builds awareness and creates a positive image for a new product, direct marketing asks straight up for the order. It's about going straight to your target group, often with a personalised letter, and giving them a direct opportunity to buy.

Direct Marketing is not advertising. It is selling to existing and potential identifiable customers and its result is measurable.

The whole concept of direct marketing is that it is direct communication to a particular target; either a current customer, former customer or someone who you believe fits the characteristics of your current customers. General marketing, on the other hand, is not addressed to any particular customer.

But for direct marketing to be successful, the business must have a database. This is where you collect as much information as possible about your customers - their demographics (contact details, age, occupation), how often they buy, what they buy, how much they spend and so on.

When planning your direct marketing campaign, decide which type of customers you want to approach. Whether it's your top customers, or particular customers you think will genuinely be interested in the product you are promoting, the database should be able to tell you which customers to target.

Direct marketing, which can also use email, telemarketing or personal visit as a means of delivering the message, is a very powerful tool for small businesses because they can:

- concentrate and dominate niche markets
- generate additional sales from existing customers and new customers
- generate sales leads from groups of persons who are very similar to existing customers.



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## Test your product or service

Before embarking on your campaign make sure you are completely satisfied with the product or service you are selling to your customers. The last thing you want is for these customers - especially your top customers - to go somewhere else because of a faulty product you tried to sell directly to them.

Decide on a theme to be emphasised - keep it simple and focused; don't fall into the trap of cramming too much information into the letter. Highlight one important aspect of the product, for example, price, quality, uniqueness, and use this as the theme throughout the letter.

You've got to keep the person reading from the opening paragraph to the order form. Once a reader loses interest, it is likely the business will lose a customer.

As the responses from direct marketing are measurable, you can experiment with mail-outs on different themes sent to different groups of customers and analyse which strategy works best.



## Next Steps - Plan Your Direct Marketing Campaign

- Set-up a customer database - All direct marketing campaigns need the support of an up-to-date customer database.
- Determine your 'top' customers - The most successful direct marketing campaigns are likely to be targeted at your top 20% of customers who generate 80% of the business.
- Know your customers - Target other segments of your database depending on what you are offering for sale, as specific products or services will be attractive to some customers and not others.
- Plan your campaign thoroughly and test the product or service being offered.
- Maintain a theme throughout the letter. Keep the message simple, brief and focused.
- Make an offer they can't refuse. Remember the 'what's in this for me?' question.
- Contact New Zealand Post for information on mail-out discounts and for a record of the number of business and private households in each postcode throughout New Zealand.
- Measure the results of the direct marketing campaign. Think about trying something different next time and compare results.

## The Pareto Principle

The Pareto Principle, also known as the 80/20 Rule, indicates that 80% of your business will probably be generated by approximately 20% of your customers.

You need to find out who fits into that 20% because it is these customers who are most likely to respond to the offers you will be making.

Don't make the common mistake of assuming that you are already receiving all of the potential business from your customers. The Pareto Principle has proved to thousands of businesses around the world that if a business directly targets its customers and makes an attractive offer to them, the top 20% will continue to make further purchases from the business.

Remember though that today's customers are a lot more educated, aware and aggressive than previously. They won't like being hit with direct marketing which they find offensive in any way - you need to plan the campaign very carefully and make a genuine offer which you believe will be well received.

*Be sure to read each article with the mindset "How this could apply to our business". Thinking of it that way will guarantee that you get value. Also make copies for each team member. To really make sure something positive happens, work with your business development specialists to talk your team through ideas.*



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## Systemise Your Business

If it works, write it down - chances are you'll need to remember how you did that at a later date. In fact, why not write everything down, every function of your business. If your business follows a set of systems, it's likely to be highly organised and offer consistent service.

Various commentators have suggested the most successful way to run a business is to write everything down and develop the system as if the business was a franchise.

For a franchise business to be successful, it has to be replicated in many different locations and possibly different countries. The only way for that to work is if the business has been systemised. This means that for each and every function of the business there is an explanation of, or a system for, how the function is carried out, for example, the way your staff answer the phone, take messages, give quotes, make a sale and so on.

This system is then followed step-by-step by anybody who has responsibility for that function. For example, when we go into a McDonalds restaurant in Paris we would expect to receive the same service and the same food as a McDonalds restaurant in Wellington. Every function in that business - down to how the meat patties are cooked - has a system.

Franchise businesses, like McDonalds, have seen phenomenal success over the last 35 years and one of the key ingredients in that success would appear to be the preparation and implementation of systems.

Unfortunately though, many small to medium-sized businesses do not follow the franchise lead. In most cases they have no written system in place at all and often lack the discipline of the franchised systems.

Take a look at your own business. What happens when you go on holiday or you employ new people? Can it continue to run without missing a beat? While *you* might be intimately familiar with every function of your business you can't expect the same from everyone else. But if there is a system outlining how everything is done, you might be able to take that much needed break and you won't even be missed - that's what you're aiming for.

One of the key messages to come out of franchising is that what you do is not nearly as important as doing what you do the same way each and every time. If it's written down, new staff members should be able to pick up the task and complete it in a consistent manner.



## Tips on Effective Mail-outs

There is less chance of people reading your literature if it screams out to them:

### ***THIS IS JUST ADVERTISING MAIL!***

To overcome this:

- Put your direct marketing letter into a plain envelope with an actual stamp and a hand written, or laser printed, name and address - not a label.
- Be absolutely correct with spelling of names and addresses as errors can really infuriate people.
- Use testimonials wherever possible in the letter.
- A photograph might be useful - make sure it includes people.
- Don't approach too often as this will annoy customers.
- Toll free numbers can make it easier for your customers to contact you.
- Follow up phone calls - various surveys indicate following up phone calls can significantly improve the overall response rate.



## An important Message

*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*



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## **Know Your Business' Opportunities and Threats**

Astute business people are constantly keeping a watchful eye on what is happening in their business environment.

If you want to keep up with the play, stay ahead of your competitors, and plan for potential fluctuations in the marketplace, you simply cannot hunker down within your own business and forget about the outside world.

You've got to be out there researching the market. But market research doesn't have to be an expensive exercise. In her book *Marketing for Small Business Success*, Angela Nitchov suggests using the following sources of information in the first instance:

- direct observation
- surveys
- sale tests
- small group discussions
- personal interviews
- the internet.



If you want to take your research further, look to professional associations, trade journals, government departments and so on, which have potentially already done some of the information gathering for you.

What you're looking for are the potential opportunities and the impact of possible threats upon your industry. Think about the:

- capital available to invest in new plant or equipment
- major trends that have affected or will affect the industry
- changes to government policy limiting, or opening up entry to new markets
- possibility to forge alliances with other operators to gain more buying power
- future changes to demographics in the industry eg, an ageing population will have greater reliance on the health industry in the long-term
- new competitors setting up or current competitors changing what they do
- new technologies posing a threat to your business.

The list of potential questions can be endless and no business needs to answer absolutely everything. Look at the research as a means to help your decision-making and target your questioning as appropriate.

This information forms your SWOT Analysis - what you've identified as your business' Strengths, Weaknesses, Opportunities and Threats - and can be used to support your decision-making process.

Probably you did a SWOT Analysis as part of your business and marketing planning. If so pull it out and review - don't let it sit around gathering dust. The SWOT, as with all aspects of your business and marketing plan, needs to be constantly updated and modified. The business environment is forever shifting and you've got to keep abreast of what is going on if you want to realise opportunities and plan for potential threats.



### **Quote**

*"The marketing environment is dynamic and constantly changing. A marketer needs to be alert to these changes and to constantly monitor the environment for opportunities or threats. The forces that exist within an environment can be powerful influences on the business. Some of these forces can work in conflict with or parallel to those of the business. A marketer in tune with what is going on around them will use this knowledge for direction in their business."*

*Marketing for Small Business Success, Angela Nitchov*

## ***Temperton & Associates Ltd***

Level 1  
17-19 Seaview Road  
Paraparaumu Beach  
New Zealand

Phone: 04 298 6025 or 04 570 2991

Fax: 04 298 6205

[accountant@temperton.co.nz](mailto:accountant@temperton.co.nz)

[www.temperton.co.nz](http://www.temperton.co.nz)