

Demand for Customized Communications by Advertising Agencies and Marketing Executives

By
Patricia Sorce, Ph.D.

Professor, School of Business

Barbara A. Pellow

Gannett Distinguished Professor,
School of Print Media

Rochester Institute of Technology

A Research Monograph of the
Printing Industry Center at RIT

October 2003

No. PICRM-2003-08

Demand for Customized Communications by Advertising Agencies and Marketing Executives

By
Patricia Sorce, Ph.D.
Professor, School of Business

Barbara A. Pellow
Gannett Distinguished Professor
and Chair, School of Print Media

Rochester Institute of Technology



A Research Monograph of the
Printing Industry Center at RIT
Rochester, NY
October 2003

With Thanks

The research agenda of the Printing Industry Center at RIT and the publication of research findings are supported by the following organizations:



Table of Contents

Executive Summary	3
Introduction	7
Methods	9
Results	11
Discussion and Implications	19
References.....	23

Executive Summary

Mass customization and one-to-one marketing strategies have greatly impacted business practices in the last decade. This has been true in advertising where marketers can effectively customize a message based on the nature of the receiver, deliver it in a cost-effective way, and obtain feedback regarding its effectiveness. The purpose of the present study by the Printing Industry Center at the Rochester Institute of Technology (RIT) is to benchmark the amount of personalization and complexity of personalized advertising in the U.S. Two distinct populations, advertising agencies and marketing executives, were sampled to measure their current usage patterns and their underlying motivations for recommending personalization within the context of media planning and campaign execution.

The objectives of the research were:

1. To define the dynamics between the advertising agency, the marketing executive, and the print services provider relative to media decisions and campaign direction.
2. To reveal the current preferences for print or non-print marketing programs and perspectives on the best media options for personalized campaigns.
3. To determine the amount of variable information or personalization used and the degree of complexity of the customized communication.
4. To understand the barriers to and facilitators of the implementation of a personalized communication strategy.

5. To determine who measures the effectiveness of a campaign and how it is done.

The advertising agency respondents were drawn from The Red Book list, which contains detailed profiles of more than 13,000 U.S. and international advertising agencies. A total of 250 advertising agencies completed a 30-minute telephone interview in the spring of 2003. The marketing executive sample was drawn from the Dun and Bradstreet list and was restricted to financial services firms, manufacturers, and retail firms. A total of 1,999 firms were contacted by phone to produce the 205 completed surveys.

The results, by research objective, are:

Dynamics Among Firms Impacting Media Choice

- Over half (53%) of marketing executives in the sample had used an advertising agency in the past year. Only 36% reported that the advertising agency bought print on their behalf.
- Approximately one-third of marketing executives printed almost all marketing materials internally.
- Media choices for advertising revealed the integrated nature of campaigns. Magazines and newspapers led the way for both advertising agencies and marketing executives, making up 31% and 35% of their respective allocations. Collateral and direct mail made up a total of 23% of advertising agencies' media allocations and 31% of marketing executives' allocations. Advertising agencies spent a higher proportion of the media budget on

Executive Summary

broadcast television and radio than did the marketing executives.

- The type of media purchased by advertising agencies varied according to their client base. Those that served primarily business-to-business (B2B) clients bought more collateral, direct marketing, and magazine advertising. Those that served primarily business-to-consumer (B2C) clients bought more broadcast TV, radio, and newspaper advertising.
- Advertising agencies were asked to indicate up to five factors that drove the media choices for campaigns. Target market selection or demographic was the top factor at 71%. Cost/budget was the second most important factor at 63%; marketing strategy was third at 56%. ROI target was important to 31% of respondents. The least important specific factor driving media choices for campaigns was the need for a personalized message (14%).

Use of Personalization

- An average of 23% of the work completed by advertising agencies involved personalization. Nearly 20% of advertising agencies had not produced a personalized campaign in the past year. An average of 33% of marketing executives' campaigns involved personalization. Only 3% of the marketing executives had not produced a personalized campaign in the past year.
- When asked, "To what degree are the messages customized?", both advertising agencies and marketing executives responded that nearly half of their campaigns used the lowest level of complexity, the mail-merge option, including only a variable address and/or salutation. Only 27% of advertising agencies and 18% of the marketing executives used graphics in the customized messages.

- Over three quarters of advertising agency clients (79%) who requested personalization were categorized as small, with annual revenues of \$100 million or less. Nearly half of clients (47%) who requested personalization were categorized as B2B companies. The two most common industry classifications for clients who requested personalization were manufacturing and retail, both at 40%. The third most common industry classification for clients requesting personalization was financial at 34%.
- In response to the question of which types of media are best for personalization, 86% of advertising agencies indicated that direct mail was the best. E-mail was rated as effective by 56% and customized Internet pages were rated as effective by 35%. Phone/call center/telemarketing was the lowest rated medium for personalization at 18%.

Barriers to Using Personalization

- Nearly two thirds of both groups were aware of the new print technologies used for personalization. However, while over half of the advertising agencies said that they had shown samples to their corporate clients, only 36% of the marketing executives reported that they had seen samples demonstrated by their agencies.
- The biggest specific obstacles keeping advertising agencies from recommending personalization strategies to their clients were price and lack of a suitable database. For the marketing executives, the lack of resources (money, databases, people, or knowledge) and lack of need were the top obstacles mentioned.
- The marketing executives were asked if they used a customer relationship management (CRM) system. Only 21% indicated that they did.

However, almost all had a customer database. In managing the customer database, nearly 60% used sales force management capabilities, 31% used data mining, and 28% used campaign management.

Measuring Campaign Effectiveness

- We found that advertising agency and marketing executive perceptions differed on this issue. Seventy-five percent of marketing executives said that they measured campaign results, whereas only 37% of advertising agencies indicated that their clients, the marketing executives, measured the results. Sales leads, a change in sales, number of orders, and response to direct mail were used to measure results by 45 to 50% of the marketing executives.

In order for the demand for more complex levels of customized communications to grow, advertising agencies and their corporate clients must perceive the importance of personalization strategies in campaign planning. While there is still a need to build awareness, there is even greater need to communicate the cost/benefit advantages to customized communication. With reduced marketing budgets and intense ROI pressure, advertising agencies should find that their marketing executive clients are searching for proven techniques that will help them achieve better business results. Creative and cost-effective solutions using digital color printing technology to produce eye-catching, relevant direct postal mail will appeal to the marketing executive, particularly to those who are in smaller, B2B firms.

Introduction

The purpose of the present study was to benchmark the amount and complexity of personalized advertising in U.S. It was one part of the research program of the Printing Industry Center at Rochester Institute of Technology (RIT), whose mission is to understand the major business environment influences on the printing industry precipitated by new technologies and societal changes. The monograph combines the results of two parallel research studies that investigated the factors that impact print media choice and customized communication use in advertising among advertising agencies and their clients, the corporate marketing executives.

The perspectives on media planning and campaign execution of two distinct populations were captured: that of the key influencers, the advertising agencies, and that of the final decision-makers, the marketing executives. Since the marketing executives outsource services to advertising agencies, they are crucial partners in the determination of the campaign strategies to be delivered. In addition, many firms do not use agencies, but set campaign strategy and execution on their own. If the implementation includes print media, particularly direct mail, firms may either print in-house or outsource to a print services provider. In the latter case, they often use the print services provider as a marketing communication consultant. Therefore, the first research objective was to **understand the dynamics between the marketing executive, the advertising agency, and the print services provider in determining advertising media choices.**

A key challenge in media planning is to adapt the media mix to meet today's changing landscape. The goal is to make the most of the media dollars spent. We will examine the media spending trends for both marketing executives

and advertising agencies. In particular, we are interested in how print fares compared to other media options in this Internet era? The second research objective was to **define the current media mix and the perceptions towards the efficacy of print advertising.**

A third objective involved **defining the amount and complexity of the customized communication currently used.** Mass customization and one-to-one marketing strategies have greatly impacted business practices in the last decade (Peppers & Rogers, 1993 and Gilmore & Pine, 1997). Customized communications are used to improve the effectiveness of direct response advertising by targeting customers who have a known need or interest in the product. This results in improved response rates to typical direct response advertising (Morris-Lee, 2002 and Postma & Brokke, 2002).

However, customized communications can be accomplished without detailed information about a customer (McKim, 2002). Personalization at its most elementary level can be produced simply by purchasing lists of prospective customers that fit a specific demographic or lifestyle profile using database marketing practices. In this case, the only data that is unique to the individual receiving the advertisement is name, address, and salutation. More complex customization would use data linked to a specific customer's behavior to produce advertising material that varied the content of the message, using either text or graphics. This type of personalized printing is made possible by digital color printing technology.

Digital color printing technology was first introduced in 1993. Among the advertised capabilities were short runs, fast turnaround, and virtually no make-ready (Toth, 2001). In

spite of the new possibilities that variable-data printing offers to the printers, 10 years after its introduction the technology is still underutilized. Surveys conducted by WhatTheyThink.com (2001 and 2003), a leading online research firm in the graphic arts industry, show that although 46% of the print customers are either very or extremely interested in on-demand printing, only 21% are currently using variable-data printing. Previous studies suggest several reasons for such low market response to the technology. Insufficient customer data and high cost per piece of variable-printed publications (Smith, 2001) are the most commonly cited. Other barriers to use are lack of awareness of digital color printing technology and the lack of a detailed customer database infrastructure. The fourth objective of the research was to **determine the barriers to and facilitators of the implementation of customized communication.**

The need for customized communication may arise from the quest for more efficient use of marketing dollars rather than the desire to treat each customer as an individual. In a recent roundtable conversation, many media planners observed that media planning is coming under more pressure to make the most of media expenditures (Mediaweek, 2003.) Direct marketing methods, in general, are well-positioned to deliver the accountability from marketing programs that clients are demanding in this economic climate. Whether what is needed is a measure of lifetime value, ROI, or cost-per-response, direct marketing has the advantage of a built-in measure of response. Our final objective was to examine the current methods of measuring campaign effective-

ness. If the measurement methods are not used widely, it becomes more difficult to prove the efficacy of a new marketing approach or medium. The demand for even the most elementary form of customized communication will depend on its value proposition, which requires having a systematic measurement of campaign effectiveness in place.

In sum, the objectives of this research program were:

1. To define the dynamics between the advertising agency, the marketing executive, and the print services provider relative to media decisions and campaign direction.
2. To reveal the current preferences for print or non-print marketing programs and perspectives on the best media options for specific types of campaigns.
3. To determine the amount of variable information or personalization used and the degree of complexity of the customized communication.
4. To understand the barriers to and facilitators of the implementation of customized communications.
5. To determine who measures the effectiveness of a campaign and how it is done.

ADVERTISING AGENCIES

Sample

The sample of 5,325 unique records was randomly selected from The Red Book list, which contains detailed profiles of nearly 13,500 U.S. and international advertising agencies. The agencies in the study were randomly selected by an automated phone dialing system. A total of 731 advertising agencies were contacted by phone to produce the 250 completed surveys for a completion rate of 34%. Of these 250 surveys, we established a quota of 100 completed questionnaires from direct-marketing agencies.

The advertising agencies that participated in the survey had an average of 56 employees, and their average annual billings were \$26 million. Grouping the advertising agencies by billings revealed that 48% of those surveyed had \$5 million or less in annual billings. Thirty-nine percent of the advertising agencies surveyed had \$5,000,001 to \$50 million in annual billings. Advertising agencies with over \$50 million in annual billings represented 13% of the respondents.

The advertising agency respondents had worked an average of 19 years in the advertising industry; in addition, they had worked an average of 10 years for their current employers. Sixty-four percent of survey respondents had obtained a college degree, and 20% had received a graduate degree.

Questionnaire

The choice of specific questions to ask was based on insights obtained through in-depth interviews with a number of advertising agencies about their interactions with clients, their media attitudes, and their experiences with personalized print. The final wording and order

of the questions and the percentage responding to each question is presented in Appendix B of the original Printing Industry Center monograph, *The Advertising Agency's Role in Marketing Communication Demand Creation* (PICRM- 2003-05), found online at <http://print.rit.edu>.

Procedure

A screener was used to identify the role of the interviewee within the advertising agency. The following titles qualified: media director, print production director, account executive, or creative director. Quotas were set for respondents who were classified as strategy-focused only (n=100) or production-focused (n=150).

MARKETING EXECUTIVES

Sample

The sample of 4,312 records was drawn from the Dun and Bradstreet list and was restricted to financial services firms, manufacturers, and retail firms. A total of 1,999 firms were contacted by phone to produce the 205 completed surveys. Of the completed surveys, 55 were from financial services firms, 100 were from manufacturing firms, and 21 were from retail establishments. Because we had difficulty filling the retail quota (we sought 50 retailers), we added 29 firms from a variety of other SIC codes. The list of SIC codes in the final sample are presented in Appendix A of the original Printing Industry Center monograph, *Marketing Communications Demand Creation: Marketing Executive Study* (PICRM-2003-06).

The final sample consisted of 67% male respondents, nearly all of whom had graduated from college or had graduate degrees. The respondents were asked about their roles in

Methods

selecting media for their company's marketing campaigns. Nearly 70% responded that they were part of a group of decision-makers while one quarter indicated that they were the sole decision-makers regarding the selection of media.

Almost half of the respondents were from smaller firms (under 60 employees), and 26% were from larger firms (with 240 employees or more). Sixty-seven percent of the respondents characterized their firms as business-to-business (B2B) companies; only 23% characterized their firms as business-to-consumer (B2C) companies.

The median size of the annual marketing communications budget was \$300,000. The average size of marketing communication

budget was 6.9% of revenue (with a median of 2%). The respondents indicated that this figure did not include sales force compensation.

Questionnaire

Insights into the specific questions to include were obtained by conducting in-depth interviews with a number of marketing executives about their interactions with advertising agencies, their media attitudes, and their experiences with personalized print. The final question wording and order, along with the percentage responding to each question, is presented in Appendix B of the original Printing Industry Center monograph, *Marketing Communications Demand Creation: Marketing Executive Study* (PICRM-2003-06).

OBJECTIVE 1:

To define the dynamics between the advertising agency, the marketing executive, and the print services provider relative to media decisions and campaign direction.

Primary Services Provided by Advertising Agencies

Advertising agencies were asked to name the top three services that they provide. Media planning/buying was the most common response; nearly half of the advertising agencies (48%) indicated that as their primary service. Creative development was the second most common response, with 43% of advertising agencies choosing it as a primary service. Customer relationship management was the least common answer at 9%. Table 1 provides a complete summary of the responses.

Advertising agencies have a distinct impact on the printing industry. It was found that 83% of the advertising agencies surveyed buy print for their clients. The average amount of printing purchased by advertising agencies on behalf of their clients was \$1.5 million (median amount spent was \$400,000). Advertising agencies worked with an average of seven printers. When asked about the nature of the technology, advertising agencies reported that traditional printing technology (offset, flexography, and gravure) accounts for nearly two-thirds (62%) of the printing services purchased, while digital printing technology accounts for 38%.

Use of Agencies by Marketing Executives

Examining the use of advertising agencies from the marketing executive perspective, we found

that nearly half (53%) of marketing executives in the sample had used an advertising agency in the past year. Only 36% reported that the advertising agency bought print on their behalf. Seventy percent worked with the advertising agency on a project-by-project basis, and 30% did so on retainer. Financial services firms and large firms were more likely to use agencies.

Approximately one third of all marketing executives surveyed printed almost all marketing materials internally. Over two-thirds of the respondents used the following print technologies for their in-house printing: laser printers, black-and-white copiers, in-line ink jet printers, and digital color production copiers. Another third designed the materials in-house and then outsourced printing to a print services provider. The marketing executives surveyed indicated that they worked with a mean of 3 (median of 2) printers.

Primary Services	Percent Answering Yes
Media planning/buying	48%
Creative development	43%
Graphic design	28%
Sales promotion/collateral development	25%
Public relations	23%
Brand consulting	23%
Direct marketing	22%
Digital branding/Web development	19%
Corporate identity	17%
Other services	12%
Customer relationship management	9%

Note. Based on top three responses.

Table 1. Primary Services Provided by Advertising Agencies

Results

Criteria	Importance Rating by Advertising Agencies	Importance Rating by Marketing Executives
Dependability	9.5	6.6
Print quality	9.1	6.4
Turnaround time	8.4	5.8
Ease of doing business	8.2	6.1
Price	7.9	5.6
A specific technology	6.9	3.6
Unique capabilities	6.0	3.2
Geographic location	5.8	3.7
Ability to print on a wide range of paper stocks	N/A	4.2

Note. On a scale of 1 to 10, with 10 being most critical.

Table 2. Print Services Provider Selection Criteria

The marketing executive respondents were then asked if they were providing or taking direction from their advertising agency in regards to campaign strategy. Nearly 65% of those who used an advertising agency indicated that they provided direction, and 32% of firms said that they collaborated with their advertising agency. We also asked this question of the advertising agency respondents, and we obtained very different results. Forty-seven percent of advertising agencies reported that they provided direction to the client in matters of campaign strategy, while 42% of advertising agencies collaborated with their client on matters of campaign strategy. Only 8% of advertising agencies took direction from the client.

Media	Advertising Agency	Marketing Executive
Newspapers and magazines	31%	35%
Broadcast TV and radio	18%	7%
Collateral	12%	16%
Direct mail	11%	15%

Table 3. Media Allocation

Printer Selection Criteria

What are the important decision criteria in selecting a print services provider? There was great consistency in rankings of the criteria for the advertising agency respondents and the marketing executives. As Table 2 shows, price is not the most important selection criterion when it comes to print. Dependability, print quality, turnaround time, and ease of doing business are the most important criteria in selecting a printer.

OBJECTIVE 2: To establish the current preferences for print or non-print marketing programs and the perspective on the best media options for personalized campaigns.

Integrated media plans are becoming the norm, according to advertising agencies and marketing executives alike. Touching customers in various ways is proving to be an effective marketing technique. These preferences are reflected in the media selection habits of the two groups (see Table 3). Magazines and newspapers led the way for both advertising agencies

and marketing executives, as they made up 31% and 35% of their respective allocations. Collateral and direct mail made up a total of 23% of advertising agencies' media allocations and 31% of marketing executives' allocations. Advertising agencies spent a higher proportion of the media budget on broadcast television and radio than did the marketing executives.

The amount of media purchased by advertising agencies varied by their client base. Those that served primarily B2B clients bought more collateral, direct marketing, and magazine advertising. Those that served primarily B2C clients bought more broadcast TV, radio, and newspaper advertising.

But media buying is changing on an annual basis. Seventy-five percent of advertising agencies and 39% of marketing executives had altered their media mix within the past year. Advertising agencies are adding print, direct mail, and broadcast media to their media mix. Marketing executives are increasing their Internet presence, while also adding direct mail and e-mail.

Media Choice Decision Criteria

Advertising agencies were asked to indicate up to five factors that drove their media choices for campaigns (see Table 4). Target market selection or demographic was the top factor at 71%. Cost/budget was the second most important factor at 63%; marketing strategy was third at 56%. ROI target was important to 31% of respondents. The least important specific factor driving media choices for campaigns was the need for a personalized message (14%).

Recommending Print as a Marketing Communications Tool

Both marketing executives and advertising agency respondents were asked in what situations they recommended print as a marketing communications tool. Again, there was similarity in the rank ordering of the top situations for both samples; however, a higher percentage of advertising agencies indicated that they "always" recommended print for most of the situations listed. As Table 5 shows, the

Factors	Percent Answering Yes
Target market selection or demographic	72%
Cost/budget	63%
Marketing strategy	56%
Past history of success	43%
Client specifications	35%
ROI target	31%
Creative flexibility	23%
Need for measurement	19%
Time available	15%
Availability of data/databases	15%
Need for a new look	15%
Need for personalized messages	14%

Note. Respondents could indicate up to five factors.

Table 4. Factors Driving the Media Choices in a Campaign

Situations Recommending Print	Advertising Agency "Always"	Marketing Executive "Always"
Introduce a new product	77%	62%
Promotions or special offers	75%	49%
Increase brand awareness	74%	38%
Brand positioning	70%	33%
Sales support	67%	24%
Customer retention/loyalty	65%	33%
Lead generation	62%	22%
To drive retail traffic	58%	24%
Customer acquisition	57%	31%
Cross-selling/up-selling	49%	25%

Table 5. Recommending Print as a Marketing Communications Tool in Specific Situations

introduction of a new product was the most common situation in which print was recommended as a marketing communications tool: 77% of advertising agency respondents "always" recommend it and 62% of marketing executive

Results

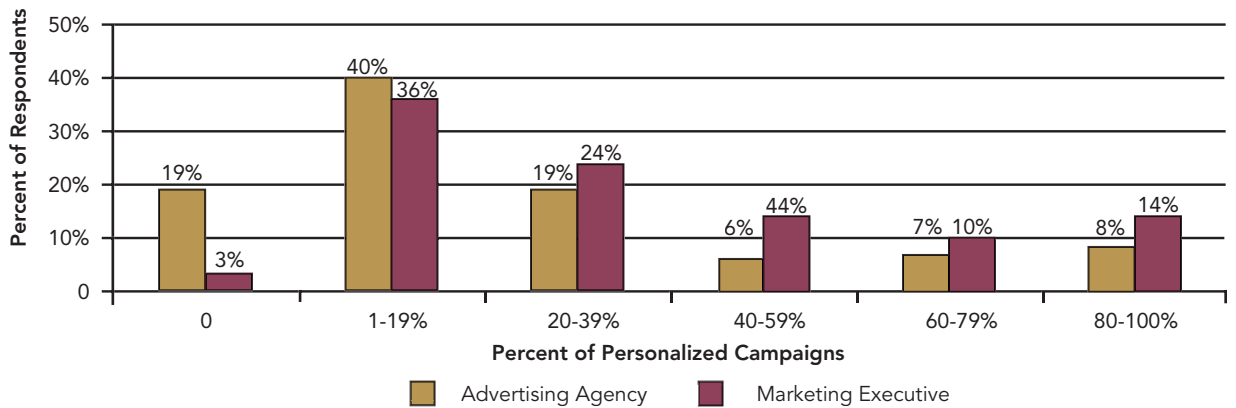


Figure 1. Annual Amount of Personalization Used (n=139)

respondents “always” recommend it. The second most common response was promotions or special offers at 75% and 49%, respectively. Increasing brand awareness followed at 74% and 38%, respectively. Cross-selling/up-selling was the least recommended situation for advertising agencies at 49%, and lead acquisition was the least-recommended situation for marketing executives, at 22%.

OBJECTIVE 3: To determine the amount of variable information or personalization used and the degree of complexity of the customized communication.

Figure 1 illustrates the distribution of the annual amount of personalization used by advertising agencies and marketing executives.

An average of 23% (sd = 27.11) of the work completed by advertising agencies involved personalization. The median value was 10%. Nearly 20% of advertising agencies had not produced a personalized campaign in the past year. An average of 33% of marketing executives’ campaigns involved personalization; only 3% had not produced a personalized campaign in the past year.

In answer to the question regarding the extent to which the messages were customized, respondents were asked to distribute 100 points among five levels of complexity to indicate how often they used each level. The levels of complexity of the personalized advertising are defined in Table 6. Both advertising agencies and marketing executives responded that nearly half of their marketing campaigns used only the lowest level of complexity, the mail/merge option including only a variable address and/or

Level	Advertising Agencies Answering Yes	Marketing Executives Answering Yes
Variable address and/or salutation	46%	50%
Variable address and/or numerical information in <i>fixed</i> fields	15%	19%
Variable address, text, and numerical information in <i>dynamic</i> fields	12%	14%
Variable text or numbers and <i>graphics</i>	14%	10%
Variable text or numbers and <i>variable graphics</i>	13%	8%

Table 6. Levels of Complexity Used in Personalized Advertising

Awareness Statement	Advertising Agencies Answering Yes	Marketing Executives Answering Yes
I am aware of new print technology for personalization.	64%	62%
I have (been) shown samples of printed communications using these new technologies.	57%	36%

Note. Responded with a 4 or 5 on a 5-point scale, where 5 means strongly agree.

Table 7. Awareness of Personalization Print Technologies

salutation. Only 27% of advertising agencies and 18% of marketing executives used graphics in the customized messages.

Advertising agencies that offered direct marketing as a primary service created the same percentage of personalized campaigns as those for which direct marketing was dictated by the client base (B2B or B2C). There was also no significant difference in the complexity of the customized communications produced by these two advertising agency groups. Correlations between advertising agency size and amount or complexity of the customized communication were not significant either. For the marketing executive sample, an analysis of variance revealed no statistically significant differences in the amount of personalization based on industry segment.

Types of Clients Requesting Personalization

Advertising agency respondents who answered that their work involved some variable information or personalization were asked to answer a series of questions about clients who typically requested personalization in their campaigns. Over three quarters of clients (79%) who requested personalization were categorized as small, with annual revenues of \$100 million or less; 15% of clients requesting personalization are categorized as medium, with annual revenues of \$101 million to \$1 billion. Only 6% of clients requesting personalization were categorized as large, with annual revenues of over \$1 billion.

Nearly half of clients (47%) who requested

personalization were categorized as B2B companies; 42% of clients who requested personalization were categorized as B2C companies. The remaining 11% were categorized as both.

The two client industry classifications that most often requested personalization were manufacturing and retail, both at 40%. The financial industry requested personalization the third most often, at 34%, and the pharmaceutical industry requested personalization the least often, at 16%.

Types of Media Best for Personalization

In response to the question of which types of media are best for personalization, advertising agencies indicated direct mail at an overwhelming 86%. E-mail was rated as effective by 56%, and customized Internet pages were rated as effective by 35%. Phone/call center/telemarketing was the lowest rated medium for personalization at 18%.

OBJECTIVE 4: To understand the barriers to and facilitators of the implementation of customized communications.

In order to use customized communication, one must be aware of the technology capabilities. As noted in the Table 7, nearly two thirds of both groups were aware of the new print technologies used for personalization. However, while over half of the advertising agencies had

Results

shown samples to their corporate clients, only 36% of the marketing executives reported that they had been shown samples by their agencies.

Biggest Obstacle in Recommending Personalization Strategies

Advertising agencies that reported that less than 10% of their work involved variable information or personalization were asked why they did not use more. The biggest specific obstacle keeping these respondents from recommending personalization strategies to their clients was price, at 28%, with lack of a suitable database following at 23%. Nearly half of the respondents (46%) stated that “some other obstacle”

Source of Data Entry	Percent
Manual data entry from paper forms	79%
A telephone sales representative enters the data (e.g., call centers)	58%
Web site data capture of visitors or online ordering	48%
Automatic data entry via e-mail contact with customer	39%
Downloading from outsource services vendor (e.g., fulfillment service)	30%
Data collection at retail outlets	24%
Other	15%

Table 8. How New Data is Entered into Marketing Databases

Software Used	Percent
Sales force management	57%
Data mining	31%
Campaign management	28%
None of these	21%
Data cleansing software	20%
Digital asset manager	6%
Not sure	6%

Table 9. Software Used in Customer Database Management

kept them from recommending customized communication to their clients. Of this last group (n=18), 29% said that there was a lack of need for this type of strategy.

The marketing executive respondents who reported using a lower level of personalization were also asked about the obstacles. Lack of resources (money, databases, people, or knowledge) and lack of need were the top obstacles mentioned.

Infrastructure Requirements: Marketing Databases

The marketing executives were asked a variety of questions about their current database infrastructures. First, they were asked if they maintained a database of their customers internally or if they outsourced it. The majority (94%) of the respondents indicated that they maintained the database internally, while 5% outsourced it and 1% did not have a database of customers.

The marketing executives were then asked how new data was entered into the database. Most respondents (79%) used manual data entry. Fifty-eight percent of respondents used telephone sales representatives, and 48% used Web site data capture. Statistical testing indicated that those with an advertising budget in excess of \$1 million utilized data collection at retail outlets and downloaded data from an outsource services vendor more frequently. When asked about the “cleanliness” of the data in their customer database, 60% of the respondents indicated that their database was clean.

Software Applications

The marketing executives were asked to indicate what software applications they used to manage their customer database. Although 64 respondents answered this question, 160 software packages were listed. Of those packages, 17% of the respondents custom-built their software, and another 17% used a Microsoft® software application.

The marketing executives were asked if they used a CRM system and the majority (79%) indicated that they did not. The software used by those who did use a CRM system varied widely. There were no differences by size of

Enterprise Solutions	Percent
Software (generic), campaign management, integration of new equipment	17%
Implementation of current CRM/DB, clean DB; accessible to all	9%
More money	9%
Nothing	9%
New CRM package, program, system	8%
More staff; more MIS people	8%
Culture change/strategy change, internal communication	6%
Internet presence/improved Web integration	5%
Some way to reach customers better; more customer research; data mining; better personalization or targeting	5%
Training; more expertise	3%
Communication/more advertising	3%
More time	2%
Dealer issues	1%

Table 10. Enterprise Solutions Needed to Leverage Customer Information

marketing budget or industry type in use of a CRM system.

Respondents were asked which capabilities were used in managing the customer database (see Table 9). Nearly 60% used sales force management capabilities, 31% used data mining, and 28% used campaign management.

Financial services firms reported using more data mining (48%) and campaign management tools (46%) than other types of firms. A breakdown by size of firm showed that larger firms were more likely to use data mining than smaller firms (39% versus 21%). Additionally, firms with larger advertising budgets (\$1 million or more) used data mining, campaign management, and data cleansing software significantly more than those with smaller budgets.

One open-ended question asked what it would take to create an enterprise-wide solution that would more effectively leverage the information about customers in the firm (see Table 10). Software was frequently mentioned as a solution. The improved integration of existing programs and acquiring better information about customers were also mentioned.

The marketing executives were also asked if they integrated their marketing database and customer relationship packages with their in-house printing technology. Slightly more than half (56%) said yes. Those respondents were then asked to rate how well their marketing database and customer relationship packages were integrated with their in-house printing technology. Nearly half indicated that their marketing database and customer relationship packages were integrated relatively well (40% reported a 7, 8, 9, or 10 on a 10-point scale).

Results

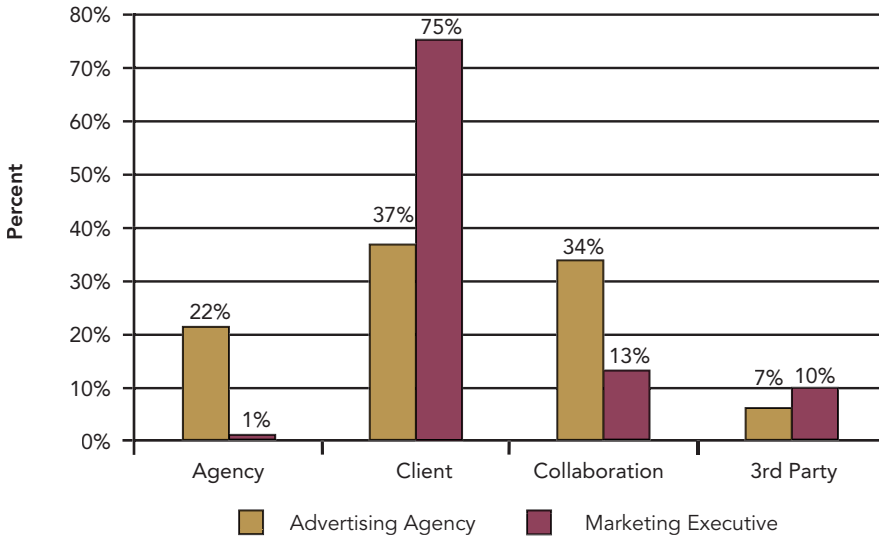


Figure 2. Who Measures the Results of a Campaign?

Level	Percent Indicating Always	
	Advertising Agency	Marketing Executive
Change in sales (before/after measure)	29%	49%
Sales leads	23%	50%
Response rate to direct mail	22%	47%
Post-advertising awareness	19%	11%
Customer retention	12%	34%
Change in number of calls to an 800 number	10%	15%
Change in hits to a Web site	10%	25%
Number of orders placed	6%	46%
Retail traffic/store counts	6%	12%
ROI	6%	N/A

Table 11. How Success In A Marketing Campaign Is Measured

OBJECTIVE 5:

To determine who measures the effectiveness of a campaign and how it is done.

Both marketing executives and advertising agencies were asked who typically measures the effectiveness of campaigns and how it is done, and some inconsistency in the responses were found, as shown in Figure 2. Seventy-five percent of marketing executives said that they measured the results, whereas only 37% of advertising agencies indicated that their clients measured the results. Twenty-two percent of the advertising agencies indicated that they alone measured the results. Only 1% of the marketing executives indicated that their agencies alone measured campaign effectiveness.

Both samples were asked how the results were measured (see Table 11). Marketing executives indicated a higher proportion of use of almost all methods with the exception of post-advertising awareness. Sales leads, a change in sales, number of orders, and response to direct mail were used by 45 to 50% of the marketing executives.

Another question relevant to the issue of measurement was asked in the media perception segment regarding the use of direct media to assess the ROI of a campaign. Only half of the advertising agency respondents (51%) and only one third of the marketing executives (33%) agreed that when ROI is important, they recommend direct response advertising.

Discussion and Implications

The purpose of the present study is to benchmark the amount of personalization being used in advertising and the complexity of the customized communications that result. First, we will discuss our findings regarding the amount of personalization, the complexity of the customization of the messages, and the media choices. Then, we will review the factors that impact the use of personalization and the complexity of customized communication. Last, we will look at the dynamics of the interactions between advertising agencies, print services providers, and their marketing executive clients to make recommendations for improving awareness of the power of customized communication.

CUSTOMIZED COMMUNICATION

There is significant discussion in marketing about customized communication and one-to-one marketing. Consultants tout the value of reaching the target audience with right-place and right-time exactness. One-to-one marketing, they claim, allows clients to use knowledge about customers' preferences to rise above the din of competitive messages. Based on the survey results, though, neither the advertising agencies nor their corporate clients have broadly embraced campaigns designed around these principles. Sixty-four percent of the advertising agency respondents agreed that they were aware of the technology and 57% reported that they had shown samples of these campaigns to clients, but only 23% of the work they created used variable data. Moreover, 46% of these variable-data jobs involved only a simple mail-merge. Personalization has value only if the individual views it as relevant. A mail-merge does not create relevance. Consumers need offers that are directed to them and their specific needs.

What accounts for the relatively modest use of complex customization? A clue can be found in the factors that impact media decisions. Advertising agency respondents were asked to indicate the top five factors that drive the media decisions for campaigns. Target market selection was the most important factor, followed by cost, budget, and marketing strategy. Personalization was not a major consideration in media selection; it was rated as important by only 13%. Forty-three percent of respondents indicated that past history with specific media types was an important consideration in media planning. While new media options are considered, advertising agency executives and production managers still have a strong tendency to revert to familiar alternatives. Advertising agencies may only recommend complicated customized campaigns if they have had previous success with this technology. This might explain that although nearly two thirds of the advertising agency respondents were aware of the new personalized print technologies, only slightly more than half had shown samples to clients (presumably recommending them as options). The reluctance to recommend an untested technology, coupled with the challenges of acquiring and maintaining a database of customer information beyond name and address, may inhibit the growth of more complex forms of customized printed communications for the foreseeable future.

This is particularly relevant because direct postal mail is still viewed as the best medium for personalization by all but a few of the advertising agency respondents. While other media have representatives that inform advertising agencies of the creative ways messages can be delivered using innovations within their medium, there is no single advocacy sales team that does the same for direct mail. Although the U.S. Postal Service, large commercial printers,

Discussion and Implications

and digital printing equipment manufacturers have reached out to advertising agencies and their corporate clients to explain the power of new digital printing technologies to deliver creative customized communications, they clearly have made only modest gains in convincing the agencies to recommend these capabilities to clients.

TECHNOLOGY ENABLERS AND BARRIERS

The implementation of CRM solutions is the infrastructure catalyst that will drive the growth of customized communication. Our research results indicate that CRM systems were not prevalent. Only 21% of respondents indicated that they had a CRM system in place. With personalization offering such benefits as improved response rates and increased return on marketing investments, advertising agency respondents were asked why they did not recommend it more frequently. The biggest obstacles were price, lack of a suitable database, and the client's lack of need. In face-to-face interviews with advertising agencies, it became apparent that the price factor was linked to the expense associated with building the appropriate data infrastructure for successful execution of a customized campaign.

Our results indicate that the infrastructure is still weak relative to the ability to actually implement relevant personalization. CRM implementation weaknesses started to surface when respondents were asked how they populated database information. The most frequent response, at 79%, was manual data entry via paper forms, and 58% of the respondents used telephone sales call center data. Web site data capture was used by 48% of respondents. This is possible where the challenge of data quality begins. The marketing executives identified key issues related to inadequate information about their customer base. These were lack of resources for implementation, cost, and technology limitations. Effective customized communications start with good data. The depth and quality of data are the most important factors limiting a firm's ability to use customized communications.

Related to the issue of data adequacy is the issue of measurement of marketing campaign results. There was little consistency in how success was measured. The number of sales leads was the measurement most frequently cited by respondents, at 50%. A change in sales was the second most common response at 49%, and the response rate for a direct-mail piece followed at 47%. Only half of the businesses had the information systems in place to systematically measure the impact of marketing efforts. Firms without these feedback systems will not be able to assess campaign results based on relative improvements in response or reduction in cost for customized communication.

On the other hand, the lack of measurement systems in many firms may be viewed as an opportunity to sell direct-response advertising. One of the major benefits of direct-response advertising is the built-in measure of response. Furthermore, selling needs to be ongoing, as indicated by our result that only half of the advertising agency respondents and only one third of the marketing executives agreed that, when ROI is important, they recommend direct-response advertising. In the short run, direct-response advertising, with or without complex customization, may be a way to maximize the effectiveness of marketing communications expenditures. Experience with simpler forms of customized communication, delivered at the right time and to the right customers, may be the first step in the long process of developing a closed-loop feedback system upon which future CRM systems will be built.

MAKING THE CASE FOR CUSTOMIZED COMMUNICATIONS

Two important segments need education regarding the use of customized communications: the advertising agencies and their corporate clients, and the marketing executives who do not work with agencies.

- **Advertising agencies and their corporate clients.**

Over half of the marketing executives surveyed relied on advertising agencies

to assist with the planning and implementation of marketing campaigns. When asked what services they were outsourcing to an agency, the marketing executives said that the leading services included advertising production, creative development, graphic design, media buying, and sales promotion/collateral development. It was surprising to the authors that only about half of the advertising agencies surveyed had shown samples of the new personalized print technologies to their clients. This implies that advertising agencies need help in getting the word out to those who make the decisions about the media expenditures. While there is still a need to build awareness among advertising agencies and their clients, there is an even greater need to communicate the cost/benefit advantages of customized communication. Advertising agencies are likely to find that their marketing executive clients, with their reduced marketing budgets and intense ROI pressure, are searching for proven techniques that will help them achieve better business results. Creative and cost effective solutions using digital color printing technology to produce direct postal mail should appeal to the agencies' corporate clients, particularly to those who are in smaller, B2B firms.

- **Firms that do not now use advertising agencies.**

Many businesses use in-plant print shops to produce marketing materials to communicate with their customers; 28% utilize in-house print resources wherever possible, outsourcing only when they need particular print processes. In this case, office printing equipment vendors may be the best consultants for what is possible in the world of customized communications. Other businesses outsource their printing to print services providers, in which case, commercial printers could be the locus of information on innovation in print customization.

One application that demonstrates the power of customized communication using digital color printing equipment is the on-demand production of customized sales collateral. Three examples of the successful use of this application follow.

United Stationers, the largest U.S. wholesale distributor of business products ranging from office supplies to furniture, developed a direct-marketing and sales-collateral management program called Star Club. This easy-to-use Web interface tool for the company's network of more than 5,000 dealers enables the dealers to create full-color customized brochures and mailers online and produce them locally, either in house or through a print services provider. The objective of the program is to better manage collateral costs for the corporation and, for the dealers, to add new customers and grow the business from existing customers. It is more than just a "pretty" customized marketing piece. Dealers report high response rates to the mailings since the program launch.

IBM offers its value-added resellers a similar Web-based system called Campaign Designer. The value-added resellers can clearly identify the benefits. IBM Business Partner David Gimza from SoftSmith Systems stated, "It was so easy and our savings of time and money was huge, just huge with Campaign Designer. We created something in about 15 minutes that could have literally taken months to produce and would have cost a lot more money than we paid. Three days after the [Campaign Designer-based] mailing we did some telephone follow-up. We uncovered an IBM ThinkPad lead and won a \$150,000 sale by being in the right place at the right time thanks to this campaign" (IBM).

In the last example, York UPG, one of the largest independent suppliers of heating, ventilating, air-conditioning, and refrigeration equipment in the U.S. and abroad, uses a solution called Build-A-Brochure™ from JGSullivan Interactive. Using the Build-A-Brochure™ application, York dealers are able to produce customized marketing content. They create their own custom headlines, insert their customer's name, add contact information,

Discussion and Implications

and have the ability to select from a variety of company and product images. The marketing objectives are simple. York wants to reduce printing and paper costs; offer fast and timely delivery; ensure up-to-date, accurate product and service information; and enhance relationships with their dealers by providing them with individually tailored marketing pieces.

CONCLUSION

The contribution of this research lies in the consistency of responses between the two sampled populations. We found that half of

the customized communication being used today includes only the personalized elements of name, address, and salutation. The other half includes text, numerical information, or graphics that are customized based on a more complete view of the customer. Is this good progress? Is the glass half full or half empty? A replication of this study in the next three to five years will indicate whether custom communication has grown or whether it continues to fill a small but useful niche in the integrated communications plans of advertising agencies and their corporate clients.

References

- Gilmore, J., & Pine, J. (1997) The four faces of mass customization. *Harvard Business Review*, 75(1), 91-101.
- McKim, B. (2002). The differences between CRM and database marketing. *Journal of Database Management*, 9(4), 371-376.
- Morris-Lee, J. (2002). Custom communication: Does it pay? *Journal of Database Marketing & Customer Strategy Management*, 10(2), 133-138.
- Peppers, D., & Rogers, M. (1993). *The one to one future: Building relationships one customer at a time*. New York: Currency Doubleday.
- Postma, O.J., & Brokke, M. (2002). Personalisation in practice: The proven effects of personalization. *Journal of Database Marketing & Customer Strategy Management*, 9(2), 137-143.
- Planning the next step. (2003). *Mediaweek*, 13(9), M12-13.
- Smith, M. (2001, February). Refining raw data. *Printing Impressions*, 43(9), 36-38.
- Toth, D. (2001, January). One-to-one impact of variable-data presses. *Graphic Arts Monthly*, 73(1), 32-36.
- WhatTheyThink.com. (2001, July 30). Survey retrieved August 2003 from <http://www.WhatTheyThink.com>
- WhatTheyThink.com. (2003, January). Survey retrieved August 2003 from <http://www.WhatTheyThink.com>



Rochester Institute of Technology
College of Imaging Arts and Sciences
55 Lomb Memorial Drive
Rochester, NY 14623
Phone: (585) 475-2733
Fax: (585) 475-7279
<http://print.rit.edu>