

5 The best customers are loyal ones

This old marketing trope was put to the sword when the Ehrenberg-Bass Institute for Marketing Science at the University of South Australia examined buying patterns in 19 packaged product categories such as coffee, ice-cream and cereal. Customers who are ostensibly 100 per cent loyal to a brand buy a fifth as much as multi-brand shoppers, the researcher found. The study revealed the same patterns among banking and telecommunications customers. This is because most customers are, in fact, promiscuous and no loyalty program can mend their ways, the institute's director, Byron Sharp, says. Accordingly, he urges companies to shift their marketing efforts from retaining to acquiring customers. Making products or services available both physically (distribution) and mentally (advertising) to shoppers is the best way to win their custom the next time – and there will be a next time – that they change brands.

LOW-VALUE CUSTOMERS ACROSS SERVICE MARKETS

	Totally loyal %	Multi-brand %
Business banking – deposits	31	34
Business banking – borrowing	38	23
Personal banking – deposits	69	58
Personal banking – lending	44	36
Monthly telecom – residential	62	54
Monthly telecom – business	55	42
Average (low-value customer)	50	41
Average (high-value customer)	28	38

Source: Ehrenberg-Bass Institute for Marketing Science

6 Direct mail is dead

For a corpse, direct mail is doing a good impersonation of a thriving marketing medium. The volume of direct mail increased by 8 per cent in 2006-07 and a record 9 per cent in 2007-08, Australia Post says.

Even in this financial year's "much tougher market", Australia Post's national manager for mail marketing, Mark Roberts, is still predicting another, although smaller, increase.

"It is not cool but it works," he says.

It is working because of – not in spite of – newer marketing mediums such as email and social networks. These latter mediums creating a much larger amount of digital clutter to sift through compared with direct mail.

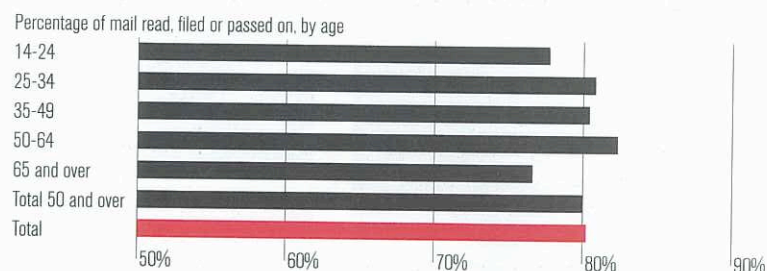
Households receive an average of three letters a day compared with tens, if not hundreds, of emails. "The bottom line is the letterbox is a very uncluttered channel," Roberts says.

In any case, direct mail and email can be complementary. Roberts cites United Kingdom research showing that the mediums bring different strengths to a promotional campaign.

Consumers say email is fast as well as easy to respond to and pass on to friends and family.

However, direct mail is better at grabbing their attention, making them feel valued and getting them to act.

PROMOTIONAL MAIL



Source: Roy Morgan Research. Year ending December 2007

7 Customers know what they want

If they did, they would not be punishing United States vehicle makers General Motors and Ford today for giving them what they wanted just two years ago: petrol-quaffing four-wheel drives, Melbourne Business School philosopher-in-residence John Armstrong suggests.

"The whole era of consumerism has been marked by increasing sophistication in the techniques for discovering what people want today," Armstrong says. "But innovation isn't a response to what people want today.

It is anticipatory. It sets out to answer the question, 'What will people want in the future?' That's the question US car makers either didn't ask seriously, or answered wrongly.

"They were seduced into thinking they were in the business of making kinds of vehicles rather than recognising that a car is part of an attempt to live a good life.

"Fuel-intensive status symbols are not really a very accurate solution to the problem of living."

To improve their accuracy, more companies are following

Armstrong's advice and junking conventional market research.

Instead of commissioning reports, surveys and focus groups, so-called "design thinkers" simply watch people walking, shopping and going about their normal lives.

This is how global design firm IDEO discovered that, while adults hold a toothbrush in their fingertips, children wrap it in their fist.

The result: the first but now ubiquitous children's toothbrush with a fat, squishy handle. **BRW.**