

You've Got Mail



E-mail and other electronic methods are becoming essential direct-marketing tools. But this doesn't mean the end of **POSTAL DIRECT-MAIL CAMPAIGNS**.

Direct-mail efforts are one of the industry's most reliable tools for targeting and reaching consumers. As e-mail has risen in popularity, the use of postal mail as a direct-marketing tool has declined. Industry experts, however, don't believe that new electronic methods will replace postal mail. They predict that the two will be used together as part of multichannel marketing plans.

According to a report by The Direct Marketing Association (DMA), 37% of marketers surveyed indicated that their mailing quantity did not change in 2001 compared with 2000, while 71% of those surveyed

indicated that they increased the quantity of their marketing e-mail. About 21% reported a decrease in mail volume, and 43% of direct marketers using postal mail indicated that their mailing quantity increased in 2001. This is a significant decrease from five years ago when close to 70% reported increases in their 1996 postal-mail volumes.

"We have seen a drop in the use of direct mail during the last 12 months to 18 months, mostly taken up by e-mail," says Stephen Smith, CEO of Optas. "Another factor is the recognition that direct mail is much more effective when it is targeted and the marketer moves into a loyalty-compli-



DIK BARSAMIAN

Physicians are willing to receive clinical information via any format if it can help them with their practice of medicine. **The content drives what they open, whether it be electronic or print.**

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Despite e-mail's impact on the use of postal direct mail, there are barriers to its complete replacement of postal mail. One is the age factor. Older audiences are not as comfortable with receiving important information online.

"Direct mail is still a viable tool, particularly in pharmaceutical marketing, because for many of the products the target audience is older and there is a lower penetration of online usage," says Jim Hathaway, VP of market development at Grafica.eCRM Corp. "People still want print, particularly when there is a lot of information to be communicated."

Marketers, however, know that e-mail is a cheaper option and that direct mail is more cost-effective when well targeted. This has resulted in some marketers using e-mail as a testing ground before rolling out a more expensive direct-mail campaign.



STEPHEN SMITH

There is so much more that marketers can do to **integrate permission marketing concepts** into their e-mail programs to deliver meaningful value and avoid being labeled as spam.

ance lifetime value phase of a relationship with a consumer."

According to some, the use of e-mail as a direct-marketing tool hasn't even begun to peak. Because the medium is still relatively new, direct-marketing experts haven't fully explored its possibilities yet.

"Direct marketing is changing," says Kathleen Goodwin, CEO of iMakeNews. "The companies in the direct-marketing space — those that have the analysis and database backend and that understand the tech-

nology and the practice of direct marketing — haven't really gotten into playing in the e-mail space yet."

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"E-mail marketing is having an impact on direct mail as a marketing tool, no doubt about it," says Jay Bolling, executive VP at Roska Direct. "We are using e-mail much more than we were in relation to direct mail. E-mail provides the ability to do things that can't be done through direct mail. We can test offers and customized messages in an e-mail environment before we go out with either a direct-mail, print, or direct-response TV campaign because of the immediacy and measurability that e-mail provides."

While advances in direct communication tools offer an alternative to direct mail, some in the industry have not changed their direct-mail usage. They expect direct mail to continue to be a valued tool.

"We really have not seen much of a decrease in direct-mail use; it is always

Direct Mail Facts

- ▶ Although households claim, in general, that they would like to receive less advertising mail, **68.7%** read, look at, or set aside direct-mail pieces for later reading.
- ▶ **Previous customers** of an organization are much more likely to respond to direct-mail offers.
- ▶ **January** is the peak mailing month for postal mail, followed by September and October.
- ▶ Consumers with a **mid-level education** seem more receptive to advertising mail.
- ▶ Direct mail represents **46%** of all general advertising methods.
- ▶ Last year marketers spent **\$44.7 billion** on marketing via direct mail. This year marketers are forecast to spend **\$46 billion**.
- ▶ Last year direct mail generated **\$590.3 billion** in sales. This year direct mail is expected to generate **\$634.4 billion** in sales.

Source: The Direct Marketing Association's 2002 Economic Impact: U.S. Direct and Interactive Marketing Today, New York. For more information, visit the-dma.org.

going to be part of the marketing mix," says Jim Knipper, president and CEO of J. Knipper & Co. "There is no doubt that there are great numbers of patients and physicians who receive enough spam e-mail who want, and like, to receive a four-color or hard-copy piece that they can sit and read."

Lin Gensing-Pophal, author of "Small Business Guide to Direct Mail," has observed that direct mail's use declined when e-mail marketing first became an option. But she believes that its usage will return to previous levels.

"Direct mail suffered a few years ago when the Internet was really hot and companies were investigating Internet marketing as a possible replacement for some of their more traditional marketing channels," she says.

"Whenever a new communications medium comes along, everyone predicts that it will replace the previous one; what inevitably happens is that the new medium supplements the previous ones instead of replacing them," says Ruth P. Stevens, president of eMarketing Strategy. "This happened with radio and television, and it's happening with e-mail and other Internet communications. These methods have become complementary or supplementary instead of a replacement for other communications forms."

Direct Benefits

"Direct mail is measurable," says James L. Weaver, president of Redi-Mail Direct Marketing Inc. "Marketers can measure how many people respond to a mailing and when they took action. Marketers can analyze the ROI definitively."

This ability to be measured sets direct mail apart from e-mail efforts.

"The operational aspects of direct mail are more mature," says David Klaum, VP of sales and marketing at Fougere. "It is easier to slice and dice with direct mail. Most people who work with an electronic medium are still developing their slice-and-dice operations."

Because direct mail is an established communications tool, it provides marketers with more options, especially when creating targeted lists.

"Direct mail is such a mature business; it has been around for decades and the services to support it improve every year," Ms. Stevens says. "The most important strategic advantage with direct mail is that mailing lists are readily available for consumers and intermediaries, such as doctors, clinics, druggists, and the other members of the distribution chain. This



JIM KNIPPER

E-mail lists are limited; the lists have grown substantially and they are better than they were years ago, but the postal service still has all the addresses. **It is still the best way to get to somebody.**



RUTH P. STEVENS

Direct mail as an old-fashioned communications medium is still extremely powerful.

It is such a mature medium offering access to plenty of markets, that it really needs to be considered as a valuable part of the mix.

JAY BOLLING



Regardless of whether communicating in an offline or online environment, **the best results are going to be gained through the use of an opt-in approach**, even with direct mail — and especially in healthcare because of the sensitivities around privacy.

terms of matching online and offline data, but there are more data available in relation to offline addresses.”

Because of the availability of targeted lists for direct mail, the tool is best used for prospecting, experts say. E-mail, on the other hand, has been found to be more effective as a customer-retention tool. “We are finding that marketers use e-mail mostly as way to offer special deals, special shopping events, and discounts to current customers,” says Christina Duffney, director of media relations and corporate communications at the DMA.

JAMES WEAVER



E-mail is easy, quick, and cheap, but it can be intrusive. With a letter, recipients know who it came from. With e-mail, they don't know who sent it or its contents until it is opened.

information is not as available through e-mail lists.”

“Sixty percent of the success of any mail program relies on the quality of the list provided,” says Lynn Gale, midwest account manager at /alert Marketing. “Marketers must question if they are targeting the correct professional and buying their current address. Marketers must inquire as to the techniques e-mail list providers use to ensure accuracy. The old adage ‘you get what you pay for,’ may come into play when evaluating the cost per delivered e-mailed communication.”

Traditional direct-mail lists contain qualified customers who have purchased related products. E-mail lists often contain people who have visited related sites, but may or may not have purchased a product.

“The direct-mail lists have more information about individuals, primarily because the lists have been around longer,” Mr. Hathaway says. “List providers are starting to move along in

Ms. Stevens agrees that e-mail is an excellent medium to use once the customer has been identified. “Direct marketing through e-mail is great for retention,” she says. “If a company already has collected the e-mail address of a current customer or a prospect with whom they already have a business relationship, e-mail is unparalleled. It is fast, it is cheap, it is interactive, it is global, it is absolutely wonderful. The problem is that e-mail just is not ready for prospecting. It's great for retention, lousy for acquisition.”

According to Dik Barsamian, VP of sales and marketing for Thomson PDR, once a group has been selected for solicitation, marketers need to get the attention of the recipients by providing useful information. “Identifying the appropriate target group is a vital piece of any direct-marketing campaign,” he says. “But the major challenge with any type of direct-mail or e-mail program is that often the information is too promotional in nature and recipients tend to throw away or delete those types of messages.”

A Direct Connection

“The majority of our members are taking a multichannel approach — a marketer might send out a

Postal Mail vs. E-mail

MARKETERS REPORTED THAT POSTAL MAIL WAS MOST OFTEN USED TO:

- ▶ Improve customer retention (89.5% of marketers)
- ▶ Improve customer purchase frequency (81.3%)
- ▶ Re-activate customers (78.4%)
- ▶ Cross-sell direct-marketing product lines (70.1%)
- ▶ Cross-sell across direct marketing to a Website (62.8%)

E-MAIL MARKETING/SALES STRATEGIES WERE USED MOST OFTEN TO:

- ▶ Improve customer retention (80.9%)
- ▶ Improve customer purchase frequency (68.3%)
- ▶ Cross-sell across direct-marketing product lines (62.7%)
- ▶ Cross-sell across direct marketing to their Website (59.8%)
- ▶ Re-activate customers (58.5%)

Source: The Direct Marketing Association, New York. For more information, visit the-dma.org.

direct-mail piece and follow it up with an e-mail alerting the consumer to expect something in the mail,” Ms. Duffney says.

Through her experience with a consumer beauty product, Ms. Goodwin has found that combining direct mail and e-mail is more effective than using one route, and she believes this can apply to the healthcare industry as well.

“Direct mail can have an incredible impact in terms of the delivery mechanism and then something within that piece may drive the customer to the Web, whether it's a survey or poll or coupon — all of the pieces can, and should, be integrated,” she says.

The use of direct-mail may be declining, but the industry is not expected to drop the tool completely.

“Typically marketers don't have separate online and offline consumers; consumers who want to receive information in the mail also are actively searching the Web in greater numbers than ever before to find information about products and to receive information proactively,” Mr. Bolling says. “No matter how much they're using the Web, most customers still want to have something tactile that they can hold in their

hands and read at their leisure.”

Mary Jane Garvey, managing partner at PDQ Communications Inc., combines multiple direct-marketing tools in her company's communications for its professional audience, using a different method depending on the message.

“We complement direct mail with faxing, which is the best means for instant attention, because when it comes across the machine someone invariably looks to see what it is,” she says. “Faxing alone is not sufficient for a marketing campaign, but if there is a recall or dosage issue that needs to go out instantly, faxing works very well.”

A Direct Negative

“For years, direct mail was referred to as junk mail and still is; to a certain degree, e-mail spam is viewed even more negatively,” Ms. Gensing-Pophal says. “There is a certain stigma attached to marketing online.”

According to the DMA, as a result of direct marketers' caution to guard against any customer misperception of targeted e-mail as “spam,” 92.3% of e-mail marketers do not rent or exchange their e-mail names

LYNN GALE



Direct mail clearly has advantages over e-mail marketing

, including vast databases that encompass consumer health profiles, physician prescribing data, and allied health specialty classifications. These databases allow for specific targeting and effective budgetary allocations.

CHRISTINA DUFFNEY



E-mail marketing may be cheaper and marketers are using it, but they also are **still relying on the traditional methods**, such as direct mail.



MARY JANE GARVEY

E-mail is still relatively young, addresses change frequently, and it is much more difficult to find e-mail addresses for high prescribers of a certain product, special niche markets, or geographical regions.

compared with 83.1% of postal mailers. Only 8% of e-mail marketers make their customer files available for rental or exchange for e-mail, compared with the 35% of postal-mail marketers.

"Spam is perceived as being more intrusive because consumers think an e-mail address is much more personal than a home address," Mr. Hathaway says. "With junk mail, people can read what the message is; whereas, people delete e-mails before they read them because either the sending address or the subject line isn't familiar to them. If a consumer gets a direct-mail piece and decides not to read it, they are at least getting exposed to the message — it registers in their mind. E-mails can be deleted before a person even gets a chance to see what the message or offer is."

Mr. Smith says it will be interesting to watch how permission marketing and spam issues shake out in the next three to six months, adding that because of the amount of spam e-mail and the negative response

consumers have toward it, marketers can even damage their brand.

Despite the stigma that at times is attached to e-mail marketing, marketers should not ignore the benefits e-mail can provide in terms of cost and speed, and should take steps to ensure that their messages are not deleted.

"Broadcast e-mails, which offer a time-sensitive alternative and reduction in program cost, cannot go overlooked by marketers when designing the overall marketing mix," Ms. Gale says. "The only chance an unrecognized e-mail will be opened is if the recipient believes the message is valid,

secure, and the subject line is crafted in the most compelling language."

According to Ms. Duffney, the explosive growth of e-mail as a direct-marketing tool is slowing down as a result of consumer sensitivity about spam.

"Due to the proliferation of spam, it is becoming increasingly difficult for consumers to discern which e-mail messages should be opened," she says. "Therefore marketers should take a multichannel approach instead of relying on one medium."

"We are in the business of creating relationships," Ms. Goodwin says. "E-marketing is about learning to send the right info at the right time and to bring that prospect or customer along the buying cycle. We can only do that through engagement and ongoing dialogue, and the only medium that can really do that is e-mail marketing."

Because of consumer concerns about privacy, HIPAA regulations also impact the direct-marketing landscape.

"The regulations are going to have an impact on how electronic media and direct mail are used,"

Mr. Knipper says. "HIPAA won't eliminate direct marketing, but marketers are going to have processes and systems in place to provide the necessary privacy and security."

A Direct Audience Correlation

Marketers need to consider who the target audience is for their direct-mail campaigns and then choose one, or several, to address the preferences of the selected group.



DAVID KLAUM

In the last 18 months to two years, we have found direct mail to be an especially effective way to reach our customer base.

"People who have desk jobs can open e-mail then take the time to open an attachment and look at it; doctors, nurses, and pharmacists are running all over the place and are generally not sitting down at a desk, so they need something they can read when they get a chance," Ms. Garvey says. "They are unlikely to go through all of their e-mail and click on an attachment and then send it to a color printer. Even if they do, it does not have the same impact as if they are sent a professionally done piece in the mail."

"For us, direct mail is a more effective tool for reaching our company's main customer base," Mr. Klaum says. "Pharmacists, who are our primary customers, are increasingly busy. Direct mail has a longer-lasting impact with them than e-mail, which is easily deleted."

Mr. Barsamian, however, believes that e-mail can be used to reach busy professionals, but that it needs to be combined with other methods to create the most impact. "E-mail marketing is an effective way to reach physicians, but it is only one piece of the entire direct-mail mix," he says. "Direct mail has a strong place with physicians, especially for branded offerings that can reach a certain target group. A diverse communications program that combines various delivery vehicles can be very effective."

In light of recent mandates restricting sales reps from distributing or discussing continuing education material, direct mail has become an even more useful way to get information from the marketer to the physician.

Direct-to-Computer: The Next Step for Interactive, Electronic Direct Marketing

CD-ROM AS A DIRECT MARKETING TOOL ALSO CAN BE USED AS A CUSTOMER-RELATIONSHIP TOOL.

Osteoimplant Technology Inc. (OTI), a supplier of total joint replacements, is using direct-marketing tools in a unique way to market its new hip-replacement product and develop stronger relationships with orthopedic surgeons. By inserting CD-ROMs into a journal focused on the company's market, OTI is reaching its target audience with a larger volume of information than could be presented in an advertisement and with a greater ability to measure return on investment.

The company is using an electronic tool developed by Arcavista Corp. to supply information about OTI's products directly to orthopedic surgeons via a "smart" CD-ROM. The CD-ROMs, which use Arcavista's Communicator software, are being distributed to more 30,000 orthopedic surgeons as insertions in *Orthopedics Today*.

"The cost for sales and marketing outreach to doctors is astronomical; it costs a medical-equip-

ment company about \$500 for a single in-person sales call," says Ian Murray, CEO of OTI. "By using Arcavista's interactive technology to target orthopedic surgeons directly, we expect to dramatically decrease our sales and marketing costs, while realizing a greater return on investment."

The Communicator software delivers a state-of-the-art enhancement for CDs, including a fully functioning commerce and transaction engine that requires no click-through or Internet connection until the customer is ready to order. The CD-ROM's content includes new product information, corporate and product video, pricing, and company information — and is updated every time the CD is used.

"An ad in a magazine would never have been able to convey the amount of information that we are able to get across with the CD-ROM," Mr. Murray says. "More importantly, we can illustrate operating techniques to our audience; the CD-ROM can show a surgeon performing an operation and explain his technique."

Mr. Murray says the CD-ROM links education with marketing through the demonstration of a mini-incision procedure that can be viewed from the CD and the company can link information about its products that fit to the specialty.

OTI also is using Communicator's tracking module, which collects information about usage and preferences, whether the user is offline or online, as a lead-generation tool to reduce costs, while increasing sales. According to Matthew de Ganon, executive VP and chief marketing officer at Arcavista, the company can track when the CD is inserted into a computer and what activities the users engage on the CD-ROM.

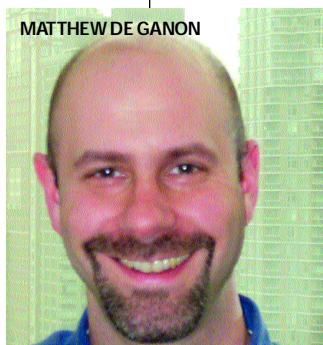
"OTI can track the actual insertion of the direct-marketing piece," Mr. de Ganon says. "So even before any direct response to the company, we can understand how the campaign is performing. We can see if physicians interacted with the piece, well past the point of simple branding in a magazine page."

This direct-marketing vehicle is being used to promote OTI's recently launched total hip system, Intrinsic Modular Indexible Neck (IMIN), which was designed to help surgeons achieve better results from hip-replacement surgery.

Results from Communicator's tracking module have shown that 95% of the people who put in the CD browsed it for an average viewing time of about 10 minutes. Results show that users view all parts of the CD, but focused on the IMIN system, which is the primary objective of the company's campaign.

According to Mr. de Ganon, while the CD-ROM is a direct-marketing tool, it also becomes a customer-relationship management tool as well.

"This technology allows an ongoing point of communication with the prospect or customer," he says. "So a marketer is leveraging that one campaign or that one ad into a potential ongoing relationship — that has a ROI in and of itself."



MATTHEW DE GANON

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IAN MURRAY

By using Arcavista's interactive technology to target orthopedic surgeons directly, **we expect to dramatically decrease our sales and marketing costs**, while realizing a greater ROI.

"Direct mail becomes very valuable because we can get continuing education material directly to the target audience without having the manufacturer's sales rep touch it," Ms. Garvey says. "In every other aspect we work in conjunction with pharma marketers' sales efforts and their sales reps detail efforts."

A Direct Hit

The goal of the direct-marketing campaign needs to be determined before selecting the medium for the message. "At the outset, marketers must be knowledgeable in the objectives of the program and the desired outcome," Ms. Gale says. "If the marketer's objective is to gain recognition

for the product by physicians, a multiple-wave program may be required to force a change in prescribing habits. On average, it requires three personal sales contacts to change a physician's prescribing behavior. The same argument can be made for a direct-mail program."

"It is critical to move into a patient-centric environment and to deliver customization both online and offline to drive that net result," Mr. Bolling says. "The most effective way to deliver messages is to use the medium that the end user wants to receive messages in." ♦

PharmaVoice welcomes comments about this article. E-mail us at feedback@pharmavoice.com.

Experts on this topic

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