Opinion Pieces

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The three waves of marketing

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Optimised marketing in the Internet age

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The new horizon brings fascinating opportunities for marketers. The industry is moving rapidly, and the changes are intense. In the next few years there are going to be crucial choices for direct and interactive marketers that will determine who lives to fight another day and who perishes. The good news is that marketers will be able to do truly one-to-one marketing for the first time. The bad news is that those that do not embrace the changes will find themselves squeezed out. We have reached a turning point in the history of direct and interactive marketing, and there are dramatically different rules we must now follow.

There are three distinct waves in direct and interactive marketing over the past 30 years or so that have helped us to arrive at this inflection point in our industry.

The first wave was mainstreaming. Mainstreaming happened in the mid-1970s and continued through the mid-1980s. That is the period when the direct marketing industry became mainstream, and it dates to the acquisition of Wunderman Ricotta and Kline by Young and Rubicam in 1976. Y&R decided that they were in the commercial persuasion business, not the advertising business, and that the next big discipline to be embraced was direct marketing. This marks the beginning of the modern era of direct marketing in which direct became a part of all marketing.

The second wave was database marketing. Data became a big deal during the late 1980s through the early 1990s — when database marketing really started to flourish. It was during this period that Epsilon, Acxiom and companies like Dave Shepherd and Associates made their appearance and impact. The application of database marketing became recognised as a major part of our business. Again, a key acquisition recently signalled the mainstreaming of the trend: Y&R purchased Knowledgebase Marketing.

And currently we find ourselves in the third, and most dramatic, heart-stopping and challenging wave — the Internet stage. Make no mistake about it: the big thing in marketing today, and for a long time to come, will be the Internet. Many people take it for granted today, but it is still, as they say in Silicon Valley, the new new thing. Despite current Wall Street valuations of dot.coms, the growth and viability of the Internet will continue unabated such that it will very soon become almost impossible to do any effective marketing without in some way using the technology of the Internet.

In other words, unlike almost any other marketing space that one could go into in the offline world, in the new online world technology and

Destination sites are mostly dead

You must customise and deliver your site to customers

marketing are absolutely joined. They have become one. And that is not going to change anytime soon.

Anyone who chooses to ignore the technology is going to be left behind during this third wave, and they will not be around to catch the next one. Marketers must learn the technologies. They must not only study and deploy the technologies, but also understand them at a level at which they can adopt and evolve the technologies for their own purposes along the way.

The top few Internet portals have achieved, or will soon achieve, profitability and will survive — AOL, Yahoo, MSN, Excite. But as many Internet companies struggle toward profitability, the pace of consolidation will accelerate rapidly. In every sector of media and marketing, businesses are collapsing, merging or acquiring competitors. The most notable examples are the mergers of America Online and Time Warner and of CBS and Viacom, but these are certainly not the only ones.

The net result is that the destination site — the first battalion on the beaches of the new economy — is effectively dead as a marketing model, except for the few super-portals. According to Jupiter Communications, 71 per cent of online ad revenue is concentrated within the top 15 websites. The top 15 advertisers concentrate their spending on the top 15 sites. So this means that below the top, you are going to have rough sledding with an ad revenue model. And it also means that marketers do not have a lot of traffic to play with.

What has been the result? Well, look no further than the earnings warnings and current valuations of Internet advertising agencies. Simply put, there are far too many ad-based sites on the market for the ad dollars available, and this cannot and will not last. It means that below the top, prospering on the Web will entail mastering the skills and technologies of one-to-one interaction.

As this current wave plays out, we will witness an almost complete migration to online interactivity and the adoption of a truly holistic approach to marketing. Until recently, the online and the offline marketing worlds were, and to some extent still are, separate and not co-dependent. The last true technological impact on marketing was the advent of television and the addition of cable. Perhaps even telephones and credit cards were recent technological enablers of direct marketing, but those are now more than 20 years old.

In light of this, the business model that direct and interactive marketers have to adopt is one that uses technology to customise the company's marketing efforts directly to the individual consumer. Marketers need to customise the Web experience wherever the company touches the customer — not just within the confines of a banner ad or a website.

Marketers must customise and deliver the company's website to its customers, not the other way around. Back in the early days of the Internet, the objective behind much of the marketing was simply to drive traffic — or eyeballs — to your site. Companies spent millions of dollars on a single Super Bowl ad, bought large billboards and ran full-page ads in industry publications. Companies also sent e-mail campaigns in the hope that consumers would click through to the site and begin a spasm of

‘click to buy’ shopping and responding. That was the philosophy of the time. It was perceived as a virtual land grab — drive traffic and build the brand.

But things are different now. The new wave dictates that marketers must learn how to send the company’s website to its customers. It is no longer ‘Hey, please come see me! I think I have some items that you may be interested in.’ It is ‘Please take a look at these items that I have selected especially for you because I know these suit your tastes and needs.’

The businesses that are able to grow their e-mailable customer list universe, that are able to capture customer information so that they can maximise their opt-in permission-based marketing customers, and then have the technological smarts to support optimising their online relationships, are going to be the winners of tomorrow in marketing. Everyone else will be forgotten. It is tough but true — adopt or perish.

The real fundamental aspect of all this is possible only because of one recent development: we are living in an age when a company’s machines are learning to interact individually with people.

For example, AllBusiness.com, a Web-based service that helps small businesses manage and grow their business, monitors their campaigns in real time to test which offers or campaign content are receiving the highest response rates and, conversely, which are drawing the least interest. They can then change the content and offers to optimise their presentation to the marketplace.

Another example is personalised interactive marketing using rich media. A seemingly complex process, it is relatively simple once set up. A flash file, along with almost all the video file, is already loaded into the message. The file then draws the individual name from the campaign server, and matches the profile to the right flash content.

There is a strong case for using customisation to personalise the Web experience. But how do marketers avoid the pitfalls of earlier, failed, Internet marketing techniques?

Fatigue kills

Marketers need to go back and take another look at what happened to the online advertising industry, and ascertain why it imploded by reaching the burnout and fatigue level so quickly. However, marketers will not see severe fatigue with optimised interactive marketing.

One of the most obvious differences is that online advertising was never, ever, permission based. It is ‘Hey, you’ — or interruption — advertising. Secondly, online advertising was a novelty. Once the novelty wore off and it became clear that online advertising had a fairly limited ability to target consumers accurately, the party was over.

So, it was inevitable that fatigue developed with online advertising. There will also be fatigue with online direct marketing, but it will not be the same. Why? Because optimised interactive marketing is permission based. That is, quality online direct marketing is permission based. The antidote for the fatigue is to embrace online permission-based marketing and also to embrace the philosophy of interactive technology that makes the experience relevant and rewarding for the consumer.

However, the more marketers try to spray unwelcome messages around,

**The right offer to the
right person at the
right time**

the more marketers will contribute to this fatigue. Marketers need to work hard to understand the online consumer and to make sure that they are satisfied with their opt-in relationship. The technology must present the right person with the right offer at the right time. If marketers do this, and if they do it right, they will avoid the fatigue that we have witnessed with banner advertising. Marketers will witness not just growth, but tremendous growth.

As marketers learn how to mass customise our marketing equations at the personal, individual level, and integrate it flawlessly with the Internet, the growth of online commerce will be secure. There will be no turning back, but only going forward. An example is a benchmark platform that includes points of relevant data like the best time of day to produce high click-through and conversion rates. With the benefit of that information, marketers can develop simple algorithms to optimise the performance of outbound messages.

**Effective response
processing**

And marketers are realising that dissemination of messages is only 50 per cent of a campaign. The other half is how the response is treated, and we need to think harder about optimising responses. It is not enough to launch outgoing campaigns — marketers also need to be smart receivers of responses in the business. That two-way process is optimised interactive marketing. Campaigns are optimised not only by customer consent, but also by what happens when there is a response from the campaign. This response could take the form of a sale, for example, or an action such as the forwarding of the message by the original recipient to a friend or colleague.

Once marketers learn to optimise and do it right, the online experience for the consumer will be superior to what they experience anywhere else. The Internet will be clearly established as the channel for real-time two-way interactions with a company.