In partnership with

Customer Acquisition Barometer 2014

A new annual survey of marketers and consumers about acquisition practices

Contents

#dmaleadgen

Introduction

In the past 12 months data privacy has taken on widespread cultural, commercial and political significance. This year, data privacy has been the major international discussion point at conferences such as SXSW and trade events like Mobile World Congress. In the political sphere EU lawmakers are currently focused on overhauling pre-internet data privacy laws to bring them in line with the realities of the burgeoning data-driven digital economy, which is redefining the day-to-day relationships between organisations and individuals.

The data privacy debate has been primarily framed by the problems arising from some companies, organisations and institutions misusing, abusing and exploiting people's information against their expectations and wishes. The most switched-on brands are currently wrestling with the problem of understanding the exact impact this is having on their one-to-one communications with their customers and prospects.

To help senior decision makers get to grips with the strategic marketing issues, the DMA in partnership with McDowall has produced this, the inaugural *Customer Acquisition Barometer*.

The CAB puts a spotlight on the way in which companies gain new customers in the fast-changing worlds of online and offline marketing, looking at it from the marketer's and consumer's perspectives. The proliferation of media channels such as TV, social and out-of-home has increased the number of cost effective and legal practices for attracting new customers. It's important to benchmark which methods companies are finding most effective and to share that knowledge across our community.

Brands now have to work harder than ever before to communicate one-to-one with consumers. Only those who offer consumers compelling reasons to become engaged and to share their personal information will be successful in acquiring customers in the future.

Chris Combemale,
Executive Director, DMA

Practitioner's perspective

Customer acquisition – it's the lifeblood of any business. In fact, if you're in business and not acquiring customers, it's unlikely you will be in business for very long.

As marketers, we obsess over a 30-second TV spot, a poster site, our search and social strategies – yet, the fine art of *actually* signing up new customers is placed far down the marketing hierarchy.

Too far, we at McDowall believe. It's tempting to assume that product and marketing will do the end-to-end job of acquisition. Yet at McDowall, we observe a disconnect between that marketing obsession and a brand's *authentic* connection to its customers, a gap that is no longer an option in a world where disinterest and churn are a mouse-click away.

So... who's doing it well? Surprisingly, while businesses must acquire customers to survive and thrive, there is no real benchmark of best practice to call upon. We may have many measures of marketing spend, broken down by channel, but there exists little assessment of how brands are acquiring customers, for better or for worse.

> ***"Consumers will forgive brands knowing a lot about them, as long as they get something back in return."***

As to what consumers think of acquisition techniques, marketers can only gauge by default, from media headlines trumpeting their irritation or worse, exasperation and protest at those approaches.

Which is why McDowall conceived the idea of the *Customer Acquisition Barometer (CAB)*, the results of which are exclusively revealed in these pages. This is truly an industry first: a twin-track survey of the best and worst acquisition practices from the marketer's point of view, but crucially also taking the pulse of consumers at the receiving end of those practices.

There was never any question of McDowall's choice of partner for making the *CAB* a reality. For McDowall, the independence and professionalism of the DMA's brand mean the *CAB* has the best possible platform for launch and distribution to the widest possible practitioner audience.

If we could pick one, over-arching *CAB* finding, it would be that consumers *will* share their information with brands, as long as those brands identify themselves in the process and that such sharing is part of a genuine *value exchange*. As one of our focus group participants succinctly put it, consumers will forgive you knowing a lot about them, as long as they get something back in return. This may be discounts on future purchases, vouchers from affiliated brands, handling their data in a secure way or simply being contacted at the right time, with the appropriate frequency, by their preferred channel. But such a value exchange is what we know in business as a win-win, for consumer and marketer.

At McDowall, we believe that if this vibrant, dynamic industry is to be a conduit between brand and consumer, engagement needs to be smooth, thoughtful and effective. We hope this no-holds-barred survey shines a light on the best ways to achieve this marketing nirvana – and look forward to hearing your feedback so that we can make next year's *CAB* even more useful and compelling to marketers.

Andrew Colwell,
Marketing & Commercial Director, McDowall
andrewcolwell@mcdowallmedia.com
www.mcdowallmedia.com

mcdowall
CUSTOMER ACQUISITION

Executive summary

1. Consumers and marketers have a mutual interest - sharing information. For individuals, finding the latest products and services, getting the best deals and staying in touch with brands they like is at the core of their commercial life. That is why a majority say they have shared their personal information in the last 12 months. For marketers, ensuring good quality customers are acquired at the right cost is at the heart of effective marketing.
2. Both sides agree that the best channels for this information exchange are email and the brand's own website. Consumers have most confidence providing their personal information across these contact points (43 per cent and 42 per cent named them as the most trustworthy), with email by far the most preferred contact route. Among marketers, these are also the most widely-used channels for customer acquisition, with 40 per cent naming email and 30 per cent their website as the most effective.
3. By contrast, there is more of a mis-match between the two parties around social media. Marketers are pressing ahead with its use - 77 per cent include it in their customer acquisition programmes. Yet only nine per cent of consumers say they have given out their purchasing intentions via social media (although this rises to 20 per cent of 18 to 24-year-olds). This may explain why only 16 per cent of marketers say social media is their most effective channel for customer acquisition.
4. For the information exchange to be effective and sustainable, it needs to be based on three components: permission, reward and control. When consumers give out their personal information, half (49 per cent) see this as having a relatively short shelf-life of just six months, although one third (35 per cent) say 12 months is acceptable - more in line with how marketing operates, not least because of the number of annually-purchased products for which marketers need leads. Although consumers have become more aware of their privacy rights, six out of 10 marketers do not expect this to impact on their customer acquisition.
5. Rewards can be effective incentives to encourage consumers to share their information; 32 per cent are motivated by competitions and 29 per cent by loyalty schemes. Targeting incentives by age can also make a difference, as what motivates young adults is different from what appeals to the retired.
6. Control also matters to the consumer, with eight out of 10 saying they are more likely to share information if it is only used by the first party. Privacy policies also have a role to play, even though in reality 79 per cent of consumers either never read privacy policies or only sometimes look at them. Nonetheless, marketers are very conscious of the need to have clear opt-outs, to explain how information will be used and then to use it only under those terms.
7. Respecting the interests and wishes of consumers is always important in marketing. It seems likely to become more so as the *CAB 2014* survey found the number of companies setting quantity of leads as their priority will jump in the next 12 months from 21 per cent to 35 per cent. This return to acquisition marketing needs to take the consumer along with it; the more each side understands the other, the better for both.

1. The consumer's perspective

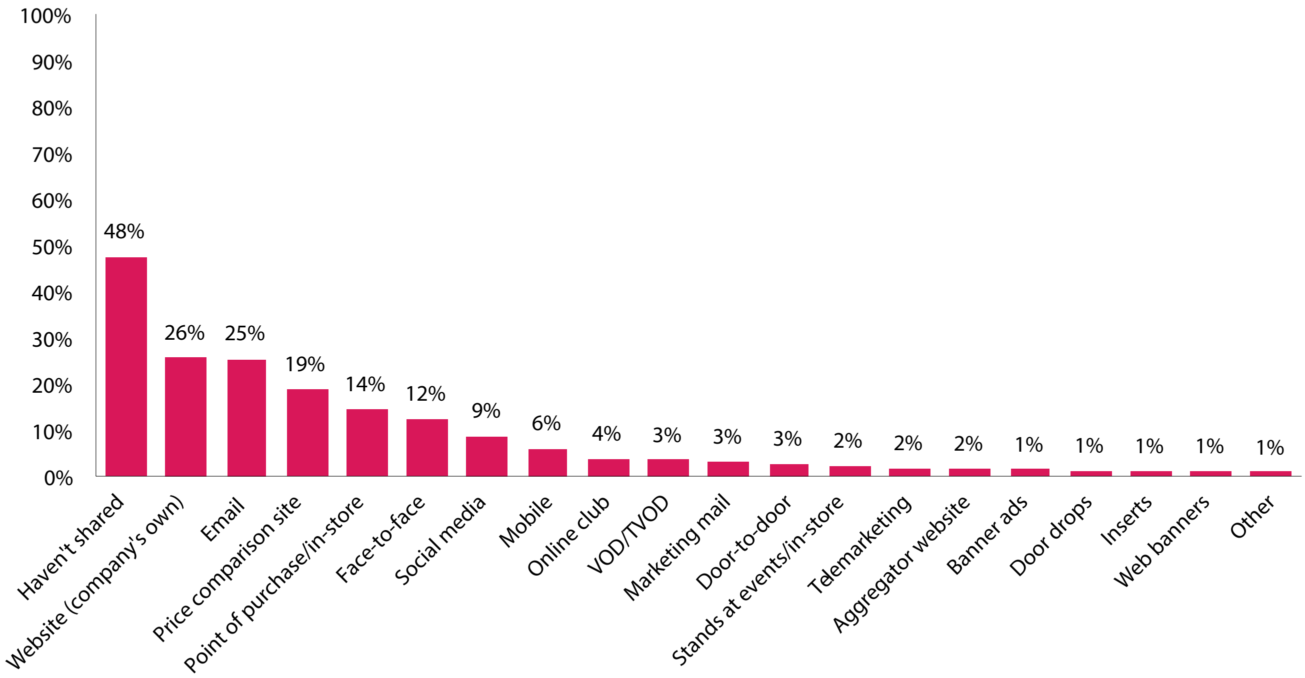
1.1 Consumers sharing their personal information

Information about intention to purchase, or requests for more details on a product or service, are the starting point of the relationship between consumers and brands. The majority of consumers have provided this type of information at some point over the last 12 months, giving marketers a rich resource for their customer acquisition programmes.

Spreading the net across a wide range of acquisition channels increases the likelihood that personal information will be shared in this way. Digital channels are the most effective, with a quarter of consumers having supplied their data via a company's own website or in response to an email. Men are slightly more likely than women to provide their information in these channels, which are also more used by consumers in the family stage (aged 35 to 44).

It is notable that consumers still have a stronger propensity to provide their details to marketers through physical contact (point of sale or face-to-face) than on social media. Young consumers (18 to 24) have a significantly higher likelihood to give their information via mobile (14 per cent compared to the average of six per cent), online clubs (10 per cent v four per cent), video or TV on demand (11 per cent v three per cent) or banner ads (eight per cent v one per cent). This undoubtedly reflects a higher level of engagement with these channels among digital natives overall, not just for finding information on products and services.

Have you shared your information in the last 12 months?



Source: *CAB* 2014/*fast*.MAP

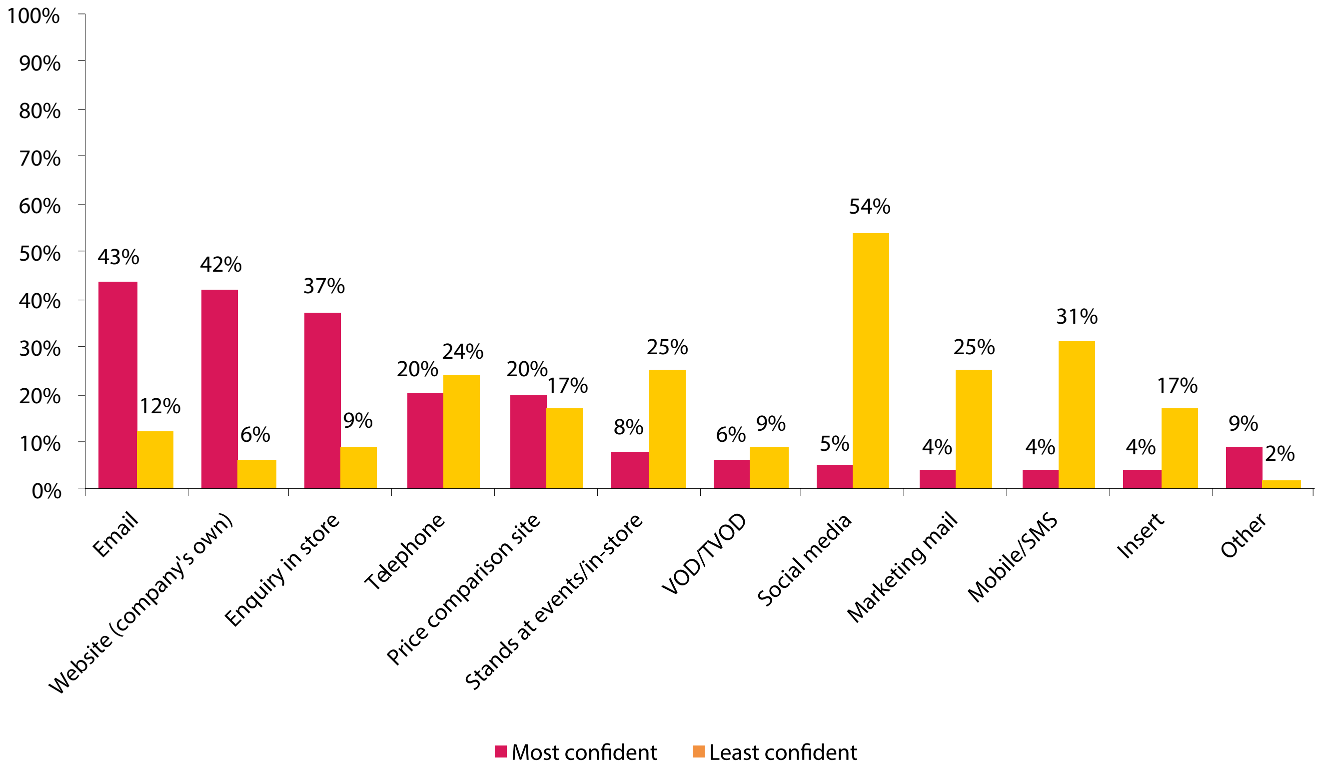
1.2 Channels trusted with personal information

The likelihood that a consumer will provide their personal information can be influenced by which channel is being used for collection. Trust is the critical factor determining whether an individual feels confident in giving their details. On this dimension, the digital contacts a brand has with consumers - through email and website - perform strongest, with net positive scores for trust of +36 per cent (company website) and +31 per cent (email). In-store emerges as the third most trusted channel, with a net positive of +28 per cent. Price comparison websites also achieve a marginally positive balance of trust at + three per cent.

By contrast, all other media channels achieve a negative balance of trust. Social media in particular are not trusted when it comes to sharing information, with the majority of consumers saying they have least confidence in this channel. Mobile is second worst, with a net negative confidence score of -27 per cent, followed by marketing mail (-21 per cent). Promotional stands at events or in-store also score badly, with a net negative balance of -17 per cent, while telephone is only marginally untrusted (-4 per cent).

An additional filter of this confidence will be the nature of the organisation which is asking for personal information in each channel. Consumers claim different levels of trust in how types of business will look after their information: NHS and banks score highest (65 per cent and 60 per cent respectively), followed by government (39 per cent), local councils (36 per cent) and utilities (34 per cent). Least trusted are social media sites and search engines (five per cent each), travel and leisure (nine per cent) and home services (nine per cent).

Which channels are you most/least confident sharing your information through?



Source: *CAB* 2014/*fast*.MAP

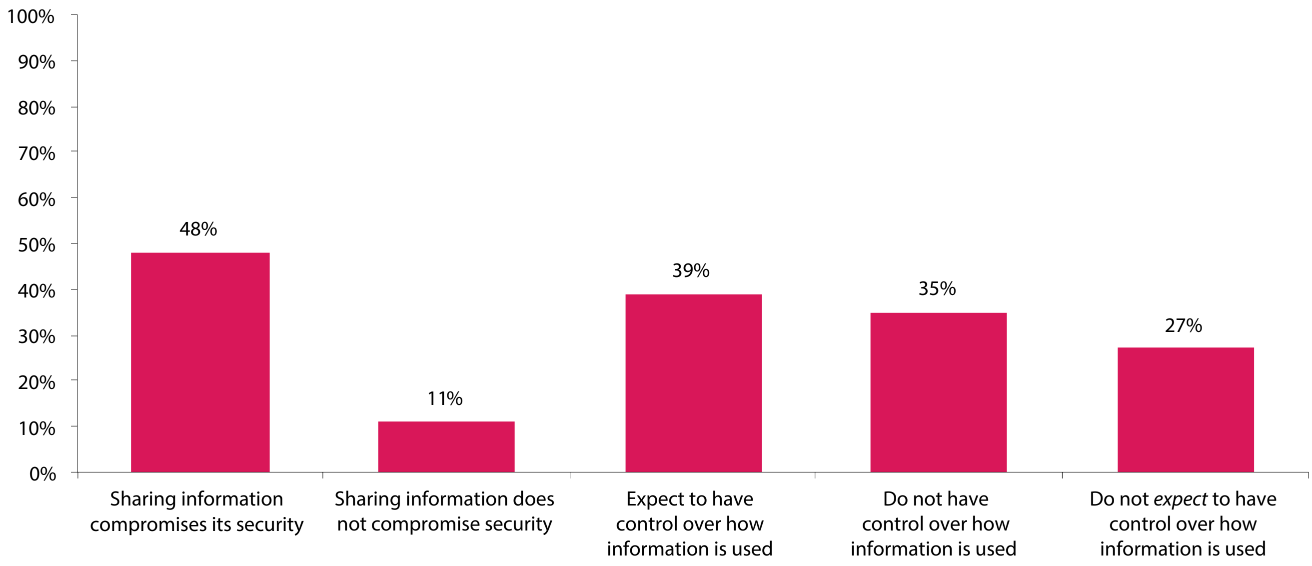
1.3 How sharing information affects its security and control

When a consumer gives a company information about intention to purchase or interest in a brand, they expose it to a degree of risk. Media stories about data losses and hacking, combined with changes to laws around cookies and data protection, have heightened awareness of the dangers. Nearly half of consumers (48 per cent) say that sharing information compromises its security, while only 11 per cent are confident that this is not an issue.

Consumers also have expectations - both positive and negative - about their control over how information is used once they have shared it. There is a clear split on this issue between those who feel they retain the level of control they expect and those who say this does not happen (39 per cent and 35 per cent). Just over one quarter (27 per cent) do not expect to have any control once they have shared information, which perhaps reflects comfort or indifference, even, towards how their information is used.

This split is similar in type (with differences in scale) to that found in previous DMA research into consumer attitudes towards privacy. Pragmatists made up the majority (53 per cent), while fundamentalists who had concerns about sharing information were a large minority (31 per cent). The smallest group were the unconcerned (16 per cent).

Does sharing information affect its security and the control you have?



Source: *CAB* 2014/*fast*.MAP

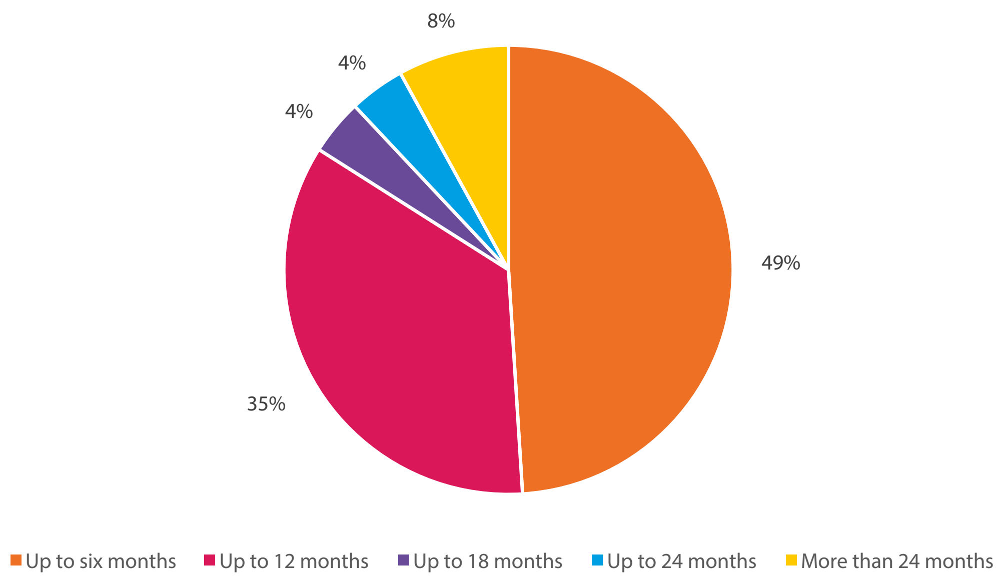
1.4 The shelf life of permission

Consent is the key that unlocks the use of personal information for marketers. From the consumer perspective, agreeing to receive marketing is not necessarily a once-and-for-all decision. Instead, there is a clear perception of a 'shelf life' - 86 per cent say there should be a time limit after which a company should ask for permission again.

Nearly half of consumers (49 per cent) view consent as short-term, saying that six months is the longest acceptable gap between permission and contact. Just over one third (35 per cent) allow for a longer duration of six to 12 months. A small minority accept that consent can last for two years or more.

This decay curve is an important consideration in the wake of the Information Commissioner's Office *Direct Marketing Guidelines*, published in October 2013, which for the first time introduced the suggestion of six months as an appropriate period for consent to be considered valid. The DMA has argued that permission can be valid for different lengths of time, depending on the product or service - for example, interest in annually renewable insurance policies would have a shelf-life of up to 18 months to allow for consideration at renewal.

How long should a company wait before asking for your permission again?



Source: *CAB* 2014/*fast*.MAP

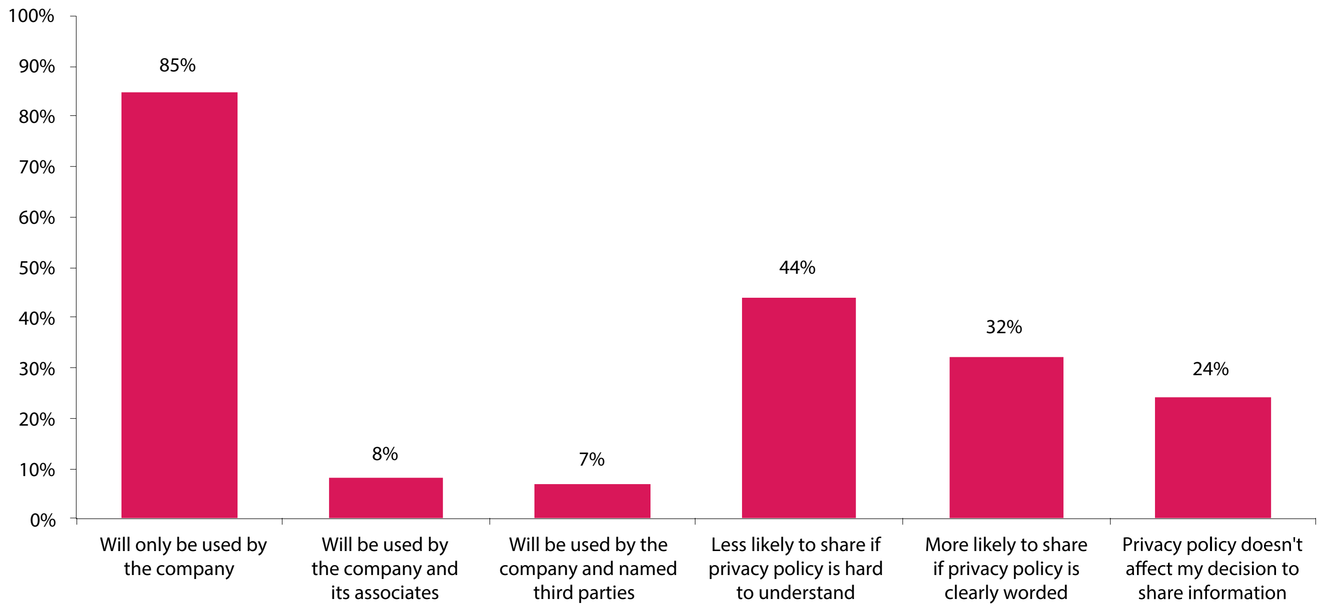
1.5 Influences on the decision to share information

For most consumers, sharing personal information is more likely if it will only be used by the first party in the exchange. However, one in 12 are happy for associated companies to make use of that information and one in 14 are happy for their information to be shared with third parties. Marketers can therefore influence the volume of information they capture by flexing these options in their data collection programmes.

What consumers want is clarity and transparency - one third say a clearly-worded privacy policy makes them more likely to share, with 44 per cent deterred by one that is hard to understand. Significantly, one quarter say the privacy policy has no effect on their decision about whether to provide information. This is probably a more realistic view, since 18 per cent of consumers confess that they never read privacy policies and 61 per cent only look at them sometimes.

It is notable that the number who say they always read privacy policies (21 per cent) is lower than the number who said they do not get the level of control over their shared information which they expect (35 per cent). Without looking at the policy, it will be hard for that 14 per cent to understand what controls are on offer.

What influences your decision to share information?



Source: *CAB* 2014/*fast*.MAP

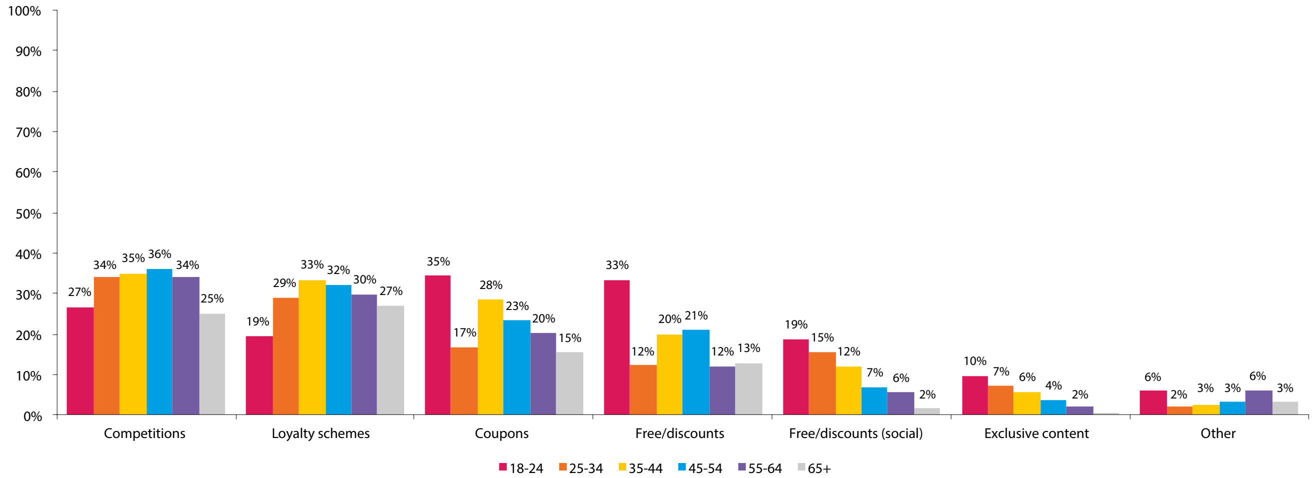
1.6 Demographic barometer 1: The value exchange

The concept of a value exchange has been at the heart of information collection practices for decades. Consumers can be encouraged to trade their personal details in return for an incentive and this can be targeted demographically, just as any other aspect of marketing activity.

Across the whole population, the most popular incentives for sharing information are to enter competitions (32 per cent), loyalty schemes (29 per cent), coupons (22 per cent) and free discounts (18 per cent). Among young consumers (18 to 24), competitions are less popular than with older adults (45 to 54), but this group is significantly more likely to give its details in return for money-saving mechanisms, such as coupons (35 per cent) and discounts or free products (33 per cent). Young consumers also value discounts offered through social channels the highest of any group (19 per cent) - this type of incentive declines in impact the older the individual involved.

The peak of the value exchange appears to be during the family stage (35 to 44) and mid-life (45 to 54) when all forms of incentive have a strong propensity to trigger data sharing. Retired people have the lowest level of engagement, reflecting both reduced buying activity but also the likelihood that their information is already held in a wide range of databases.

Have you shared your information in exchange for anything?



Source: *CAB* 2014/*fast*.MAP

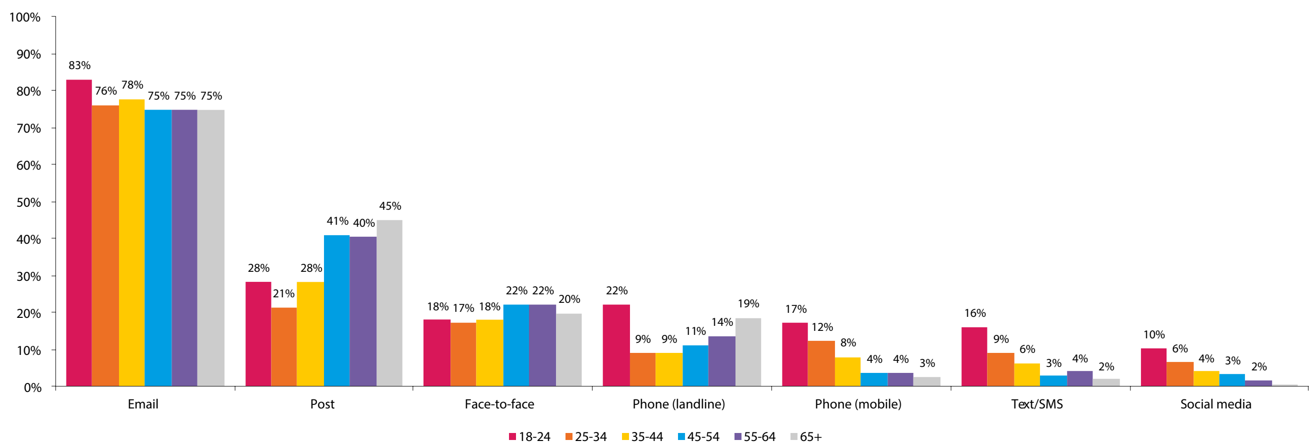
1.7 Demographic barometer 2: Contact channels

Email is now the dominant communication channel for consumers, with 77 per cent overall expressing a preference for this route. When capturing personal information, it is important to note that email requires an opt-in, whereas post - which remains the second most popular channel among 35 per cent of consumers - only requires an opt-out. While post increases in popularity among older age groups, email does not decay, revealing just how connected the UK population now is.

Young consumers have the broadest spread of channels they like to be contacted through, with a surprisingly high level (22 per cent) mentioning landlines. This is more than named social media and is above the level found in other age groups.

It may well be that 18 to 24-year-olds have experienced fewer unsolicited calls and are therefore still open towards telemarketing. Being called by an overseas call centre was named as the most frustrating experience by 32 per cent of consumers, followed by being contacted too often (22 per cent) and contact about products that are inappropriate (19 per cent). With 14 per cent saying they have not had any problems, it is clear that careful management of personal information within customer acquisition programmes can be a positive experience on both sides.

Through which channels do you prefer to be contacted?



Source: *CAB* 2014/*fast*.MAP

2. The marketer's perspective

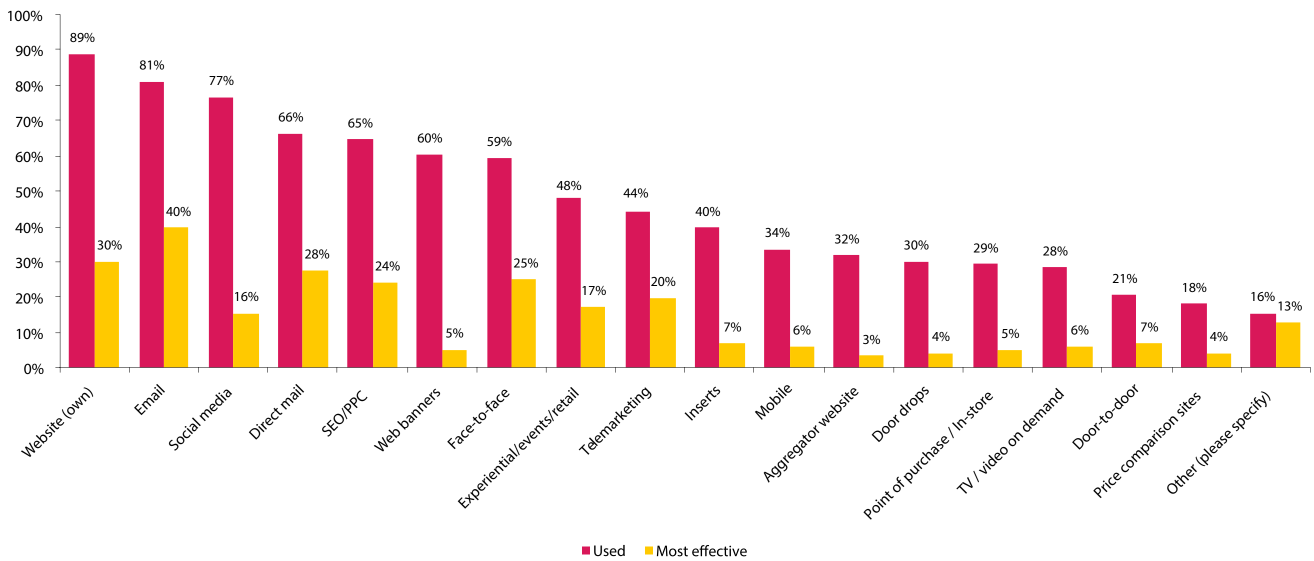
2.1 Customer acquisition channels

Acquiring new customers accounts for the biggest portion of marketing spend by companies, with 48 per cent of marketers saying it is their largest area of expenditure and a further 22 per cent saying spend is split equally across acquisition and retention. Only 20 per cent of marketers say they spend most on retention.

Given this level of activity, it is critical that marketing seeks to optimise the effectiveness of customer acquisition programmes. Email sets the benchmark, used by 81 per cent and said to be most effective by 40 per cent, with the company's own website being the most used (89 per cent) and the second most effective (30 per cent). These were also the channels which consumers rated highest for sharing their information, suggesting a good fit for customer acquisition.

Direct mail achieved the third highest rating by marketers for effectiveness (28 per cent), beating search and pay-per-click (24 per cent), with both having similar usage levels. The hype around social media in recent years has certainly seen widespread uptake but this has yet to translate to an outstanding contribution to the bottom line. While it has been adopted by three quarters of marketers, only 16 per cent say social is their most effective customer acquisition channel. It lags behind face-to-face (25 per cent), telemarketing (20 per cent) and experiential (17 per cent). The worst performer compared to its level of adoption is web banners, used by 60 per cent but only rated most effective by five per cent.

Channels used for customer acquisition and their effectiveness



Source: *CAB 2014/ICM Direct*

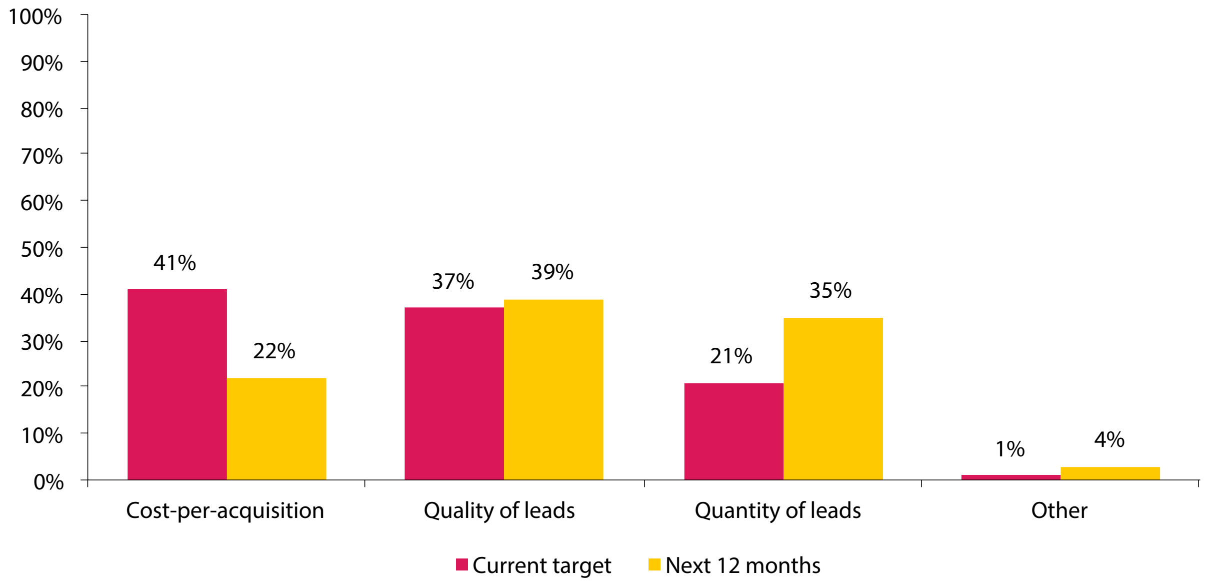
2.2 Setting acquisition priorities and metrics

To understand which channels are the most effective, marketers needs to establish the key performance indicators against which they measure customer acquisition programmes. A significant shift looks set to take place, which may indicate a move away from austerity-led activity towards more growth-oriented marketing.

Currently, the main focus is on cost-per-acquisition (41 per cent), with marketers keen to ensure they optimise their return on investment. Quality of leads, which 37 per cent set as their priority, is a constant concern about avoiding wastage by capturing poor or unusable leads. Only one in five marketers have the quantity of leads as their priority.

This is set to swing the other way over the course of 2014 - volume of customers acquired will become the primary focus for 35 per cent of marketers, while those looking mainly at CPA will halve to 22 per cent. If this forecast is realised, it will further underline the emergence of the UK economy from recession.

Priorities and metrics for customer acquisition campaigns



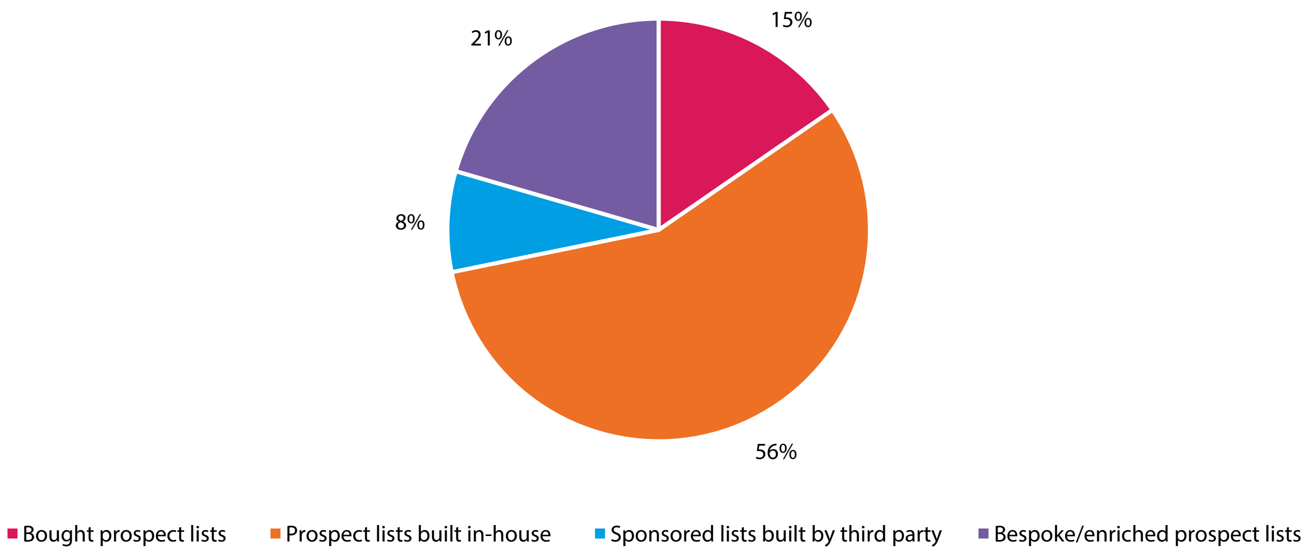
Source: *CAB 2014/ICM Direct*

2.3 Best sources for cost-per-acquisition

Given the current focus on cost-per-acquisition (CPA) by four in 10 marketers, using sources that deliver the best performance is essential. The majority of marketers (56 per cent) believe they do best with prospect lists they have built in-house.

This may simply reflect the dominance and effectiveness of company websites and email as marketing channels - it certainly reflects the fact that 58 per cent of marketers say their customer acquisition is handled in-house. One in five marketers (21 per cent) are finding their best performance coming from bespoke or enriched prospect lists - an advanced practice with higher costs, but one that clearly delivers results.

Which sources provide the best cost-per-acquisition?



Source: *CAB 2014/ICM Direct*

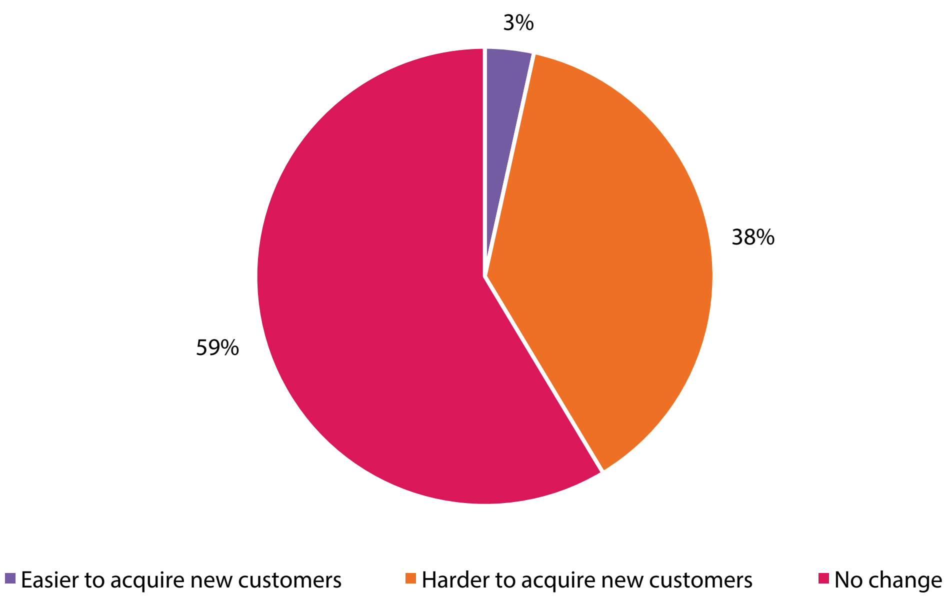
2.4 Impact of consumer attitudes to privacy on customer acquisition

According to just over one third of consumers, they do not have the control which they expect to have over personal information which they have shared. With nearly half of consumers (48 per cent) claiming never to have shared their information, it is clear that some barriers exist to the information exchange.

Yet, only 38 per cent of marketers accept that changes in public attitudes towards privacy will actually make it harder to acquire new customers. It may be that these marketers assume individuals will start to exercise the new rights which may be granted by the proposed EU Data Protection Regulation. Rules requiring consent to direct marketing and profiling could put up new barriers to data collection.

There will certainly be some degree of power shift in its wake. Even so, six out of 10 marketers do not believe any change in consumer attitudes will translate into greater difficulty acquiring customers. Equally, very few think it will make the situation easier (even though the new law may provide more control and transparency to consumers).

What impact will changing public attitudes to privacy have?



Source: *CAB 2014/ICM Direct*

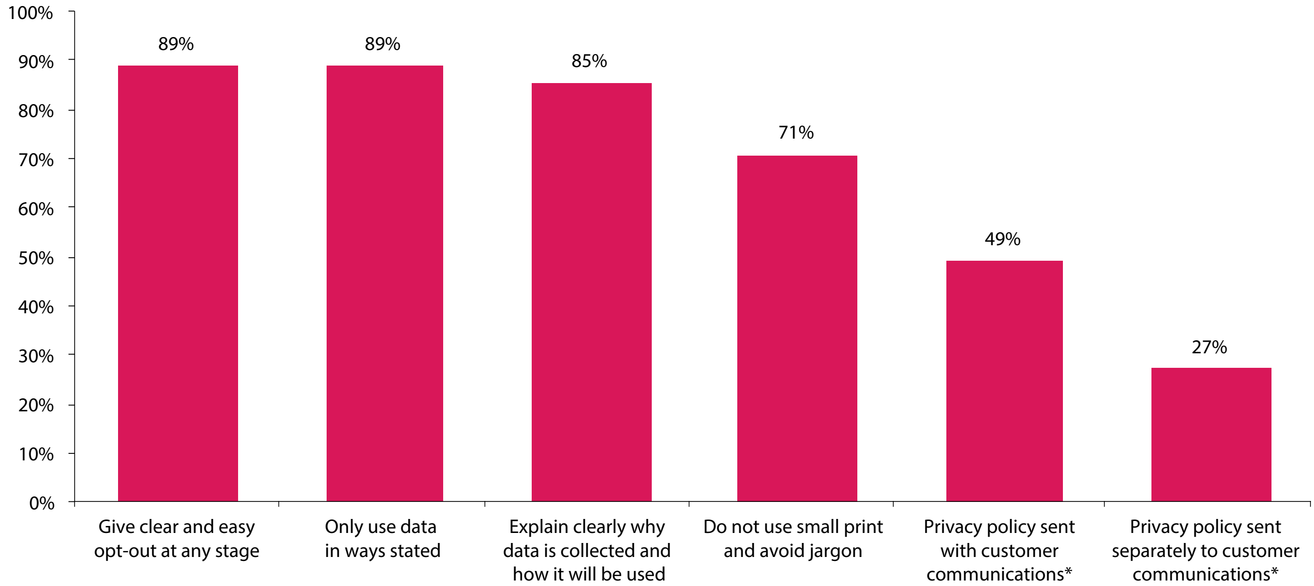
2.5 Meeting consumer expectations on privacy

Asking for personal information from consumers can be made easier through the use of incentives, such as coupons and discounts. It can also be enabled by the way in which the brand explains what it intends to do with the data it acquires and what rights the individual retains.

Nearly nine out of 10 marketers are making positive steps to ensure the process is simple and transparent. From providing a clear and easy opt-out (89 per cent) to explaining why the data is wanted and how it will be used (85 per cent), marketers are entering a contract with the consumer. Ensuring they behave as expected is then fundamental to the relationship - and 89 per cent of marketers say they only use data in the ways they stated at the outset.

The privacy policy which matters so much to consumers is set out in plain English and not relegated to the small print by 71 per cent of marketers. Half of brands send a copy of this privacy policy with their customer communications, while just over a quarter (27 per cent) send it separately. Surprisingly, 24 per cent of marketers admitted that they did not know where their privacy policy was presented, despite its importance in the customer acquisition process.

How do you meet consumer expectations on privacy?



*(*forced choice required.)*

Source: *CAB 2014/ICM Direct*

2.6 Ensuring customer acquisition is compliant

With personal information so central to customer acqusition - and finding new customers being the most important marketing activity - it is no surprise that the marketing department has had to get on good terms with the legal function. Eight out of 10 marketers have both their data capture and information usage procedures checked and approved by the compliance department. Getting sign-off means marketers can have confidence in their customer acquisition programmes.

The guidelines drawn up by the Information Commissioner's Office (ICO) are being followed by 81 per cent of marketers. That does raise a question about the recency of personal information being used, since the ICO has set out six months as the time limit for consent, even though the data industry more commonly runs on a 12 or even 24-month model.

Where gaps may exist in compliance is around third parties or a simple failure to check. One quarter (27 per cent) of marketers say they rely on a supplier's own due diligence - that creates a risk around who has the ultimate legal liability for personal information being used in marketing. Furthermore, 25 per cent do not know if their compliance is ever audited, although 23 per cent have an audit every six months and 41 per cent undergo this annual check.

What processes do you use to ensure compliance?

Source: *CAB 2014*/*ICM Direct*

3. What the marketer *really* thinks: Inside the customer acquisition process

The quantitative research phase of *CAB* 2014 revealed the prevailing trends in practices among marketers and their customers, but we wanted to get a unique insight into what a handful of the industry's top practitioners really think about the issues around customer acquisition.

In two focus groups we assembled:

- Chris Bibby, Global Head of Performance Marketing, Wonga
- Michelle de Souza, Head of CRM & Group Database, Age UK
- Sebastian Dreyfus, Managing Director (Europe), Rosetta (Publicis Groupe)
- Tony Miller, Managing Director, Havas EHS
- Charles Ping, CEO, Fuel (Engine)
- Lyle Rainey, Business Development Director, HP
- Jon Waring, Head of Customer Analytics & CRM, Aviva
- Dina Yacob, Head of Insight & Planning, Avios

We put to them a series of thought provoking questions to incite debate and discussion among the group. The result? A fresh set of perspectives on the challenges facing customer acquisition, and even a redefinition of what a customer is and how this affects the very fundamentals of acquisition.

> ***"No one suddenly becomes a customer. The influences from the brand image and peer groups that circulate information give companies the opportunity to have a dialogue. Marketers tend to think in single channels. Customers are inherently multi-channel."***

3.1 'Customer acquisition' is being redefined by customers

The surprising, and overall most significant finding, of the *CAB* 2014 qualitative research conducted into the practice, challenges and potential of customer acquisition is that the lines that have traditionally defined the subject under investigation are blurring, as marketing silos, disciplines, media and practices are re-architected around the customer, rather than the business.

Some participants still used the term 'customer acquisition' unquestioningly to describe the process by which a brand acquires customers – more specifically, acquires prospects' information on their database so they can market to them in a targeted, timed way and convert them into customers.

However the majority of participants acknowledged that the term is, at best, being redefined in the digital era – and, at worst, fast being made redundant.

In a world in which customers own their own media channels, are protective about their data and demand the right to negotiate a preferential value exchange at and after purchase, the process of 'customer acquisition' has been upended: if in the past, brands set out to acquire the most valuable customers… today, customers set out to acquire the brands they value.

> *"One of the models I have used is the '5 Cs' model: consideration, challenge, convert, care, cultivate."*

3.2 Yesterday, the 'funnel' model… today, many models co-exist

For most participants, the traditional modelling of customer acquisition as a 'funnel' is being challenged by customer behaviour in a digital world.

It was felt this funnel model is too linear to account for the proliferation of touchpoints, implies a passive rather than an empowered customer, and assumes that the brand was in control of the relationship rather than a partner in it.

For some, the funnel model had evolved into a cyclic model, which rotated through stages from awareness to purchase, with multiple entry points and an ongoing journey.

Others argued that the cyclic model had evolved into a spiral model, connoting the ongoing nature of customer acquisition.

A few had dispensed with industry accepted models and created their own organic models, which mapped dynamically against customer behaviour (eg. DNA Strand model).

3.3 'Acquisition' is no longer clearly differentiated from 'retention'

Participants referred to the 'bygone era' of a simple marketing paradigm when acquiring and retaining customers was siloed neatly into different processes, managed by different stakeholders, often in different divisions, with different metrics.

Instead, many believe that there is no longer a clear distinction between acquisition and retention, which have to some extent converged.

They talked about the need to acquire and reacquire customers at different points of their relationship with the brand – and therefore the need to use and reuse their acquisition strategies before and after first purchase.

Others warned against the negative practices that can result from differentiating between acquisition and retention, most noticeably 'new customers only' offers which devalue the status of customers and undermine loyalty.

Searching for a more realistic term, they coined 'acqui-tention' to connote the need for acquisition and retention at every touchpoint.

> *"Not all engagements involve a purchase. It's someone who bought goods or services or in a non-charged environment has engaged to a level of qualification."*

3.4 Purchase doth not necessarily a 'customer' make

One of the consequences of this convergence of acquisition and retention is that there is no longer a clear point at which a prospect becomes a customer. Indeed, the very definition of 'customer' was challenged by both groups.

Traditionally, a 'prospect' was someone who had the propensity to purchase a product/service and was therefore a potential target for customer acquisition; upon purchase they became a 'customer'.

While participants agreed this may still hold in sectors of significant financial or personal investment (eg. automotive or insurance), they also believed there was merit in marketers challenging this.

Many agreed that the status of being 'a customer' couldn't be predicated on behaviour alone, but rather was a mix of behaviour and mindset.

To measure a person's desire to be treated like a 'customer' and their intent to 'choose' the brand, they used different measures: ranging from repeat purchase through multiple engagement with communications to sharing of positive sentiment.

3.5 Good practices prevail in marketers' attempts to win and woo customers

Participants cited a range of good customer acquisition practices, some classic, others refined over time, a few newly emerging.

In general, good practices were described as those which:

- Are designed around the customers' needs, not the business's
- Give the customer multiple entry points to choose from in creating their own brand experience
- Facilitate a seamless customer experience from first touchpoint
- Are designed across multiple channels to enable customers to interact in whatever way is most convenient to them
- Are powered by accurate, relevant and real-time data, which can be demographic, behavioural, mindset or social
- Build trust by adhering to a sound data governance with no nuisance factors and no breach of laws
- Deliver a fair, appropriate and rewarding value exchange for both business and customer

> ***"There's the classic problem of volume, looking at costs effectively to drive the maximum volume. Undermining the brands and the experience [are] very aggressive acquisition offers [that] just annoy your existing customer base. Unfortunately these are still the most dominant practices."***

3.6 But bad practices are still with us, and have proliferated in the recession

Participants agreed that the pressures of recession have compelled more marketers to use short-term tactics to acquire customers, which are undermining the value of our industry and the integrity of the brand/customer relationship.

They cited the 'seven sins of our industry' as:

1. Over-targeting of prospects
2. Targeting of vulnerable people
3. Incorrect information personalisation
4. Cold direct mail
5. Unsolicited telesales
6. Mass door drops
7. 'New customers only' promotional offers

> *"It must be conducted under a sound system of data governance with no nuisance factors and no breach of laws and at the same time must be innovative."*

3.7 A warning that email risks becoming the new 'junk mail'

Both groups issued an unprompted warning about the overuse of email.

They cited the correlation between the mass use of email to generate leads with the increasingly negative perception of email by customers as irrelevant, intrusive and having insufficient value exchange.

They contrasted this with the change in customers' perception of mail from negative to positive as marketers have shifted their spend from mail to email.

Surprisingly, many participants reinforced the value of direct mail among younger audiences who believed are deluged by a 'tsunami of email' and yet just beginning to discover mail's tactility, emotionality, shareability and keepability. They highlighted a need for marketers to rethink the role, strengths and benefits of email in their customer acquisition strategies and use it to do what no other medium can.

3.8 A plea from marketers for marketing and sales to get closer

There was deep discussion about the danger of the traditional silo between marketing and sales departments, teams, strategies, channels, programmes and campaigns.

It was agreed that while an autonomous sales function delivers efficiencies in meeting short-term customer acquisition targets, it's all too often at the expense of long-term customer engagement, retention and value.

They believe that putting the customer at the heart of any business necessitates that marketing and sales work collaboratively to:

- Develop a seamless customer conversation and experience
- Integrate media channels to connect, enable and serve the customer at their convenience
- Recognise the 'whole' customer through shared data
- Agree a broader range of metrics that serve both short- and long-term growth objectives

3.9 Telemarketing is the 'original' social media

There was a strong belief among participants that telemarketing needs reinventing if it is to continue to be an effective channel for marketers and customers.

Several participants pointed out that the telephone is the 'original social medium'. They explained that while many media claim to be channels of 'conversation' between brands and prospects or customers, they held that the phone is one of the most compelling and credible ways for 'real people to talk to each other in real time'.

Participants did, however, warn that 'cold calling's days are numbered' and they also agreed that VOIP is being overused and risks dehumanising the conversation.

They reinforced the need for marketers to learn from customer-centred practices by putting the customer in control of the phone as a medium, integrating with digital and social media, and innovating around the use of mobile.

They cited practices which empowered customers like live webchat, call backs and Skype/Google+ calls.

> *Sometimes we underestimate how powerful a conversation is. It is personal, but it could help to do web chat, video chat, to ask Siri style questions, how do you educate them, give them the control, not intruding in how they are browsing. The other thing is making sure it's a positive experience.*

3.10 We need to learn from emerging social brands which have customer acquisition 'baked in'

When asked to cite brands which showcase excellence in customer acquisition, many participants pointed to 'social brands' - for example, Amazon, Graze, Candy Crush, Fab and eBay.

They put their success down to having customer acquisition 'designed in' to their product architecture and customer experience, rather than 'bolted on' as a marketing activity. Their strategy was differentiated by:

- Having a compelling proposition based on rational, emotional *and* social insights
- Acquiring customers through sharing/recommendation
- Enabling customers to customise their experience by sharing data, setting and changing preferences, syncing with diaries, etc
- Making engagement easy, fun and rewarding by building in gamification and socialisation
- Reducing barriers to entry with free trial, subscription, freemium and increasingly innovative pricing models…

3.11 Customer acquisition practices are not keeping pace with technology

When asked whether the potential of new technologies was being realised by marketers in their customer acquisition practices, the answer was a unanimous 'no'.

Perhaps predictably, there was a strong call for marketers to accelerate automation of their data efforts, and incorporate behavioural data into their single-view systems. Many also mentioned a need to explore multi-channel attribution models, cookie stitching and shared log-in verification.

Among other missed opportunities, they cited the evolution of printing technologies with the potential to deliver large-volume, complex and highly personalised print solutions with innovative special effects which integrate seamlessly with digital media.

They also pointed out that marketers are failing to use social platforms to drive significant acquisition volumes, using the likes of Facebook, Twitter and YouTube as amplification channels rather than understanding the catalytic role they could play in delivering value-rich leads through conversation and content.

> **Data is of two types: behavioural data and personal anonymous data. Personal data is tricky. There is absolute value in big data. It is not about databases. It is about interactions… The key thing we are edging around is to get big data and database to converge; we are not there yet."**

3.12 Customer acquisition needs 'better data', not necessarily 'big data'

Participants could not agree on a definition for 'big data'. A minority held that the term had absolute value. Others debated its usefulness. Still others questioned its validity, suggesting that the term simply connotes the sheer scale and complexity of emerging technologies which render our understanding as 'small' in comparison.

There was hearty agreement with one participant who suggested that most marketers have yet to 'get their head around small data'. He suggested that using their current databases better would deliver greater value in customer acquisition than shifting their focus to take up the challenge of harnessing 'the power of big data'.

There was much debate over 'how much data do we need about our customers in order to drive a profitable interaction or relationship?' Many cautioned marketers to balance 'everything we can find out' against 'what's useful to know'.

3.13 Marketers call on government to make customer acquisition easier

Among their pleas were for government to:

- Reject the proposed revision of the EU Data Protection Regulation
- Be firmer in penalising irresponsible marketers targeting the vulnerable, children and the elderly in their customer acquisition strategies
- Help rebuild trust with the public by educating them about the crucial role responsible marketers play in generating jobs, value and growth to the economy
- Resist the hype generated by politicians, the press and consumer data privacy advocates, and instead seek to inform their decisions on privacy and other matters through 360-degree investigation

> ***"The final one would be measurement blended with magic. Check what is driving good ROI and focus your investment for best overall efficiency. Also, determine how brand evolves. So set aside budget for crazy stuff."***

3.14 Customer acquisition is a challenge for the board, not just marketing

When asked what the board could do to help make customer acquisition more effective, top of their wish list was:

- Put customers at the heart of the business so that customers acquire customers by sharing their brand engagement stories, which should range from their purchase experience to complaint resolution, service delivery to involvement in product delivery
- Bring sales, marketing and service closer together, breaking down silos, collaborating on strategy and integrating data, channels and processes
- Focus on net growth rather than top line growth, measuring the success of acquisition by the success of granular retention and lifetime value metrics
- Blend best practice with innovation by setting aside a budget for the untried and untested – what one participant called 'the crazy stuff' – which could reinvent not only customer acquisition, but perhaps the business, and even the category.

Methodology

The research was divided into three parts: consumer survey, marketer survey and focus groups with marketers thus involving a mixed-method research design with both quantitative and qualitative elements.

Questions for the marketer and consumer survey were scripted in consultation with DMA staff, McDowall and its editorial consultant, Noelle McElhatton, and research suppliers. Wherever possible, questions were routed, choices were randomised to avoid top-box bias and an acceptable completion time for the survey was set and those surveys which were answered too quickly were removed.

The consumer survey was conducted by *fast*.MAP. 1,509 completed responses were received from their online panel. An online self-completed survey was sent to a randomly selected sample from *fast*.MAP's Consumer Voice panel to gain a sample that's representative of the UK population. It is a closed panel, i.e. members of the public cannot voluntarily join. Members are recruited via a number of sources to demographically represent the markets based on age and gender.

Fifteen questions were asked in total. From the 1,509 responses 51% were females and 49% males. The results were re-weighted by age and gender. Constant re-qualification of the panel was done to ensure that background variables are updated.

The survey was broadcasted on 19 February 2014 and stayed open until 24 February 2014.

Data for the marketer survey was collected by ICM Direct via telephone interviews. A sample of B2C marketers working in customer acquisition at client/brands in the UK was provided to them by the DMA and was sourced from the DMA's database. Screener questions were included in the marketer survey to ensure responses from marketers working in B2C customer acquisition in client/brand companies. Eighteen questions were asked in total and 192 responses were recorded, from which 116 were considered valid for analysis after quality checks. The survey was broadcasted on 19 February 2014 and stayed open until 4 March 2014.

The discussion guide for the focus groups was developed by An Abundance in consultation with McDowall and DMA UK's staff. Experts from the industry were contacted inviting them to participate in two focus groups. Eight industry experts from clients and agencies agreed to participate in the focus groups. Two focus groups were held with five and three participants respectively on 7 February 2014 at DMA head offices in London. The focus groups were moderated by Debi Bester in the presence of one observer, a videographer and a transcriber. Contextual propping, five-minute debates and fast-storming techniques were used in the focus groups to drive the discussion. The transcripts were analysed by An Abundance.

The findings are compiled in this report by David Reed who has authored the commentary for the quantitative parts of this project whereas Debi Bester wrote the qualitative summary findings from the focus groups.

An infographic was also produced by the DMA to support the report and videos from the focus groups are live on the DMA's YouTube channel or available on the McDowall website. The research findings were launched at an event on 27 March 2014.

About the DMA

The DMA is Europe's largest professional body representing the direct marketing industry. With a large in-house team of specialists offering everything from free legal advice and government lobbying on direct marketing issues to research papers and best practice, it is always at the forefront of developments in the industry.

The DMA protects the one-to-one to millions industry and consumers. It promotes the highest standards through self-regulation and lobbies against over-regulation. The *DM Code of Practice* sits at the heart of everything we do – and all members are required to adhere to it. It sets out the industry's standards of ethical conduct and best practice.

Our 15 DMA councils and committees cover the whole marketing spectrum – from the digital world of social media and mobile marketing to offline channels, such as door drops and inserts. The councils are made up of DMA members and regularly produce best practice and how to guides for our members.

We also have a packed calendar of conferences, workshops and discussions on the latest topics and best practice, and 80% of them are free for members and their staff.

As the industry moves on so do we, which is why we've launched a number of new services for our members – a VAT helpline, a Social Media Helpdesk and an IP Protection Service.

Visit www.dma.org.uk regularly to keep up to date with all our services.

we are the dma

About McDowall

Founded in 2008 by chief executive officer Graham Bate, McDowall has the stated aim of being the preferred outsourced partner for lead generation and customer acquisition services to major UK brands.

With over 70 employees, and headquarters in Watford with additional operations in Liverpool and Greater Manchester, McDowall deploys an exclusively UK team of telemarketing agents to deliver profitable customers to clients, professionally and compliantly.

From the outset, the company has approached acquisition differently to the prevalent mass-market model of generating consumer lifestyle information.

McDowall fully understands that the changing consumer, regulatory and technological landscape requires a refined rather than scatter-gun marketing mindset – one that embraces the idea that targeted approaches are more likely to succeed than mass-market ones.

For this reason, McDowall's core mission is to deliver information only on consumers who have expressed some interest in purchasing. In doing so, the company aids marketing campaign success for companies across a broad range of sectors – including financial services, utilities and automotive – and a wide spectrum of business sizes. For brands operating across the breadth of UK plc, McDowall provides enriched surveys tailored specifically to a client's needs.

To download the *CAB* 2014 infographic, full report or focus group videos, visit www.mcdowallmedia.com/dma-partnership.

mcdowall
CUSTOMER ACQUISITION