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School of Print Media
Rochester Institute of Technology
Rochester, New York

Certificate of Approval

Master's Thesis
**The Role of Advertising Agencies on the Demand
for Personalized Communications**

This is to certify that the Master's Thesis of
Kathryn Moore
has been approved by the Thesis Committee as satisfactory
for the thesis requirement for the Master of Science degree
at the convocation of
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**The Role of Advertising Agencies on the Demand
for Personalized Communications**

By

Kathryn C. Moore

A thesis submitted in partial fulfillment of the
requirements for the degree of Master of Science in the
School of Print Media in the College
of Imaging Arts & Sciences of the
Rochester Institute of Technology

October 2004

Thesis Advisor: School of Print Media, Patricia Sorce

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Abstract

A personalized campaign allows an agency to utilize its clients' records to reach its audience by sending targeted messages and promotions, which often results in improved business results. This pull is achieved by using detailed databases with a large quantity of information about existing and potential customers. This information, in the form of text, data and sometimes images, is then placed into a document in a way that is easy for customers to locate and act upon. Variable data technology should be embraced by advertising agencies as a definite way to improve response rates and generate more business. But what do advertising agencies actually think of personalized campaigns? Is the technology being embraced by agencies to improve business results? Does the type and size of the agency make a difference in whether or not personalized campaigns are used? Does the agency's client base alter the use of personalization?

To find solutions to these questions, a survey was given to a random group of advertising agencies drawn from The Red Books list of agencies. A total of 250 agencies completed the telephone survey. Also, an in depth questionnaire was completed by a direct marketing agency using personalized communications, to complement the survey results.

What was found was that an average of only 23% of the work the agencies do actually involves using a form of personalized communications. Seventy-nine percent of clients requesting personalization are small businesses (\$100 million or less in annual

revenue), 15% are medium size businesses (\$101 million to \$1 billion in annual revenue), and almost 6% of the clients are large businesses with more than \$1 billion in annual revenue. Forty-eight percent of clients requesting personalized communications were business-to-business clients. Almost 42% were business-to-consumer clients, and the other 11% were both.

To determine if there is a difference in the use of personalization according to the agency type, agencies were grouped into three categories: 1) direct marketing and web agencies, 2) traditional full service agencies, and 3) boutique agencies. Results indicate that there is no significant difference in the use of personalization among these three agency types. Direct marketing and web agencies use the most amount of personalization at 25%, followed closely by traditional full service agencies at 24%. Boutique agencies use the least amount of personalization at 20%.

To determine if there is a difference in the use of personalization in relation to agency size, the agencies were classified into three groups according to their annual billings: 1) small agencies with \$5 million or less in annual revenue, 2) medium agencies with annual revenue between \$5,000,001 and \$50 million, and 3) large agencies with annual revenue of \$50,000,001 or more. Results determined that there is no significant difference in the use of personalization among these different agency sizes. Large agencies use the most amount of personalization at 27.6%, followed by medium sized agencies at 26.7% and small agencies at 20.7%.

Finally, to determine if there is a difference in the use of personalization in relation to client type, agencies were asked on average, what percentages of their accounts are

primarily business-to-business (B2B), business-to-consumer (B2C), and a mixture of both. Results indicate that again, there is no significant difference in the use of personalization among these client types. Agencies that served a mixed array of clients use the highest percentage of personalization at 29.5%, while B2B and B2C clients use almost the same percentage of personalization at 21.5% and 22.1%, respectively.

Chapter 1

Introduction

One of the emerging technologies and applications used by advertising agencies to reach their clients market is personalized communications. Clients create their marketing programs, including media choices, and then turn to an advertising agency to help them execute their campaigns. Ad agencies are the critical deciding factor for these clients as to whether or not a personalized campaign will be used for their products or services. It is up to ad agencies to be able to educate their clients on this marketing trend and its link to improved business results. For this to take place, agencies themselves must be educated on the advantages of this technology in marketing campaigns. To determine what agencies are more likely to facilitate the adoption of this technology, it is important to discover the characteristics of the agencies and their clients that are currently implementing personalized campaigns.

The years following the introduction of personalized printing indicated that there was a slow adoption of the technology by companies, ad agencies and print providers (On-Demand Printing, 1998). Since then, technical solutions to some of these problems have been met, such as the introduction of PPML (Personalized Print Markup Language), which is variable data's first open standard for a universal workflow and better quality of

print with digital devices. However, practical issues are still present today, such as the cost of implementing a personalized campaign and database integrity. Still, as personalization becomes more known throughout the advertising and printing industries, it is important to find out whether ad agencies are facilitating or are a barrier to the adoption of personalization.

This thesis focuses specifically on the advertising agency and its use of personalization technology. The objectives of this thesis are to:

1. Determine how many ad campaigns are using personalized communications
2. Determine what types of agencies are using this technology
3. Determine whether the agency size impacts the use of personalization
4. Determine the types of clients that use personalized communications.

These objectives will be met through descriptive surveys sent to a diverse group of advertising agencies from all over the United States. It is hoped that once the thesis is complete, there will be a better understanding as to the characteristics of ad agencies that are using personalized communications.

Chapter 2

A Review of the Literature in the Field

Personalized Printing

According to the “Third Edition of the Best Practices in Digital Print,” personalization is “personalizing or customizing a document by varying the text, graphics, and layout of personally relevant information thereby achieving the marketing goal of effective and efficient communications.” It isn’t just moving elements around, but instead, “The fundamental value proposition of personalized print is it increases the value of the printed page as a purposeful communication tool.” (“Personalized Print: a new model for success,” 2000).

Many ad agencies are using the simplest form of 1:1 marketing when names and/or addresses are placed on the document. It is used so much today however, that it doesn’t seem like a form of personalization. Personalized marketing is when a separate and unique document is created for each person depending on his or her individual interests or specifications. Any type of publication can be personalized, and it can often be found in direct mail, promotional brochures, and sales collateral or event-related pieces. There are different levels of personalization as well, starting with a simple mail merge to a completely variable piece. As a document evolves from the first level to the last level, we

will find an increase in response rate, the last level being the most targeted and having the most promise for response from the customer.

Personalized Communications: Challenges and Barriers

There are several reasons why personalized campaigns aren't always the first choice for an ad agency when it comes to deciding on a marketing campaign for its clients. The first area of concern when deciding on a personalized campaign is whether the client has a strong database. The higher the personalization level in the campaign, the higher the demand is for a clean and up-to-date database. This could possibly be the hardest but most important part of putting together a personalized campaign. If a client does not have a current database, or a database formatted correctly to merge into a variable data application, there could be real problems. Databases start as rented mailing lists and when a company receives the responding information from a mailing such as a promotion, it can then use that information to start formatting databases (Broudy and Romano, 1999). The databases that are used are not just full of names and addresses; they have demographics, psychographics, job functions, purchasing patterns and even images that correspond to individual interests (Broudy and Romano, 1999). Data about customers can be found in many different places including sales records, customer surveys, census files and other public surveys (Jones, 1999). Databases require their own software and sometimes their own hardware along with front-end systems to store and access data. They also need to

have a person to manage them, and for larger databases, this requires advanced database management skills, which aren't found in most advertising agencies. As a result, many agencies doing personalization need to outsource or hire someone to manage their databases. The last issue with databases is security. There are many clients who are very reluctant to give their databases over to agencies, so there has to be trust and a partnership between both sides (On-Demand Printing, 1998).

One continuing trend that is improving the quality of databases is Customer Relationship Management (CRM). This is a key component in implementing personalized campaigns and can help a database become instrumental to an ad agency's success. According to the "Third Edition of the Best Practices in Digital Print", CRM is "technology that interacts with potentially every area of an organization's operations that touches the customer, such as marketing, sales, and customer service. This technology acts as the central repository for all information collected and shared about the customer. Ideally, all customer touch points use this common database, allowing Internet, call center, direct mail, and other interactions to share information." When these databases are incorporated into a personalized campaign, the result is a campaign that is highly targeted, building 1:1 customer loyalty that will help maintain existing customers along with establishing new relationships with potential customers.

The second major challenge is cost. Print providers must provide personalization at a higher price for several reasons. Production costs are higher, the technology is more

expensive, the workflow is more complicated, and the operators are even scarcer. It is necessary to understand the general workflow of a variable or personalized campaign from the collection of data to the printing and distribution to realize which additional costs are associated with the technology. Following are the 12 major steps according to Broudy and Romano:

1. *Data Acquisition/Analysis* – collect data from one/several databases and organize into one
2. *Marketing Concept* – define the project in terms of marketing goals and results
3. *Creative Concept/Production* – design the material and plan for personalization
4. *Data Finalization* – clean up and organize data for consistency
5. *Data Stream* – Organize data into identifiable units and standardized coding
6. *Data Construction & Linking* – link variable data to the layout and prepare for output
7. *Print Stream* – Organize into a PostScript data stream
8. *Preview/Preprint/Proof/Correct*
9. *Print Production* – run job through RIP and print
10. *Post Print Processing* – bindery and finishing
11. *Verify/Audit* – double check for correctness
12. *Conversion/Archive* – convert for other applications and save for future use.

With cost in mind, it is hard to sell a client on personalized printing. Instead, the agency needs to sell the client on personalization as a tool for building a marketing program (Broudy and Romano, 1999). John Sisson of Banta states, “If customers don’t see another value beyond the unit cost, they’re not going to be interested” (On-Demand Printing, 1998). This attitude is very disheartening for agencies promoting personalization because in order for a client to make a large profit from personalized campaigns, agencies will need to invest money into the technology.

The third major challenge is the additional work needed to create personalized documents. Designs need to be carefully shaped to meet all possible scenarios that may be found in the database, whether it's text length or the placement of images. These three concerns are possible reasons why using personalization isn't always the first choice when deciding on a marketing campaign for an ad agency and its clients.

Advertising Agencies Role in Recommending New Media

Historically, advertising agencies in general have been media innovators when it comes to marketing strategies. The 4 As (American Association of Advertising Agencies) describe an advertising agency as “an independent organization of creative people and business people who specialize in developing and preparing advertising plans, advertisements, and other promotional tools. The agency purchases advertising time in various media on behalf of its clients – various advertisers or sellers – to find customers for the clients' goods and services” (Lee and Johnson, 1999).

To be adopters of personalized technology, ad agencies need to have an innovative outlook on their media strategies for their ad campaigns. The more leading edge they are and the earlier they educate themselves on new types of technology, the faster they and their campaigns will benefit from it. For this study, it is important to understand the types of agencies that have a history of being more innovative because it could play a role in whether or not their campaigns are using personalization.

First, it is important to note the differences in agency types. Agencies can be classified by the services they offer and by the types of business they handle. There are two main types of advertising agencies, full-service agencies and specialized service agencies. Full service agencies are larger agencies that perform at least four of these basic functions for their client: research services, creative services, media services, advertising-related legal counsel, marketing planning and management and account management. Beyond these basic segments, a full service agency could also offer direct marketing, public relations and sales promotion services (Lee and Johnson, 1999). Many full service agencies are publicly owned conglomerates and many of them are international. The single agencies within the conglomerates are separately managed and for the most part are in competition with one another (Jones, 1999).

The majority of advertising agencies in the market are smaller agencies, which typically have up to a dozen employees and handle accounts up to \$10,000 (Lee and Johnson, 1999). Some small firms can be classified as full service agencies, but the majority of them are specialized. There are several types of specialized service agencies including creative boutiques, health/medical agencies, direct marketing agencies and ethnic agencies. Creative boutiques prepare the creative execution of their client's product and/or service and their sole focus is on the idea and creative product. Health/medical agencies carry out many of the functions of a full service agency, the difference being that they concentrate solely on the healthcare, pharmaceutical and the medical fields. Direct

marketing agencies primarily specialize in strategic planning, creative solutions and execution, and database management for direct response advertising. Direct marketing agencies also offer services like e-commerce, Internet marketing, data mining and modeling. They specialize in relationship marketing and interactive communications to reach their clients consumers on a personal level. Ethnic agencies specialize in advertising to ethnic populations by concentrating on customized marketing programs geared specifically at the group's values and lifestyles (Lee and Johnson, 1999).

When comparing traditional full service agencies to boutique agencies, studies have determined that boutique agencies are more likely to demonstrate innovative behaviors. According to a report on the post-adoption attitudes to advertising on the Internet by Shelly Rodgers and Qimei Chen, traditional advertising agencies lag behind other specialized agency types when it comes to advertising on the Internet (Rodgers and Chen, 2002). Traditional ad agencies have a "legacy system" mindset where not only are they slow to change, but also resistant to change. One reason for this is that "Agencies with the greatest monetary investments in traditional media will probably be less likely than other agency types to perceive the relative advantage of the Internet" (Rodgers and Chen, 2002). Other agency types such as new-media firms and Internet boutiques don't have that mindset, one reason being that their agencies were created to specialize in Internet marketing. The second reason is that to stay ahead of these sometime larger,

traditional ad agencies, boutique agencies need to have an innovative outlook and market themselves as agencies that are able to bring their clients something new.

Innovative Behavior of Agencies of Different Sizes

When comparing agencies of different sizes, there is not evidence of difference in innovative behavior between small agencies and large agencies. Larger agencies have many raw resources and have a network of people working together. They have the credibility to attract more clients with more money to invest in the technology. Larger agencies are also usually associated with the traditional full service agencies meaning that they may have the same mindset as suggested in the previous paragraph. Smaller agencies offer a more personalized touch in their services (Fadden, 1994). Low overhead, diversified services, and willingness to accommodate change are some explanations for the success of smaller, boutique agencies (“Advertising Agencies”, 2004).

Marketing Strategies of Client Types

The one main difference between business-to-business and business-to-consumer customers is that business-to-business clients are looking to fill a space for their customers’ needs and business-to-consumer clients are looking for one item to fill a personal space or need (“B2B vs B2C Selling,” 2002). When comparing ad agencies whose clients are business-to-business or business-to-consumer, it has been shown that

there is a clear difference in the amount of advertising in each group. According to an article in Internet Wire, B2Bs lack marketing compared to B2Cs, especially on the Internet. As stated before, deciding to use the Internet as part of a marketing plan is a sign of adopting the innovation process. "According to the study, less than half of B2B customers say they are very satisfied with their online purchasing experience compared to 52 percent of B2C buyers" ("Internet Wire", 2001). As said in the article, B2Bs are not adhering to the "fundamental principles of Marketing 101 which is to deliver a superior online experience that is relevant and targeted ("B2B's Lack of Marketing Dwarfs B2C's Mismarketing," 2001).

In relation to Internet marketing, according to "The DMA's State of Postal and E-Mail Marketing: New Trends and Results," over 51% of all types of companies including B2B, B2C, and companies who are both, sent under 100,000 e-mails in 2001. However, 23% of B2C companies are more likely to send over 1 million promotional e-mails. When it came to sending promotional pieces via postal services in 2001, 80% of B2B companies were likely to send under 3 million pieces, while only 28.5% of B2C companies were likely to do the same. When sending over 30 million promotional pieces, consumer companies were the most likely to do this at 22%. This shows that B2C companies are more likely to be marketing through direct mail, by way of e-mail and postal mail.

When it came to the most frequently used marketing strategies in these mailings, The Direct Marketing Association found that 66.7% of B2B companies sometimes use personalized information about a customer (beyond name and address) in their offer, followed by companies that are both at 65.3% and B2C at 56.3%. However overall, the marketing strategy all types of companies use most often is customizing mail according to customer profile at 76%, followed by personalization at 61.5%. In conclusion, while B2C companies are mailing out more promotional pieces than B2B, B2B companies are more likely to be personalizing and customizing their promotional mail pieces. B2C companies are becoming more innovative in the Internet and e-mail market, while B2B companies are becoming more innovative in the direct mail market.

Chapter 3

The Hypotheses

This thesis contains three hypotheses, all of which stem from the question of what percentage of advertising campaigns is using personalized communications. Of the agencies that are using personalization in their campaigns, it is important to pinpoint their characteristics.

Agency Type

Advertising agencies have been separated into three distinct groups for this study based on the services they said they offered in the survey and from the preliminary research conducted earlier. These groups include direct marketing and web agencies, traditional full service agencies, and boutique agencies. Direct marketing agencies already have the expertise to build competent databases and are based on direct response advertising, making them a qualified agency type to use personalization. Traditional full service agencies have all the resources necessary to be successful in using personalized communications including monetary resources, diverse personnel, and connections to outside vendors. However they have been set in their ways when utilizing new media. Boutique agencies have had a more innovative history and are unique in that they are able

to focus solely on personalized communications and utilize it as a valuable marketing tool.

Hence, it is expected that,

Hypothesis 1: There is no difference in the amount of personalized communications used in relation to agency type.

Agency Size

Advertising agencies have been separated into three distinct groups for this study based on their size. Their size was determined by their amount of annual revenue.

Agencies with \$5 million or less in annual revenue were categorized as small agencies.

Agencies with \$5,000,001 to \$50 million in annual revenue were categorized as medium sized agencies. Annual revenues over \$50 million were categorized as large agencies.

Although it has been determined that personalized campaigns can be an expensive undertaking, the use of personalized communications may not be impacted by the size of the agency in terms of its annual revenue because it is uncertain what kind of advertising their clients are requesting. It may be possible that a small agency is working with a few clients who only use personalized campaigns; a large agency may have hundreds of clients requesting several television ad campaigns throughout the year or it may be the other way around.

Hence, it is expected that,

Hypothesis 2: There is no difference in the amount of personalized communications used in relation to agency size.

Client Type

For this study, the types of clients that the agency works with were divided into three categories. These included business-to-business clients, business-to-consumer clients, and clients who were both B2B and B2C. Targeted communications are a better fit for smaller audiences and an example of this is selling Coke versus selling i-Gen3s. Coke is a popular consumer product known around the world and is sold to the general public and to other businesses for resale. It would more than likely survive with little advertising, but would benefit from mass market campaigns because it serves so many demographics. Since it serves many populations, targeting campaigns to each demographic would also be an obvious method of marketing. Advertising for Xerox's i-Gen3 printer, a B2B product, needs to be targeted – not only to print providers, but to print providers who would benefit from its services because it serves a very specific service not needed by all print providers. The buyer behavior for B2B and B2C firms determines that B2B firms have smaller amounts of customers measured in the thousands, while B2C firms have larger amounts of customers measured in the millions. However the dollar value of each B2B customer is significantly larger than that of a B2C customer. With that, the buying and selling process takes longer for B2B sales and ultimately the cost of the B2B sale is much higher (“7 Key Differences Between B2B and B2C Database Direct Marketing,” 2004).

Hence, it is expected that,

Hypothesis 3: There is no difference in the amount of personalized communications used in relation to client type.

Chapter 4

Methodology

In order to determine the previously stated hypotheses, research was conducted and preliminary interviews were set up with local advertising agencies to better understand their relationships with clients and printers and how their agency operates. From these interviews and the research objectives, a survey was assembled.

The survey (Appendix A) contains both agency-related background questions and variable data/personalization questions. To measure the dependent variables for each hypothesis, the participants were asked: 1) the percentage of their agency's work that involves variable information or personalization and 2) the distribution of 100 points among the five levels of personalization to indicate how often personalized communications is produced and to what degree they are personalized. These five levels include: 1) variable address and/or salutation, 2) variable address and/or numerical information that goes into fixed fields – the fields do not change in size, shape, or location from record to record, 3) variable address, text, and/or numerical information that goes into dynamic fields – the fields can change in size, shape, or location from record to record based on the amount of information or database conditions and programming, 4) variable text or numerical information and graphics – the graphics are static images inserted into a

fixed field based on database conditions and 5) variable text or numerical information and variable graphics – the graphics are created dynamically based on database conditions and inserted into fields that can change in size, shape, or location.

To measure the agency type independent variable, participants were asked to give up to three primary services their agency provides that were then clustered into three agency types. These primary services included 1) graphic design, 2) brand consulting, 3) corporate identity, 4) creative development, 5) customer relationship management, 6) digital branding/web development, 7) direct marketing, 8) media planning/buying, 9) public relations, 10) sales promotion/collateral development, and 11) other services. To measure the agency size (independent variable), participants were asked to give their annual billings to determine the size of their agency. Finally, to measure the client type independent variable, the participants were asked the average percentage of their accounts that are business-to-business, business-to-consumer, or both.

The sample for this survey was taken from The Red Books list, which contains nearly 13,500 U.S. and international advertising agencies. A sample of 5,325 records was selected from this list and a worldwide market research and consulting firm contacted a total of 731 agencies. A total of 250 agencies completed the survey and 150 that were classified as “production-focused” and are used for this thesis. The remaining 481 agencies either refused to complete the survey or did not qualify. After all the survey data was collected, it was coded and set up in an SPSS file for further analysis.

Chapter 5

The Results

Each representative participating in the survey was asked some basic characteristic questions about his or her agency. The average number of employees for the agencies participating in the survey is 56 (n=223). The average annual billings are \$26 million (n=198). The respondents have worked an average of 19 years in the advertising industry (n=249) and they have worked an average of 10 years for their current agency employer (n=248).

To test each hypothesis, each dependent variable from its hypothesis will be tested against the independent variables in the survey. The dependent variables include the percentage of agency work involving personalization and the degree of personalization they are using. In regards to the percentage of agency work involving personalization, it is important to understand that only the respondents classified as “production-focused” (n=150) completed this section of the survey. Respondents were classified as “production-focused” when they reported that they either: 1) are involved in the production of advertising materials, but do not advise clients regarding media strategies and selection or 2) both advise clients on media strategy AND are involved in the production of advertising materials.

It was 139 respondents out of that 150 that answered the personalization question stating an average of 23% of the work they do actually involves using some level of personalization (with a standard deviation of 27.4.) Figure 1 shows the distribution of the responses for percentage of the work that the agencies do that involves personalization or variable data.

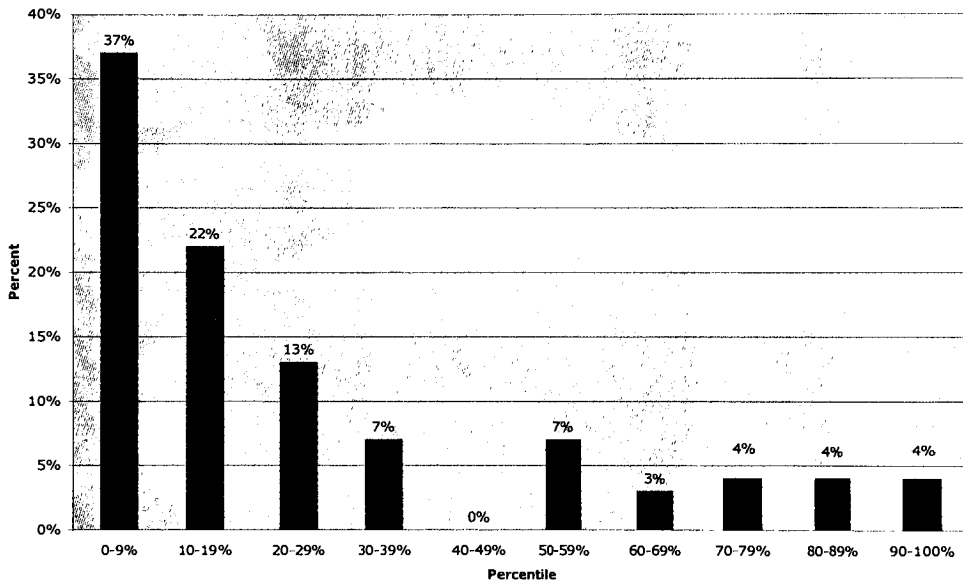


Figure 1. Percentage of Agency Work Involving Personalization or Variable Data n=139

As shown in Figure 1, 37% of the agencies surveyed use less than 10% personalization and 22% of the agencies use between 10-19% personalization in their campaigns. Only 22% of the agencies surveyed use more than 50% personalization.

The second dependent variable was the degree to which the communications were personalized. The levels of personalization are listed in Table 1 below, along with the instruction of distributing 100 points among the levels to indicate how often personalization is used in their agency and to what degree they are personalized. These levels of personalization range from a simple mail merge to the most complex level of personalization where the whole content of the piece is dynamic. Almost half of the respondents to this question (45.85%) use variable addressing and/or salutations in the personalized campaigns which is lowest and easiest level of personalization. Variable addressing and/or numerical information that go into fixed fields is the next level used most often by these agencies, although differences in these other four levels are very minimal with less than 4% between them.

Level of Personalization	Percentage of Use for Each Level
Variable address and/or salutation	45.85%
Variable address and/or numerical information that goes into fixed fields	15.36%
Variable address, text, and/or numerical information that goes into dynamic fields	11.95%
Variable text or numerical information and graphics	13.73%
Variable text or numerical information and variable graphics	13.11%

Table 1. Degree of Personalized Communications n=106

Correlation tests were conducted as well to determine whether strong relationships occurred between the amount of personalization used and the level of personalization used. Table 2 shows the results of the correlation tests. Two of strong relationships were found within these two factors. A strong negative correlation between the percent of personalization used and the use of the first level of personalization reveals that as the amount of personalization used goes up, the amount of first level personalization used goes down. A strong positive correlation between the percent of personalization used and the use of the fourth level of personalization reveals that as the amount of personalization used goes up, the amount of fourth level personalization goes up. This concludes that agencies that use more personalization are more likely to use higher and more complex levels of personalization.

		Percent of variable information or personalization used	Variable address and/or salutation	Variable address and/or numerical information that goes into fixed fields	Variable address, text, and/or numerical information that goes into dynamic fields	Variable text or numerical information and graphics	Variable text or numerical information and variable graphics
Percent of variable information or personalization used	<i>Pearson Corr. Sig. (2-tailed) N</i>	1	-.256**	.047	.046	.219*	.1
		.139	.008 106	.633 106	.641 106	.024 106	.308 106

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the .01 level (2-tailed).

Table 2. Relationships Between Amounts of Personalization and Levels of Personalization Used

Hypothesis 1

The respondents to the survey were asked to name the top three services their agencies provided. Table 3 provides a summary of the responses with their first three responses accepted.

Primary Service	Percent Answered 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 Development	17%
Other Services	12%
Customer Relationship Management	9%

Table 3. Primary Services Provided by Agencies n=247

For H₁, each agency that answered the survey was classified into distinct groups in order to understand what agency types used personalization. Based on the services they offered, a Hierarchical Cluster Analysis (HCA) was performed. This determined

three natural groupings based on responses to questions of the top services they offered. The three agency types were: 1) direct marketing and web agencies, 2) traditional full service agencies, and 3) boutique agencies. Table 4 breaks down the number of agencies located in each cluster equaling 247; three agencies couldn't be clustered.

Agency Type	Number of Agencies in Cluster
Direct Marketing & Web	91
Traditional Full Service	96
Boutique	60

Table 4. Number of Agencies in Each Cluster n=247

To test our first hypothesis, **H₁: There is no difference in the amount of personalized communications used in relation to agency type**, these agency clusters became our independent variables. These variables were tested against the dependent variables discussed to determine if there is any difference in the use of personalization in relation to our agency types. This test was performed by comparing the means of the dependent variables and creating an ANOVA Table to determine whether there are any small significance values between the variables ($p < .05$). Table 5 presents the results of the ANOVA test.

H_1 was not rejected, therefore it is determined that there is no difference in the amount of personalized communications used in relation to agency type. Agencies that are involved in direct marketing and web services use the most amount of personalization at 25%, followed closely by traditional full service agencies at 24%. Boutique agencies use the least amount of personalization (20%). Direct marketing and full service agencies use the majority of the lower levels of personalization, while the boutique agencies use more of the higher levels of personalization. However, there were no significant differences between these levels of personalization and the agency types.

Agency Cluster		Percent of variable information or personalization used	Variable address and/or salutation	Variable address and/or numerical information that goes into fixed fields	Variable address, text, and/or numerical information that goes into dynamic fields	Variable text or numerical information and graphics	Variable text or numerical information and variable graphics
Direct Marketing & Web Services	<i>Mean</i> <i>N</i> <i>Std. Deviation</i>	25.1860 43 28.20694	47.0313 32 30.71354	14.4687 32 13.92372	15.0625 32 17.26816	13.3750 32 20.68153	10.0625 32 14.66164
Traditional Full Service Agency	<i>Mean</i> <i>N</i> <i>Std. Deviation</i>	24.1569 51 28.15129	46.5000 40 34.42197	16.000 40 18.68086	12.1250 40 18.63576	12.6250 40 21.27318	12.7500 40 20.53608
Boutique Agencies	<i>Mean</i> <i>N</i> <i>Std. Deviation</i>	20.4000 45 26.15287	43.9706 34 26.79268	15.4412 34 17.72550	8.8235 34 12.25109	15.3529 34 16.27395	16.4118 34 25.22399
Total	<i>Mean</i> <i>N</i> <i>Std. Deviation</i>	23.2590 139 27.41319	45.8491 106 30.75612	15.3585 106 16.91164	11.9528 106 16.44175	13.7264 106 19.46696	13.1132 106 20.65145
P value		.688	.910	.930	.307	.831	.458

Table 5. Means Comparison (Agency Type)

Hypothesis 2

To test our second hypothesis, **H₂: There is no difference in the amount of personalized communications used in relation to agency size**, the respondents to the survey needed to be classified into three groups in terms of their annual billings to determine the size of their agency. Agencies with \$5 million or less in annual revenue were categorized as small agencies. Agencies with \$5,000,001 to \$50 million in annual revenue were categorized as medium sized agencies. Annual revenues over \$50 million were categorized as large agencies. Table 6 breaks the agencies into the three groups. Small agencies make up almost half the population with 96 agencies.

Agency Size	Number of Agencies
Small Agencies- Up to \$5 million	96
Medium Sized Agencies- \$5,000,001 to \$50 million	77
Large Agencies- \$50,000,001 or more	25

Table 6. Number of Agencies Located in Each Agency Size n=198

The same procedure in H₁ would be performed for H₂ in order to determine if the size of the agency would influence the use of personalization. The agency size became the independent variable and again, the percentage of agencies work involving personalization and the degrees of personalization used is the dependent measure. Table 7 presents the results of the compare means test.

H_2 was not rejected, therefore it is determined that there is no difference in the amount of personalized communications used in relation to agency size. It's determined that large agencies use the most amount of personalization at 27.6%, while small agencies use the least amount of personalization at 20.7%. Small and medium sized agencies use a higher percentage of the lower levels of personalization while large agencies use the highest percentage of variable text and graphics at 33%, which is the highest level of personalization.

Agency Size		Percent of variable information or personalization used	Variable address and/or salutation	Variable address and/or numerical information that goes into fixed fields	Variable address, text, and/or numerical information that goes into dynamic fields	Variable text or numerical information and graphics	Variable text or numerical information and variable graphics
Small Agencies	<i>Mean</i> N <i>Std. Deviation</i>	20.7612 67 23.48377	45.0943 53 31.41672	15.3774 53 20.02040	9.3396 53 12.86161	14.0943 53 20.89375	16.0943 53 22.85007
Medium Sized Agencies	<i>Mean</i> N <i>Std. Deviation</i>	26.7750 40 28.55717	48.2813 32 30.04323	15.0000 32 12.76335	17.5000 32 22.96561	11.8750 32 13.60443	7.3438 32 18.22726
Large Agencies	<i>Mean</i> N <i>Std. Deviation</i>	27.6667 3 36.82843	40.0000 3 43.58899	13.3333 3 5.77350	6.6667 3 5.77350	6.6667 3 11.54701	33.3333 3 28.86751
Total	<i>Mean</i> N <i>Std. Deviation</i>	23.1364 110 25.68063	46.0795 88 30.96577	15.1705 88 17.27813	12.2159 88 17.43391	13.0341 88 18.23502	13.5000 88 21.93669
P value		.484	.850	.978	.095	.718	.056

Table 7. Means Comparison (Agency Size)

However, there is a marginally significant difference in level five at .056, but with a low sample, a firm conclusion can't be made. A correlation analysis was conducted to determine any strong relationships between the agency size and the levels of personalization. Table 8 below shows the results of this correlation analysis. Results determine that there aren't any strong correlations between agency size and the levels of personalization.

		Variable address and/or salutation	Variable address and/or numerical information that goes into fixed fields	Variable address, text, and/or numerical information that goes into dynamic fields	Variable text or numerical information and graphics	Variable text or numerical information and variable graphics
High and Low Annual Billings	<i>Pearson Correlation Sig. (2- tailed) N</i>	.022 .836 88	-.019 .857 88	.159 .139 88	-.084 .435 88	-.073 .502 88

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the .01 level (2-tailed).

Table 8. Relationships Between High and Low Annual Billings and Levels of Personalization Used

Hypothesis 3

To test the third hypothesis, **H₃: There is no difference in the amount of personalized communications used in relation to client type**, the respondents needed

to be grouped according to the type of clients they served. They were asked the average percentage of their accounts that are primarily business-to-business, business-to-consumer, and a mixture of both. Based on their responses, agencies that had a high percentage of their accounts belonging to B2B clients were categorized as high B2B (n=91). The same thing happened for the majority of accounts belonging to B2C clients (n=67). Agencies that had a mixture of each were categorized a mixed (n=91).

To determine if the client type made a difference in the use of personalization and the level of personalization used, client type would now become the independent variable, measured against the dependent variable – the percentage of agencies' work involving personalization and the degrees of personalization used. Table 9 on the next page illustrates the results of the compare means test.

H₃ was not rejected, therefore it is determined that there is no difference in the amount of personalized communications used in relation to client type. Agencies that serve a mixed array of clients use the highest percentage of personalization (29.5%), while B2B and B2C clients use almost the same percentage of personalization at 21.5% and 22.1%, respectively. B2B clients use the highest percentage of the lowest level of personalization (49%) along with the lowest percentage of the highest level of personalization (10%). B2C clients use the lowest percentage of lowest level of personalization (40%) along with the highest percentage of the highest level of personalization (16.9%).

Client Type		Percent of variable information or personalization used	Variable address and/or salutation	Variable address and/or numerical information that goes into fixed fields	Variable address, text, and/or numerical information that goes into dynamic fields	Variable text or numerical information and graphics	Variable text or numerical information and variable graphics
High B2B	<i>Mean</i> <i>N</i> <i>Std.</i> <i>Deviation</i>	21.5606 66 26.22514	49.2157 51 29.97286	13.8824 51 12.81038	12.4902 51 15.66700	14.4118 51 20.33241	10.0000 51 17.89302
High B2C	<i>Mean</i> <i>N</i> <i>Std.</i> <i>Deviation</i>	22.1702 47 25.17013	40.5882 34 33.18371	17.2059 34 22.66994	10.8824 34 19.00839	14.4118 34 16.64080	16.9118 34 23.86879
Mixed	<i>Mean</i> <i>N</i> <i>Std.</i> <i>Deviation</i>	29.5385 26 33.81506	46.1905 21 28.76216	15.9524 21 15.21669	12.3810 21 14.37176	10.9524 21 22.11442	14.5238 21 21.14857
Total	<i>Mean</i> <i>N</i> <i>Std.</i> <i>Deviation</i>	23.2590 139 27.41319	45.8491 106 30.75612	15.3585 106 16.91164	11.9528 106 16.44175	13.7264 106 19.46696	13.1132 106 20.65145
P value		.432	.452	.688	.901	.770	.303

Table 9. Means Comparison (Client Type)

Chapter 6

Summary and Conclusions

The underlying motivation for using personalized communications is to form the ultimate direct marketing campaign in which each person would receive an individualized advertisement based on demographics or past purchasing information. “The object of direct marketing is to get messages to defined audiences in a manner that invites attention and engenders actions—that ultimately lead to buying a product or service” (Broudy and Romano, 1999). Personalization and variable data technology is the tool that could make this type of advertising grow tremendously. According to *Precision Marketing*, during 2003, direct-response advertising spending grew 5% to \$203 million and direct marketing sales in the U.S. amounted to \$1.7 trillion. A medium that plays a major role in direct marketing and personalized communications is direct mail, where in 2002, marketers spent approximately \$49.1 billion and generated sales of over \$636 billion, up 9.4% from 2001 (“Direct Mail Advertising Services,” 2004).

With these industries growing and after examining each hypothesis, personalized communications still has incredible room for growth. Currently on average, agencies use personalization on 23% of their campaigns. Even then, almost 46% of that is a simple mail merge and 15% is combined address and numerical data into fixed fields. This

establishes that the variable data technology is not being used to its utmost capabilities. The results from testing the hypotheses concluded that there's no difference in agency type, size or client type in relation to the amount of personalization used. Whether the agency is a boutique agency or a full service agency or a direct marketing firm; an agency with annual billings of \$1 million or \$500 million; or an agency with B2B or B2C clientele – personalization is just another tool used by all types of agencies to help improve business results. Every agency, no matter what type it is or who its clients are, has the same general objectives – to promote its clients' products, services, and/or ideas through a variety of media outlets ("Advertising Agencies," 2003). Innovative ad agencies use personalized technology to achieve this objective only when it's needed for the success of the campaign, when the time is right, when the resources are there to invest in that type of campaign and when the agency's client is comfortable with taking its marketing campaign in that direction. If personalized communications yields the kind of results it's been said to produce, agencies of all types should be pushing their clients to use it in their campaigns and taking their time and resources to invest in the technology. On the same note, clients of all types should be asking about the technology and learning if it will work for their companies. Like all new technologies, personalization will need time to "iron out the kinks" in all aspects of its use, and as of now, that involves a competent database, design skills, and additional costs.

Agenda for Further Research

Now that it is determined that agency types and sizes as well as client types, even with their innovative history, don't play a significant role in the use of personalized communications, further investigation into the use of personalization in different market segments may be useful. Are there some industries that are more innovative and use personalization more than others? And if so, what is the reason for this? Learning about industries that have had success with personalized campaigns may be useful in educating other industries, agencies, and clients about overcoming the obstacles that are in their way. Is it possible that the more they learn and the more personalization these agencies use, the more sophisticated their personalized campaigns will get? Also, further investigation into data mining and finding the best way to have a stable database is also crucial to the success of personalized campaigns.

In the end, it is important to understand that the best way to make personalization a conventional and productive marketing tool within agencies is to keep educating companies, agencies and print providers about the technology and its capabilities along with the obstacles standing in its way. As explained by a direct marketing agency (Appendix B), there is a large learning curve when designing a campaign using variable data including creative elements, production, and data management. "The ultimate example of 'one to one' marketing would be a picture of you wearing or using the potential product. Imagine a day when personal digital photographs find their way into

databases along with other information about each of us” (Broudy and Romano, 1999).

Variable data technology places a whole new world of one to one marketing at our

fingertips. It is up to us to find a way to utilize the technology to the best of our ability.

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Appendix A

Appendix A

Advertising Agency Survey

Harris Interactive conducted a survey performed by 250 advertising executives in Spring 2003. Table 10 below reports the background information for these respondents.

General Agency Questions	Respondents (out of 150)	% Respondents Answered Yes	Minimum	Maximum	Average	Standard Deviation
Number of employees at this location	223		1	5000	55.98	341.19
Annual billings	198		\$200,000	\$820,000,000	\$26,000,000	\$73,218,713
Number of years worked in advertising industry	249			60	19.14	11.26
Number of years worked for current employer				50	10.45	9.35
What is the highest level of education you have completed or the highest degree you have received?	249					
1- Less than high school		0.40%				
2- High school or equivalent (e.g., GED)		1.60%				
3- Some college, but no degree		7.20%				

4- College (e.g., B.A., B.S.)		63.50%				
5- Some graduate school, but no degree		4.80%				
6- Graduate school (e.g., M.S., M.D., Ph.D)		19.70%				
Respondent Classification	250					
1- Strategic		40.40%				
2- Production		9.20%				
3- Both		50.40%				
What are the primary services your agency provides?	247					
1- Graphic Design		27.90%				
2- Brand Consulting		22.70%				
3- Corporate Identity		17.00%				
4- Creative Development		42.50%				
5- Customer Relationship Management		8.50%				
6- Digital Branding/Web Development		19.40%				
7- Direct Marketing		21.90%				
8- Media Planning/Buying		48.20%				
9- Public Relations		22.70%				
10- Sales Promotion/ Collateral Development		24.70%				
11- Other Services		12.10%				

12- Not Sure/Decline to Answer		0.00%				
Number of accounts involved with at any given time	247		1	100	11.31	11.33
Among the accounts in which you, personally, are involved, what percentage of them are business-to-business, what percentage are business-to-consumer, and what percentage are both?	249					
Business-to-Business			0%	100%	41.40%	37.11
Business-to-Consumer			0%	100%	53.44%	37.24
Both			0%	100%	5.16%	14.97

Table 10. Background Information Results from the Agency Survey

From the 250 advertising executives, 150 of those respondents were classified as “production-focused” and completed the personalized communications portion of the survey. Respondents were classified as “production-focused” when they reported that they either: 1) are involved in the production of advertising materials, but do not advise clients regarding media strategies and selection or 2) both advise clients on media strategy

AND are involved in the production of advertising materials. Table 11 below reports the summary for these respondents.

Personalized Communications-Specific Questions	Respondents (out of 150)	% Respondents Answered Yes	Minimum	Maximum	Average	Standard Deviation
What percentage of the work that your agency does involves variable information or personalization?	139		0%	100%	23.26%	27.41
Distribute 100 points among these five items to indicate how often you produce personalized communications and to what degree they are personalized:	106					
1- Variable address and/or salutation			0%	100%	45.85%	30.76
2- Variable address and/or numerical information that goes into fixed fields			0%	100%	15.36%	16.91
3- Variable address, text and/or numerical information that goes into dynamic fields			0%	100%	11.95%	16.44
4- Variable text or numerical information and graphics			0%	100%	13.73%	19.47
5- Variable text or numerical information and variable graphics			0%	100%	19.77%	26.33

Table 11. Personalized Communications Results from the Agency Survey

Appendix B

Appendix B

Case Study on a Direct Marketing Agency

The following is an example of one direct marketing firm and its thoughts about implementing personalized campaigns and its thoughts on these obstacles holding agencies back from utilizing variable data technology.

This full service, direct marketing agency with a capitalized billing of \$22.5 million have clients such as Bausch & Lomb, Sony, Citigroup and NexPress Solutions. Its mission is to “measurably increase our clients’ bottom line by adding value in everything we do.” It believes that its effective advertising is based simply on knowledge, knowledge of its client and knowledge-based solutions. The primary services that it provides to its clients are strategy development, market research, creative services, production management, database management, reporting, analysis and teleservices. On average, it handles approximately 15 accounts that are in motion on an ongoing basis. Approximately 45% of its media allocation is spent on direct mail, 42% on media such as telemarketing, point of sale and inserts. Internet-based activities such as direct email is at 10% and the final 3% is spent on direct print advertising such as call to action pieces. In terms of the nature of the accounts, 40% of its clients are business-to-business and 60% of its clients are business-to-consumer.

Being a direct marketing agency, a high percentage of its work deals with personalized communications, as it does not create any mass/non-personalized communication. Everything is personalized, even if it just means a name and address is placed in the document. When the Director of Business Development was asked which specific factors drive decisions to use variable communications, she stated that it all depends on the depth and integrity of the client's data. The majority of the agency's clients do not have robust marketing databases such as its clients in the transactional arena who mainly have only names and addresses. She believes that for her firm, there is no difference between B2B and B2C clients in terms of who requests more personalization, simply because all its clients are asking for it. The same goes for its small versus medium versus large companies, but she states that again, it all depends on the data. When it comes to market segment, financial services companies have always used personalization to some degree because they have a significant amount of accurate data. Healthcare companies also have access to an abundant amount of data and use a significant amount of personalization, even though sometimes, they aren't allowed to use the information they have because of patient rights. They have also seen that retail companies have started requesting more personalization. They always recommend personalization to their clients, but the issue is always related to what data the client can provide and utilize and if the client can justify the additional costs. There are many companies that only have name, address, etc., and not the robust types of variable data on distinct consumers that can

help drive more personalization. They described specific obstacles that occur during the creative process such as limitations in format, size, and data in the mapping strategy. With 100% of their work including at least a variable address and/or salutation, 90% of that is variable address and/or numerical information going into fixed fields. The other 10% is variable address and/or numerical information and graphics going into fixed fields. The agency does not use more advanced levels of personalization such as dynamic graphics and fields that can change in size, shape, or location because there is just no demand for something that is so expensive to implement.

An example of the level of personalization this agency is capable of implementing is demonstrated in the NexPress Solutions campaign. NexPress asked the agency to help it create demand for color VDP among end users most likely to benefit from the technology. It recommended that NexPress get a booth at the annual Direct Marketing Association conference and create a direct mail campaign to drive conference attendees to the booth and identify prospects for ongoing sale follow-ups. First, it did research on its target audience to better understand them. Once it identified and understood all the segments of their target audience, the situation and challenges, the agency was ready to develop a program. The program was based on positioning NexPress as a partner that could provide expert consultation for one-to-one programs by using a promotional offer, by demonstrating the production quality of the NexPress 2100, by convincing direct marketers to meet with sales people, and by capturing information to create

communications that would showcase the technology's customization capabilities. A direct mail invitation was created on the NexPress 2100 and provided a strong incentive for attendees to stop by the NexPress booth. Along with this came a presentation and a brief survey to booth attendees and a fulfillment kit to everyone who completed the survey that showcased the customization VDP technology. The results of this campaign generated a 22% booth attendance rate and 492 completed surveys providing very valuable information for further campaigns. At the end, the leads produced opportunities for sales in digital printing and the NexPress 2100.



Figure 2. Example of a Personalized Brochure

When it comes to production, the agency does outsource to its print providers who use offset printed shells that are later imprinted with variable information from a digital laser printer. The specifications of the job (size, format, quantity, etc.) drive the decision on which print provider to use. Relationships are also important to the agency –

which providers they feel comfortable with and which ones produce good work for them is important. Lastly, cost is always an issue. In most cases, they will three bid a job, but that does not necessarily mean that they will take the lowest bidder. They have noticed that the vast majority of the vendors that they work with are not adopting variable technology even though they do know about the technology. One significant of issue that has arisen is the lack of a market demand; there is no demand from the agencies because their clients don't ask about it. Other issues include cost of the equipment, the fact that they do not consider variable data printing as a core competency and they don't want to invest the time to learn, particularly because there is no demand.

The agency states that it is very aware of the new print technology capabilities for personalization and shows samples of printed variable campaigns to its clients and says that it will continue to use and push personalization. It believes personalization has made an extremely positive impact and also hasn't made an impact in certain areas relative to its customers and clients. It believes that there is no impact in reducing print, mailing costs and saving clients money in advertising simply because it is more expensive to use the technology. It trusts that personalized communications has a positive impact in improving the reader's ability to locate information, retain information and improve response rates. One hundred percent of the time, its clients are very happy with the results of its personalized campaign because personalization does yield better responses than static campaigns. In turn, the direct marketing agency is 100 percent satisfied with

the results of the campaigns it creates. Its clients mainly measure the effectiveness of the campaigns by response rates.

The agency states it will always use personalization and push for more personalization. As a direct marketer, that is all that it does and now going into the future its hope is that more clients will use more personalization (not just name and salutation) and really use their data in more meaningful ways. It gave an example of a company sending out direct mail to customers who had just recently purchased a certain product and recommending products that relate to their recent purchase to help sell more to valuable customers. It believes that variable campaigns are still a ways away from becoming standard practice in advertising. It states that there is a large learning curve when designing a campaign using variable data (creative, production, data management) and how it all comes together. It would encourage other agencies to learn as much as possible about how a campaign comes together and what the roles and responsibilities look like for the players since they are different than creating and implementing campaigns for traditional print production.