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Closing the skills gap in direct marketing

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Abstract

While fast growth is a factor in direct marketing's skills shortage, could the industry image and practice be creating a deeper problem? This paper proposes an industry-wide return to core vision and values: thinking, learning, and quality, supported by industry leaders.

Introduction

When I was invited by the editor to write an article on how to close the skills gap in direct marketing, I'm afraid that I shrugged rather ruefully. After 13 years in the industry (including database marketing, telemarketing etc in general terms) I am somewhere between a rookie and a veteran, and in all those years it has always been the case that we seem to have a shortage of skills.

Why does this shortage come about? There are three fairly obvious reasons. The first is that the industry has been growing like crazy. It has been a pioneering industry that has created a new infrastructure and massive operational change. I understand that over 25 per cent of TV ads now carry a direct response invitation. That's near enough a zero–25 per cent growth in a dozen years. This is not only an indicator of the change in attitudes but of an enormous increase in infrastructure, for example call centres and database handling. There are well over three billion pieces of direct mail put in the post each year and according to the latest DMA industry census over £7.2bn was invested by clients in all forms of direct marketing. So the growth rate seems to be one cause of the lack of skills.

The second is a widely recognised problem. It is the range of hybrid skills that are needed. A few years ago I called database marketing the most left brained of right brain professions. For example, we need statistical analysts who are marketing competent and marketers who are statistically competent. We need project managers who can dream up big ideas and creative types who are not afraid of details. IT and marketing skills are asked to climb into the same bed. Given the rapid growth in the industry and the functional islands that most organisations seem to consist of, there has not been enough *time* for key departments to get experience of one another. Whereas finance and IT have been collaborating since the birth of computers, and manufacturing and IT not much later, marketing and IT have only been working together for a few years (and in some companies you would be forgiven for thinking that they still don't).

Growth is a cause of shortage of skills

Hybrid skills are a challenge

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Action is being taken

Although the industry is now maturing and this means that the giddy growth rates of the 1980s have slowed down, it's probably fair to say that the problems in these two areas remain as strong as ever. This is partly because of the problem of scale. When you make an elephant 10 per cent bigger you add a lot more volume than when you make a mouse 200 per cent bigger. So each year we add the requirement for many more people, in fact more than in the 1980s. But notwithstanding the reality of these issues, I would like to strike a very personal note in this article, by looking at the third major cause of skills shortage in our industry. The problems stated here are quite well known and there are already a number of initiatives afloat to try to deal with them. The launch and growth of the DMC (now IDM) has for example been a triumph. The Chartered Institute of Marketing in partnership with the Institute of Direct Marketing have launched an NVQ. The IDM is going on a milk round of universities to make the case for direct marketing. The Royal Mail has invested in resources to skill up university lecturers, and, perhaps most important of all, the shortage of skills in the industry is hiking up salaries which is always an attractive force for new recruits.

Parallels with IT industry in 1970s and 1980s

Are we really getting the people we want?

In 1978 I converted from my first career as a teacher into selling. As I had an arts degree and had supplemented this only with experience in the world of education, I was basically pretty unqualified. I also had a wife, children and mortgage. At that time the IT industry was also growing fast and had a massive skills shortage. There was an enormous need for more professionals in every field of information technology. This included new hybrid skills, like people in sales who could talk business language but could also understand the world of computer technology, business processes and software applications. They also needed to be able to understand finance, leases, return on investment cases and so on. For example, the first computers I sold I had to make a business case to the finance directors of medium-sized businesses as to why the investment in a computer made economic sense. (How we have changed in 20 years!) I also had to do a business analysis of each organisation to work out what software systems were required and how they would benefit the client. I had to act as a middle man for clients, technicians and software professionals. So, not so different from direct marketing.

So, as a person without many commercial or technical skills, I decided that the IT industry looked quite attractive. Firstly the job looked interesting. There seemed to be some intellectual challenge and it also looked as if IT was going to produce a brave new world that took the drudgery out of work! So it looked fulfilling: and then it paid well. But most important of all, it was an industry that was willing to educate, an industry that was willing to take on bright people and equip them with the skills that they needed.

After a year in the IT support industry selling accessories I joined IBM. At that time IBM owned 70 per cent of the market, and employed 70 per cent of the world's computer scientists. It was very widely regarded as the very best company in the world and it was certainly the most profitable.

During the previous year I had been on training sessions every single month. But with IBM, training took on a different meaning. As an IBM salesman I was put on a formal programme that lasted for a whole year! Every single recruit to IBM's sales and customer support (SE) programme went on such training, whatever position they had been in before whether in IBM or any other company. The training consisted of nearly four months of formal classroom training at IBM's own education centre, plus a rigorous process of on-the-job training supervised jointly by one's manager, his manager and the education department. There were no responsibilities during this year except learning up to the standard required.

Direct marketing has an image challenge

So why am I telling this story? I hope it's not just because I'm an egotist; in fact, I hope some of the points will already be emerging quite clearly. The computing industry shared many of our problems. Like direct marketing there were shortages of skills, of quality and fears about how IT made people redundant. But it was intellectually and ethically attractive, well paid, stimulating and it took education and quality very seriously. For all that we have achieved, this is still something we could learn from. This is especially true as direct marketing's biggest problem is our *image*. And unfortunately, if it were only an image problem, it would not be so bad: but there is also substance behind the negative image. Direct mail is still, apparently, the number one pet hate of the British and if it's not number one it is there or thereabouts. 'I do direct marketing' is not a glamorous announcement to make at a party. When an above-the-line agency advertises for new employees, they get many more responses than the so-called below-the-line agencies. Marketing is fairly sexy. Advertising is pretty sexy. But direct marketing is 'something anyone can do and the people who do it for a living produce junk'. So, I think, would the mythology go. Even among practitioners, 'relationship marketing' has stolen the high ground that direct marketing craved. Ogilvy and Mather Direct has changed its name to OgilvyOne. So have other direct agencies. So if we want to get to the bottom of our skill shortage, we need to understand the root cause of our image problem. In the process of doing so, I think we will find a number of major differences between our industry and IT at the end of the 1970s, differences that are even more strongly marked if we compare it with IBM, which after all represented 70 per cent of the industry.

Image is not enough. Substance is required

A very simple model expresses how the communications business works. You might need some general image advertising to create initial awareness of the brand and therefore enough positive expectations to get customers to try the product or service. However the experience of interacting with the company and using the products or services then becomes the main force in creating the attitudes that form the ongoing brand image. If you want to attract and keep a customer, attractive advertising imagery is not enough. You also need to put some substance in the form of product design, service and relationship handling behind the ads. When we look at our own industry, we have both a poor image, and substance that falls well short of the level that's going to attract a flock of the best minds in the country.

**Direct marketers
want to do a good
job**

**Yet direct marketing
is recognised as the
'junk mail industry'**

Need for vision

At this point I should say that as someone for whom the industry has been pretty good and who has been at the heart of many of its changes over the years, I am not just being negative. There are many wonderful things, and in particular many wonderful people, and it would be easy to write a celebratory piece. But my aim is to look into the heart of darkness and see if we can't discover a way forward. Initially this process may be depressing, but as a psychologist might comment: 'People have a right to their depression. Sometimes you need to be depressed in order to decide to make a change in your life.'

What is particularly wonderful about many of the people in our industry is the fact that so many really want to do a good job. Furthermore, 'Scratch the surface of almost any well-known or active direct or database marketer and you will find someone who desperately wants to be committed to a long-term, value-added process of building loyalty, great relationships and brands, and thereby very profitable businesses. Marketers are frequently chronically cynical about their marketing and business leadership's capacity to commit to such an effective vision. Yet they know how these disciplines could really work to competitive advantage.'¹ The trouble is, while this might be *under* the surface, *on* the surface there's too much short-term thinking creating a 'culture that manipulates the mailing to optimise response and not the business to optimise sales'. Hence the growth of 'relationship marketing' as the organising idea for those who think longer term. Junk mail junks people.² And the trouble is that when we look at the three billion pieces of mail that we send out, I believe that two billion of them are probably 'advertising' good reasons *not* to join the industry. We know that ours is a 'contemporary and fundamental method of working towards more profitable and satisfying relationships with customers through the power of relevant communication and information management and the improvement of service'.³ Yet, when I left my job as managing director of The Computing Group in 1991, a major reason was because, in my opinion, of the 60 or so blue-chip clients for whom we had built relational marketing databases, the majority were not developing the creative imagination as to how to use them to build relationships. Without this, a database is only an engine for junk mail.

When you observe our industry at large, what we mostly see is a factory complex, a chain of production houses. But where is the great idea which is driving them? When I wrote *Valuing Your Customers* I was seeking to justify the real purpose and possibility of our industry, to clarify the vision of direct and database marketing and what is needed to bring it about. One of the features that has struck me over the years is that when we look on the client's side, the direct marketers have nearly always been taking direction from general marketers, and much the same has applied in most agencies. But ideas are what give shape and purpose and value to work. Without vision, says the Old Testament, the people perish. Furthermore, in our age of knowledgeable workers, power and prestige follow the idea generator. Perhaps I can explain my point by taking an imaginary scenario based around an experience a client once had.

**What added value
does direct
marketing really
provide?**

Butlers Supplies Ltd has a chain of office supply shops and a network of sales people. The marketing department looked at the way they were doing business and decided that it was time for a change. Most of the smaller shops would be closed down and over two-thirds of the sales people either converted into telesales people or 'allowed to go'. Instead of the current channels, a database should be established of office supplies buyers, a catalogue created to send to them and a call centre established to sell to and service the customers. Having made this business decision, a database marketing bureau was recruited to set up the database; a list broker was recruited to obtain the names; a call centre was recruited to set up the call centre and an agency was recruited to produce the catalogue. Printers and lettershops got into the act further downstream. And so the industry has achieved another triumph for direct marketing.

Now let's look at this a bit more closely. First, who made the big decision: was it a direct marketer? No, there may have been some advisers but the decision was made by a general marketer and the board. So they own the idea. As far as they are concerned, implementation is at best a tactical and mostly an operational issue. It's a general marketing channel decision with some media tactics (do we use sales people or the telephone or a catalogue?). And how was this actually any more 'direct' than before? Sales people are recognised as a part of the direct marketing mix. Put in clinical terms, a sales person is an addressable medium. And the shops also talked direct to customers, and if they knew them well, addressed them by name. So why is this not just a shift from one direct marketing method to another, and possibly a reduction in personal service to the customer? And why, anyway, is the industry that implements this an attractive industry to join?

Apart from all the technical changes, just two things seem to me to really distinguish the before and after, and depending on Butlers' implementation, they may not even apply.

First: what distinguishes a direct business from other businesses? I think it is that 'the people at the company know me, keep track of me as a customer and look after me'. Maybe that's done by a sales person, the mail, the telephone, a website, an account manager or telepathy, but that's the essence of successful direct marketing. In that sense, banks have been doing direct marketing for a very long time. In fact a bank statement is one of the classic pieces of direct mail. So the first thing that really justifies the growth in direct marketing and makes it something that people would want to connect to is the vision that this is an industry of people committed to making commercial relationships less impersonal and more appreciated by the customer.

Surely the vision that the direct business seeks to realise is something like the service-rich, individual treatment of customers and relevant, bespoke communication that acknowledges the history of the relationship? Direct marketing is also bespoke marketing.

The second distinguisher of *real* direct marketing is a systemic approach to the process of quality improvement. The plan, test, analyse, roll-out cycle of direct marketing is the identical cycle to what

The vision

W. Edwards Deming taught as the basic of 'kaizen' or continuous improvement.⁴ The process of creating a database so that you know everything about your customer and rigorously and continuously refine how you do things ought to be best-practice lean thinking. In that sense, although banks may have been in the business for a while they have been improving this infrastructure as they invest in marketing databases.

A 'quality' discipline

What messes things up is that there is almost no training in this and little commitment to it. The people in most organisations who are really making fundamental decisions about getting close to customers are not direct marketers, while direct marketers have been trying to develop 50 tips for improving response, like including a prize draw or a 'Johnson box' of eyecatching text above the salutation in a letter. Quality in direct marketing goes way beyond measuring single responses. Its business is measuring relationship responses. Most direct marketing is not systematically tested or even measured, nor, judging from the several thousand I have met, are most people in the industry well informed about best-practice quality improvement techniques. Am I being harsh? Probably, and I may be exaggerating (but I fear I'm not).

So, unless we demonstrate a vision of care and added value — ie doing something worthwhile — and the practice of quality, why would people want to invest their lives in our industry? As a reader, I imagine you have made that investment. So how do you respond? Is your purpose in the industry to do something you can be proud of?

What do we really need to do if we want to improve the skills in our industry?

We have to be much more interested in thinking

I'm afraid the culture of our industry is not very fond of thinking. It prefers doing. We've all been so busy that perhaps we've got out of the habit of it. We're always so busy that maybe we keep recruiting people who also like doing. My experience is that it takes only a small amount of thinking to create a lot of work for a lot of people. And if that thinking is not very good, then it's a lot of work that may not be very productive. Most of the fundamental thinking that affects the basic direction of our industry is done outside it. Of course we spend time figuring out how to improve database design or the print production process, and very valuable it is. But where are the big thoughts that determine what we're doing and what's going to be in the three billion pieces of mail or whether three billion is the right number and who's doing it?

The importance of thinking

Most of the direct marketing awards that have been given out in the last 15 years have been to reward a one-off mailing. (Thank you to the DMA and Direct Response for small changes; also to the IDM for the new Business Performance Award — a great step forward.) We need to create a culture that enjoys fundamental thinking, encouraging businesses to shape themselves to manage relationships with customers with a rigorous attention to improving quality. Each link, from the idea to the lettershop or call centre, has a part to play, but all depend on the level of vision and quality commitment that exists.

**Need investment
in education**

Commitment to education and training

We need a culture that's much more serious about education and training. My son is in the middle of a two-year full-time study course to convert from his arts degree to become a lawyer. At the end of those two years there will still be a lot of on-the-job training. By contrast, I've been running a database marketing course for the last nine years for the IDM. We've run it six times a year and every session for only two days. For nine years we've been saying that two days is too short and for nine years it's never been possible to do anything otherwise. Where's the three-month course? Or even a three-week course? I echo Professor Holder's recent suggestion that we need to invest in the intellectual and creative capital of the industry.⁵ When I worked for IBM we got four weeks of training a year. Mandatory! If we can't afford that sort of thing today then we are not making any real economic progress, in which case why we are chasing our tails so hard? Holder tells us that the majority of UK employees got little or no on-the-job training in the last two years. An industry that educates is an industry that attracts intelligence and has the skills it needs.

Leadership mission

Think-tank leadership

Can we encourage our senior direct marketers to work together to ask fundamental questions about why we're doing what we're doing? What is the purpose of all that we're trying to achieve? What do we want to be remembered for? What changes do we need to make in the way that we operate? At the heart of things is my belief that our industry has a mission to add value to society. If it is not going to do that then what is it for? (And I don't believe that making shareholders richer is enough when it comes to adding value.) There are hundreds and thousands of ways in which direct marketing has added value in improved services, communication and even thinking. We've improved deduplication and name-and-address processing, enclosing machines, databases, statistical scoring models and more. But I don't think we've put anything like enough quality time into this question.

**A sponsored
think-out**

So how about an annual 'retreat', perhaps co-sponsored by major organisations like the Royal Mail and BT, in which leaders of our industry go away for a week and ask hard questions of themselves and the industry? In the frenetic babble that passes for a good deal of what's called work life today, such a moment would not be such a bad thing, and after all it would only amount to 2 per cent of the year. But what might come of it? An industry to be proud of? Consumers and clients who demonstrate their appreciation?

A culture of quality

If you work for a conventional manufacturing company today, if for example you manufacture cars, then you will have been digesting quality techniques like statistical process control, Deming's System of Profound Knowledge,⁶ lean thinking (Womack and Jones⁷), just-in-time and so on. You will have learnt deployment flow charting, control charting, fishbone analysis, force field analysis, root cause analysis and

**Need to develop
production quality...**

more. We don't yet have a single course teaching this at the IDM. About three years ago, I researched with the IDM creating a leadership and management programme that would teach the kind of quality management techniques that are needed in our industry, but research then showed that there wasn't much interest. (Hopefully that will change.) That would almost be fair enough if it was because everybody had been going out acquiring these skills from other directions. But I certainly don't trip over it every day. I don't even find that people in agencies know how to do 'plan, test, analyse, roll-out' properly. So I'd like to see us creating more industry awards that recognise quality improvement. My hope is that we not only recover the high ground in our thinking but that we also become a beacon of production quality.

**...and quality
disciplines**

Direct businesses are ideal candidates for ABC (activity-based costing) accounting methods. Connect that to automatic control charting for our ongoing activity with customers and implement good systems thinking, and we can be the envy of the world. Companies like First Direct and Direct Line seem to me wonderful exemplars of the *idea* of what direct marketing is all about, and they're pretty good organisationally too. In fact, they are outstanding examples of customer-facing, quality companies. But it seems to me that we should not only be thinking of them as direct exemplars because they talk direct to the customer, but also because they know what each customer costs over five or ten years and have been developing systemic approaches to improving that lifetime value. The promise of quality has always been the marriage of great creative communication and service ideas that would delight a customer with creative and systematic processes that squeeze out unnecessary costs. That's the real hybrid combination for which our industry should be famous.

Conclusion

**The vision to invest
in the long-term**

We should think long term. Everything already said fits into that camp. But if we want to be thinking long term, who should we be thinking about? I suggest that it is the children in kindergarten today. I believe that what we are proving to the world is that the future belongs to those who have hybrid skills. People who are left brained and right brained, who are creative *and* rigorous. People who can think long term about a vision *and* handle today's priorities. People who have the soul to care and the head to organise. That means we need people like that to emerge into our culture. At this point, you may feel that I'm departing from the point of this paper and the business of our industry, but I hope you'll both see the relevance and be roused to be patrons of our future.

**Today's kindergarten
is tomorrow's
industry**

I'm increasingly aware of what's happening at the bottom end of our education process. And I think it's rather scary. In 20 years' time, we'll need a new influx of imaginative and creative people to be creating value in our society. The route to that imagination and creativity is significantly influenced by the experiences of early childhood. I think that's beyond dispute. Yet, whereas research across Europe is proving that children do best intellectually, creatively and academically if they begin formal intellectual and academic work

**The answer lies in
imagination and
vision**

later, and this has been acknowledged by the present government, the trend is actually towards creating more and more requirements for formal outcomes to be achieved by the very young child. This includes working with computers, learning numbers, reading and writing. While this is happening, children are not doing what they really do best: imaginative play. And imaginative play, when suitably transformed, is going to be the secret of transforming our industry. By imaginatively playing around with ideas about what adds fundamental value to the direct relationship and how to drive out costs and improve quality throughout our industry, we can achieve the kind of admiration that will have people wanting to work with us. Many parts of our industry today offer good money, but we all know the most desirable pursuit of the human being is the fulfilment that comes through personal growth and the excellent execution of a worthwhile job.

So, in conclusion, I hope that we can encourage a renewal of our vision and the practices that will make it real in the next few years as well as protecting the next generation. I hope we create a world worthy of the next generation and a next generation to develop it further. Such a vision will solve most skills problems.

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