

D'MAND Report #2

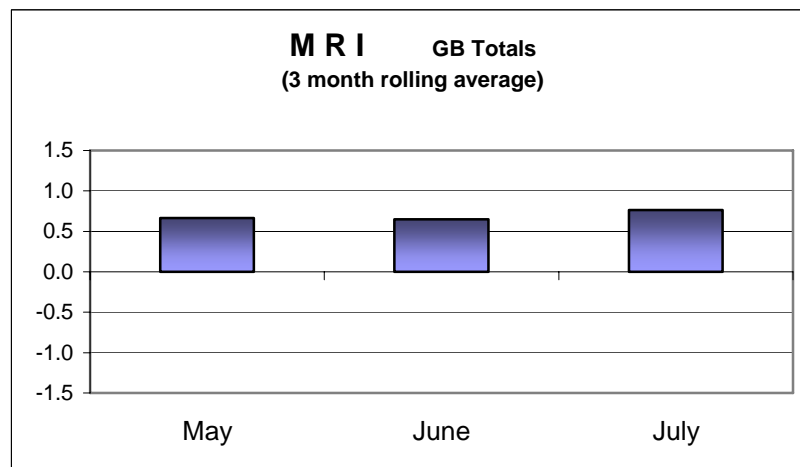
August 2008

Spotting Future Responsivity Trends in the current climate

With the current economic climate creating intense pressure on marketing budgets across virtually all sectors, one of the key requirements, if not *the* key requirement, has become the need for intelligence on potential changes to the willingness of consumers to respond to the 'next campaign'.

D'MAND includes questions that cover both past responses to campaigns across all channels, AND preparedness to respond to campaigns *in the future*. This allows for a definitive analysis of the patterns of change in responsivity to channels on a month by month basis, together with in depth micro-analysis of an extensive range of demographic segmentations. We have monitored these changes on behalf of clients, in particular looking at channel comparisons within industry sectors, and as a result have created a series of indicators to monitor these changes.

We have now decided to publish these indicators as the D'MAND '**Marketing Responsivity Index**' – the ultimate 'MRI SCAN' of responsivity to direct marketing. The indices are created by straightforward calculations, and show future propensity to respond as a multiple of past responses, on a three-month rolling average basis. The way to view the index charts is very simple – a score of zero equals parity between past and future; anything above zero indicates potential increased response to future campaigns, and anything below zero indicates potential reduced response in the future.

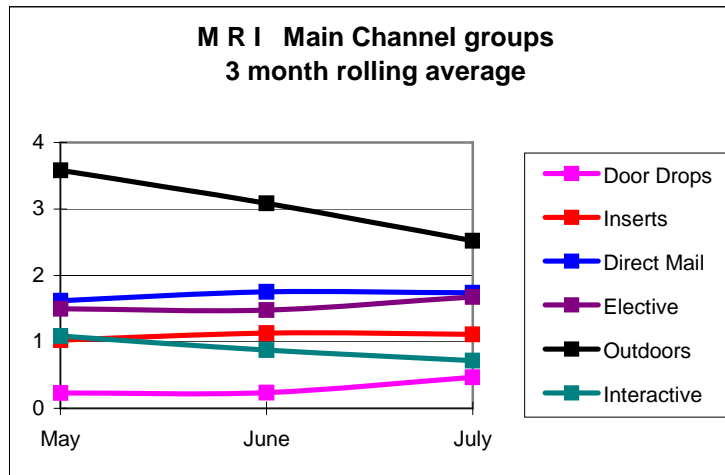


The 'headline' index shows the overall state of the total market, monitoring all direct marketing channels as a global index. It reflects future responsivity to ANY channel, as a factor of past responsivity to ANY channel. The three months to May 2008 create the base, and at the moment there are signs that the overall climate for direct marketing is remaining robust and positive, with the July figure showing the MRI at 76%. However, closer analysis reveals differing pictures emerging across different channels.

Channel Groups

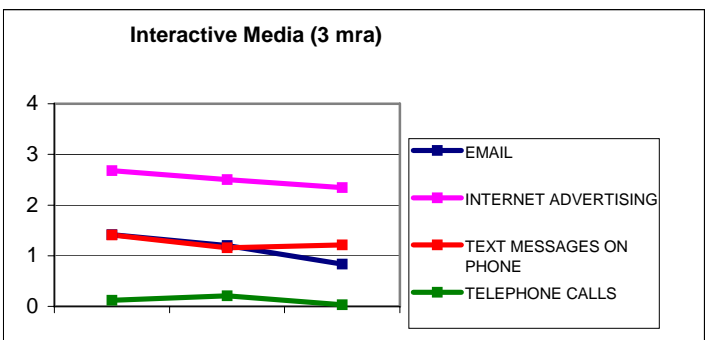
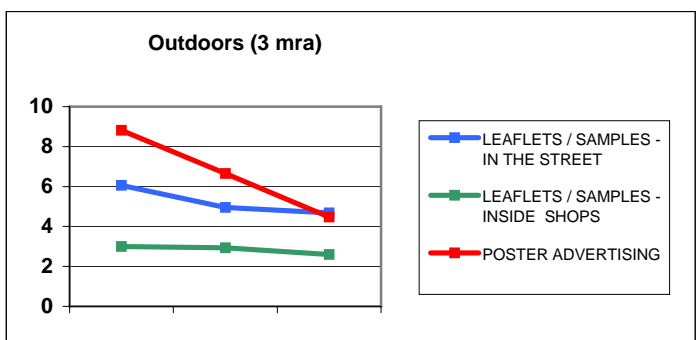
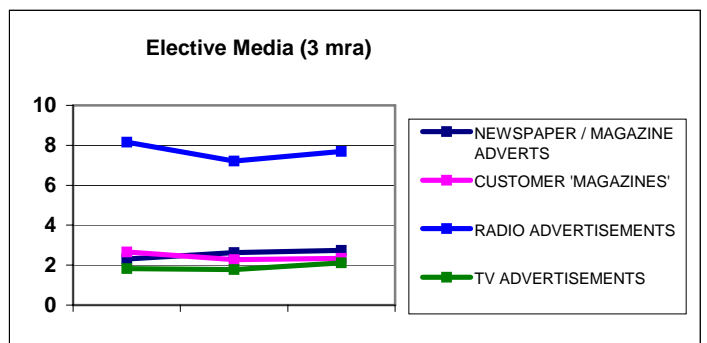
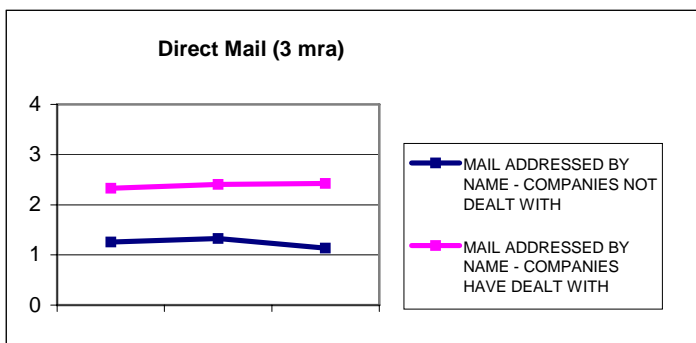
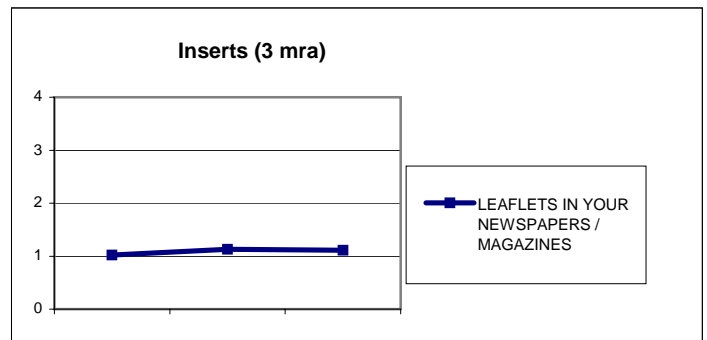
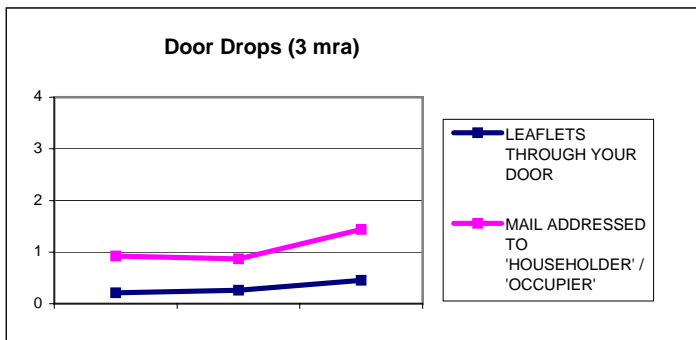
If we break the index down into the main channel groups originally defined by the Direct Marketing Association, we immediately see divergence, demonstrated by the two extremes of falling propensity in 'Outdoors', and rising propensity in 'Elective' and 'Door Drops'. However, care should be taken in interpreting the indices, as they are specifically designed to be indicators of change, not definitions of the future. They are therefore equally affected by historic change as by future change, so a month or two of good responses will, by definition, depress the potential for growth, even if future demand remains constant. Detailed analysis of the underlying data allows the picture

to emerge with greater clarity immediately, and future plots of the indices will equally serve to improve that same focus.



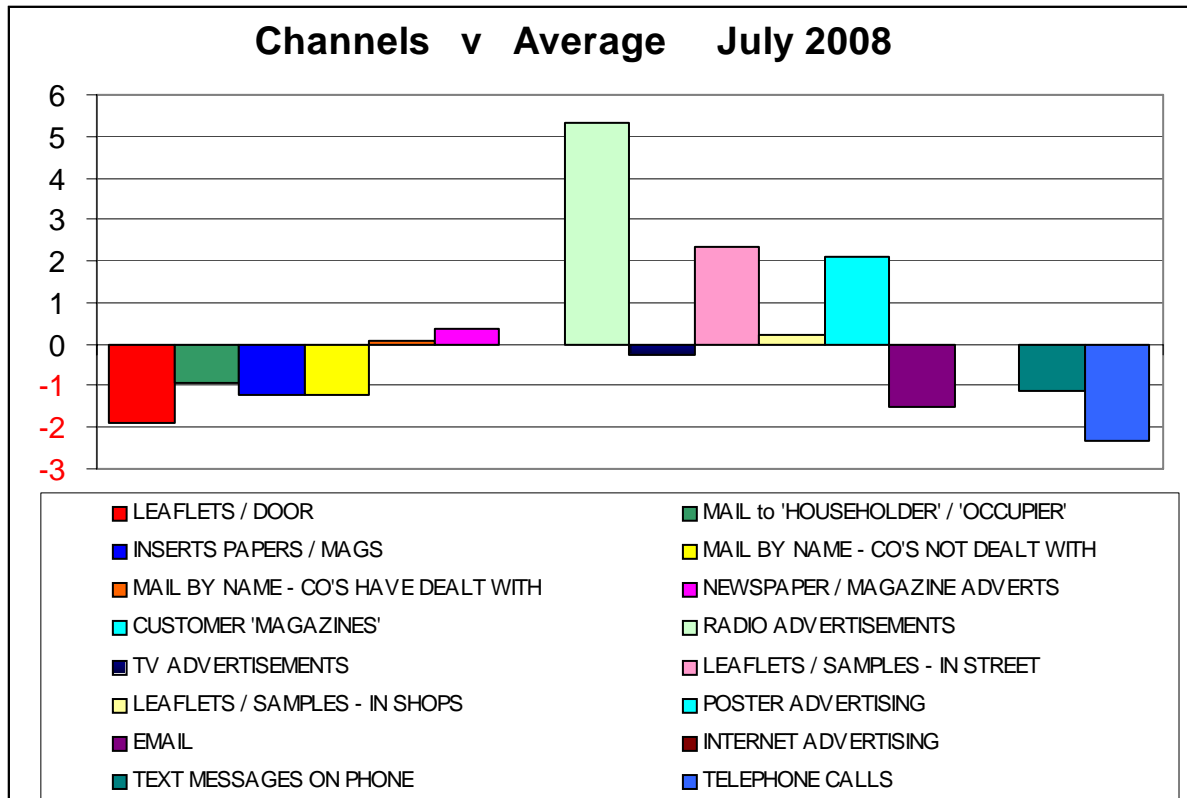
Comparing Trends in Individual Channels

To assist with the first stages of deeper analysis, we can show the performance of the individual channel indices, by reference to the pre-defined groups above. These again show divergences between the component channels, but here the indices are becoming much more valuable as direct intelligence for media planning departments. At this stage, the charts are clear and 'self-explanatory', so no gratuitous 'commentary' is offered!



Selecting Channels by Comparative Performance

The general MRI above is based on overall responsivity, but it is also highly informative to create an alternative view to enhance our understanding of *comparative* channel performance. This view relies on creating an average of the individual channels' responsivity indices, which gives greater weight to the consumer's discrimination between channels. The initial index reflected the number of consumers prepared to respond to *any* channel, (the measure of general consumer responsivity). This view takes full account of the number and nature of the different channels they are prepared to respond to (discriminatory responsivity). These figures take a snapshot view of a single month, using in this case July's average of channel MRI scores which is 2.35, or 235% of recent responses.



This provides the necessary data to fine tune spending patterns where multiple channels are in the mix. This chart view is based on the total population, and provides an immediate observation to start the analytical process.

The next stage of analysis will depend entirely on the nature of the campaign in question. Where the product is paramount, the figures can be filtered by the appropriate product sector. Alternatively, and even in addition, the filter can be enhanced by introducing the full definitions of the target segmentation of the intended audience. In this way, the campaign planner can create the precise channel responsivity comparisons to thoroughly inform the media selection process.

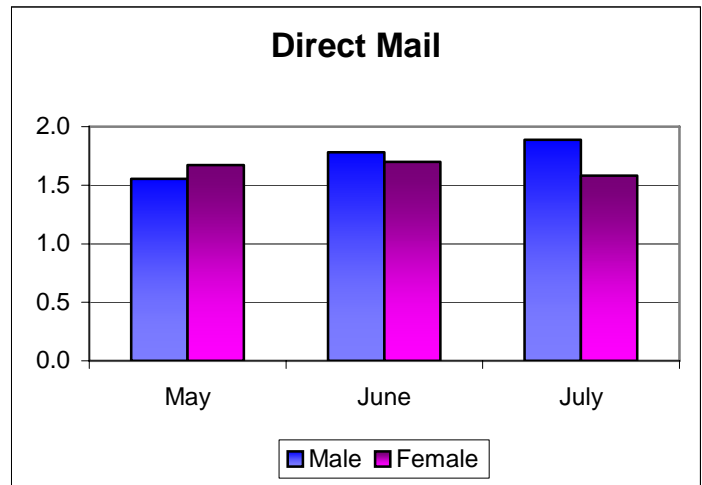
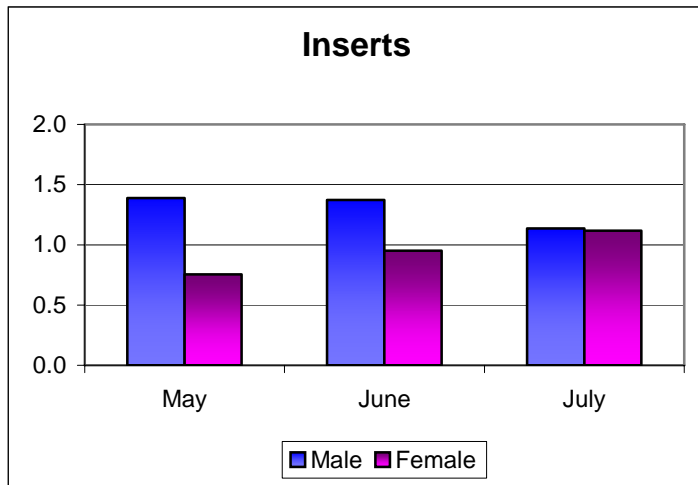
'A la Carte' Analysis

Each element of MRI can be individually or jointly analysed within any target segmentation, using the demographics available within the survey. The following charts give a straightforward introduction to the concept by looking at the differentials in changing responsivity at the moment between males and females. The value of these deeper demographic based indices is immediately demonstrated even at this primary level, by a closer look at two of the charts in particular.

Firstly – Inserts. When we viewed the main Insert index, the impression was clearly a fairly stable line, drifting gently positive over the period. However when we start to break it down into

component demographics we can see a very distinct swing sufficient to influence campaign planning. The responsiveness of males during the period is in distinct decline, whilst that of females is showing very strong growth.

Secondly – Direct Mail. Here we see almost the exact opposite happening. The primary index was again just showing a gentle overall positive move over the period, but the deeper analysis by gender here gives us a clear picture of male responsiveness in growth, against female responsiveness, in this instance, in decline.



The full demographic capability of the data cannot be outlined in a report of this nature, but the ability to analyse not just by 'standard' demographics, but by multi layered combinations of over 40 categories including, for example, newspaper readership, main supermarket, postcode area and type of internet use means that we will be able spotlight a variety of outputs in future reports.

Conclusions

As any good researcher, or statistician, will tell you – now is definitely NOT the time to be drawing definitive conclusions, especially as another set of data will be coming through within the next couple of weeks (in fact more or less constantly). The key is to make sure that you understand what is really happening in your market, your communication channels and your product sector, and to analyse the trends to maximise the *efficiency* of campaign budgets.

Regardless of the benefits that such data will bring to individual campaign planning, one thing is certain from the latest MRI 'scans'. The population are still sending a clear message to the Direct Marketing Industry – we WILL continue to respond, and increase that response, provided that you communicate the right information, in the ways in which we want to receive it.

The key, as we said at the start, is to be able to move from *retrospective* analysis to a better understanding of the opportunities awaiting planned campaigns by reference to the *future intentions* of the consumer.

Further Information

The questions in the survey

1. Which of the following types of marketing have you seen, or received, during the last few weeks.
2. Looking again at the list, have you responded to, requested information from, or made purchases as a result of, any of these in the last few weeks.
3. Thinking of these types of marketing, which of the following types of companies / organisations, do you recall seeing or receiving information from in the last few weeks.
4. Which of the following types of marketing do you regard as 'acceptable to receive'.
5. Looking again at the list, would you be prepared to respond to, request information from, or make purchases from, any of these in the future.
6. Thinking of these types of marketing, which of the following types of companies / organisations, do you regard it as acceptable for you to receive such information from.

Product Sectors in Survey

- Banks
- Credit Card Companies
- Insurance Companies
- Savings and investment companies
- Charities
- Supermarkets
- 'Catalogue' companies
- Clothing companies
- Magazines and other publishing
- Home Improvements
- DIY / Gardening
- Health Care products and services
- Travel / holidays
- Electricity, oil and gas companies
- Home / Mobile phones
- TV services / broadcasters
- Car dealers and manufacturers
- Local or National Government services or information
- Local businesses and services, individually or grouped together

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