

# Direct Marketing Practices in CEE region

Survey Report  
Linea Directa Communications  
November 2008

# I. Summary

In Summer 2008, Linea Directa Communications conducted a telephone survey across 5 markets in CEE region (Poland, Czech Republic, Slovakia, Hungary, Romania) about Direct Marketing practices across various industry segments.

## ***Respondent Group***

The respondents were selected randomly from a sample of companies. The sample was distributed equally between 5 countries, marketing target groups (B2C, B2B) and industry type. Most respondents represented FMCG manufacturers (26%), followed by and Retail (18%), IT (14%) and Finance (13%).

## ***Survey Questions***

The survey asked 1295 marketing managers to answer questions about their Direct Marketing practices. The operational questions have been constructed to be able to provide insights on:

- How important is it to develop a direct relation with customers in marketing plans?
- Are customer database developed and used?
- What budgets do companies invest in Direct Marketing?
- To which purposes do companies engage Direct Marketing activities?
- What measurable objectives do companies use for DM activities?
- Which database related communication channels are used?
- Have companies engaged special organisation to manage customer relationships?
- What is the practice in outsourcing certain DM activities?

## ***Highlights of the Survey***

### **1. DM is still very much in stage of infancy**

Overall the survey shows that companies do have set Direct Marketing goals aiming at developing customer database, acquiring leads and growing sales. This implies a good understanding of the critical role of managing customer relationships for long-term company success.

However, the research also indicates that most companies invest less than 10% of marketing budget in direct response instruments revealing a significant under-use of direct marketing channels in CEE.

### **2. DM budgets are limited and heavily underweighted vs. mass media-budgets**

The big majority of companies in the sample spend less than Euro 250,000 on marketing communications

### **3. CEE companies rely on only few direct communication channels**

All DM practitioners indicated that Postal and E-mail are the most used direct communication channels. Customer telephone records (mobile, landline) are hardly used for sending commercial messages. Some 67% of companies do not use Call Center facility at all.

### **4. Low penetration of Customer Contact Centers**

An average of 8% of responding companies outsource Call Center Services. Most are restricting themselves to inbound customer care traffic and some are used for market research. Although the personal relationship and high quality of dialogues of such Contact Centers is recognised, the sales-function is pretty much underused.

### **5. Limited outsourcing of operational DM tasks**

An average of 35% of researched companies have plans for outsourcing operational DM tasks such as database management and delivering customer dialogues. In this aspect Romania (28%) and Hungary (18%) are clearly lagging behind other CEE markets

### **6. Limited use of external Databases**

All respondents recognise the need for fresh, quality data, but big majority of companies source customer data internally. 71% of companies use personal customer data but most of them handle less than 5000 records. Only 20% is rented or bought and 13% is obtained from public sources.

### **7. Some industries are more progressive than others**

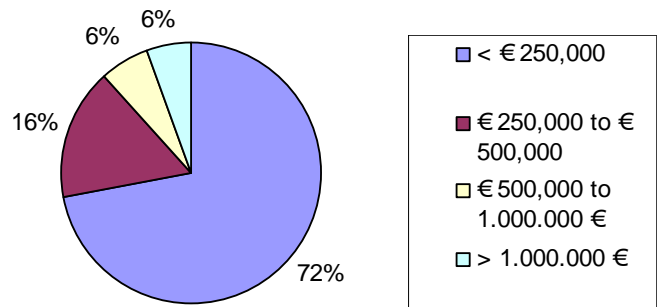
In some industries, marketing has developed further than in others. Retail has focused better on Direct Marketing, whereas Finance (banking and insurances) is leading in outsourcing. For FMCG manufacturers and companies in Horeca and Tourism direct marketing activities are mainly serving customer satisfaction.

## II. Marketing Investments

### Overall Marketing Budgets

Across all participating companies, most managers (72%) say they are spending less than €250,000 in local currency on market communications.

Just about 16% spend between €250,000 and €500,000 and only 12% spend more than €500,000.



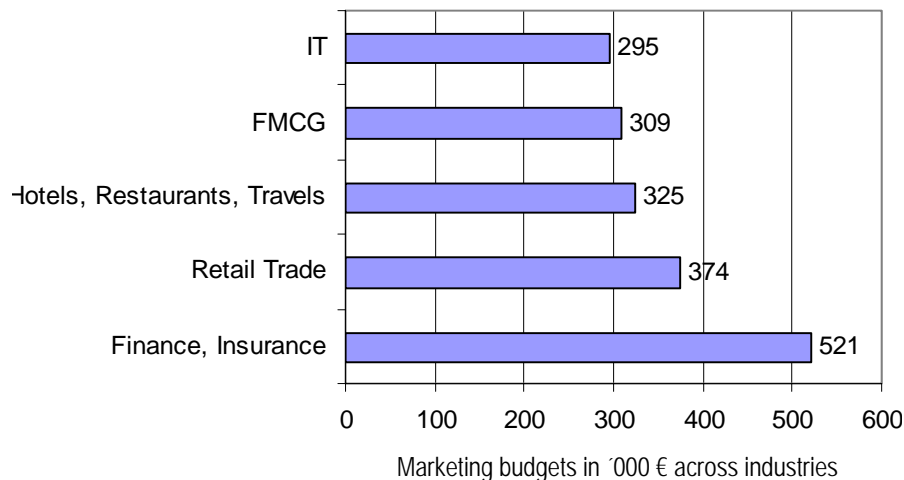
Distribution of the size of marketing budgets

The percentages of the marketing budgets as part of the overall revenue are equally low. Depending on industry the marketing budget is between 2.7% and 8.2% of revenue.

### Industry Differences in Marketing Budgets

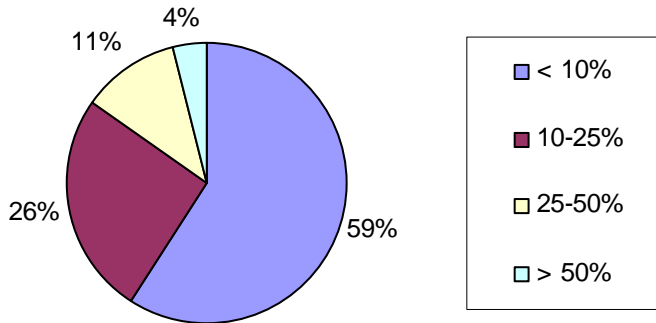
An interesting distribution of marketing budgets across industries shows the next graph. The financial industries spend the most for marketing, on average 521,000.- Euros or equivalent in local currency.

The other researched industries spend considerably less on marketing. While Retail and Trade still spend €374,000.- the other industries Hospitality, FMCG and IT hover at a level of about €300,000.-



### Direct Marketing Budgets

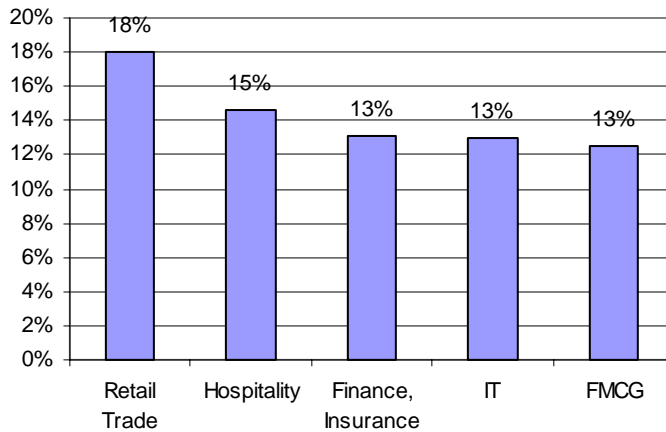
For 6 out of 10 companies the share of Direct Marketing accounts for just 10% or less of the overall marketing budget. For a quarter of all companies it constitutes between 10-25% of overall budget and just 15% of companies spend more than 25% for Direct Marketing.



Percentage of companies (in the circle) spending marketing budget % on Direct Marketing (in box)

This distribution points out the small role that Direct Marketing plays in CEE markets. Mass marketing, with a strong overweight on TV, dominates other media alternatives.

### Direct Marketing Budgets Across Industries

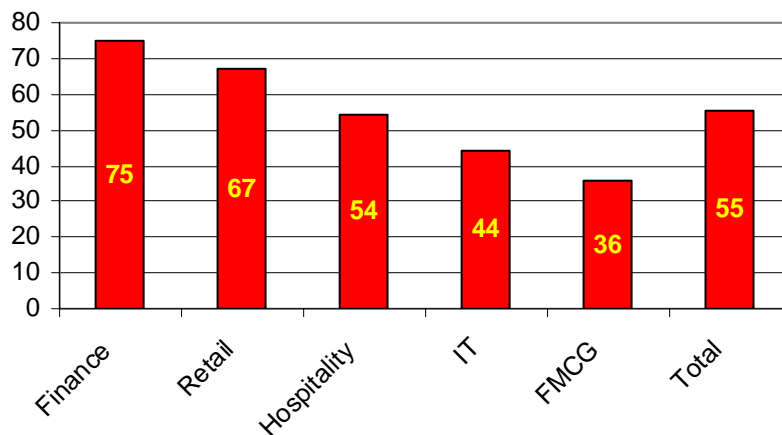


Direct Marketing expenditures between industries in %

The study results show that in relation to other industries, Retail & Trade spend relative the most of their marketing budget for Direct Marketing with 18%. The other industries are staying all with a low 13% at about a similar low spending level.

### Direct Marketing Spending in Euros

How do the absolute Euros compare across industries? Taking into consideration the marketing budget overall and the percentage spent on Direct Marketing the results show the Financial companies spending most before Retail.

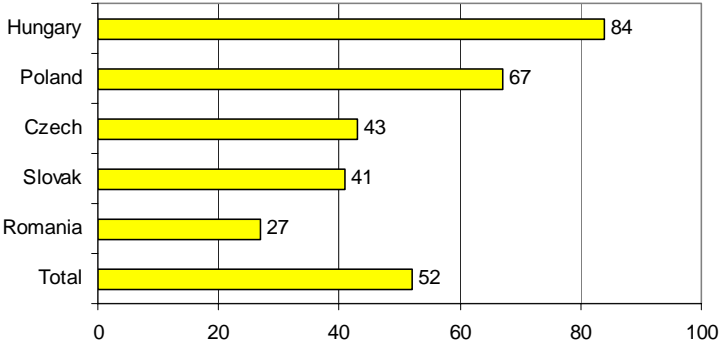


Direct Marketing expenditures between industries in '000 €

Despite these differences, the fact remains that just a small percentage of already a quite limited marketing budget is invested into Direct Marketing. This leads to the strong observation that Direct Marketing is not really exploited in any industry in the CEE countries. Next we turn to what are the differences across countries.

### *Direct Marketing Budgets Across CEE Countries*

The use of Direct Marketing across countries shows a revealing picture of maturity in the CEE countries. The differences are significant.

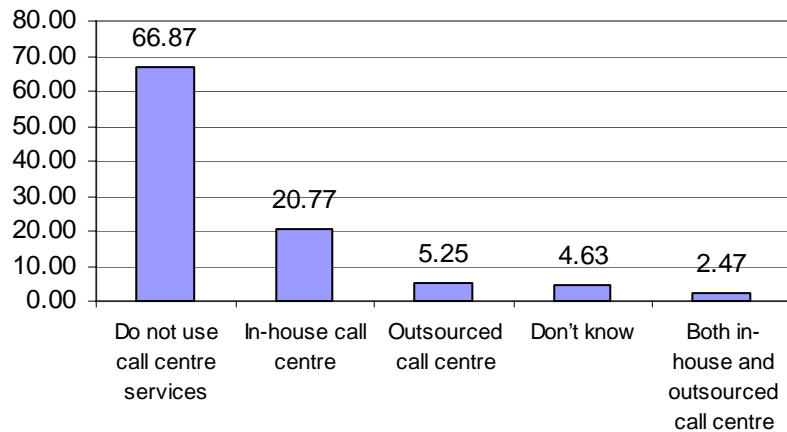


Direct Marketing expenditures across countries in '000 €

### III. Call Center Services

#### Using Call Center Services

A revealing result here is that two thirds (67%) of companies are not using call center services at all. Only about 21% of respondent companies do have an in-house call center, whereas 8% are outsourcing some or all of call center services.



Companies using customer call center services in CEE (%)

#### Industry Variation for Outsourcing of Call Center Services

Just 8% of companies are outsourcing some or all of call center services, but there are differences across industries.

Industry	Outsourcing %
Finance, Insurance	14%
IT	11%
Retail Trade	8%
FMCG	5%
Hotels, Restaurants, Travels	5%
Others	6%
Total	8%

Share of companies outsourcing some or all of their call center services, by industries

Outsourcing is most popular within Finance at 14%. The IT companies use external call center services at 11% and Retail at the average of 8%, whereas FMCG and Hospitality come out below the average at 5%.

#### Reasons for In-House Call Center

Of those managers, who use call centers, they clearly state their reasons for having a call center in-house. The motivations are listed in order of importance:

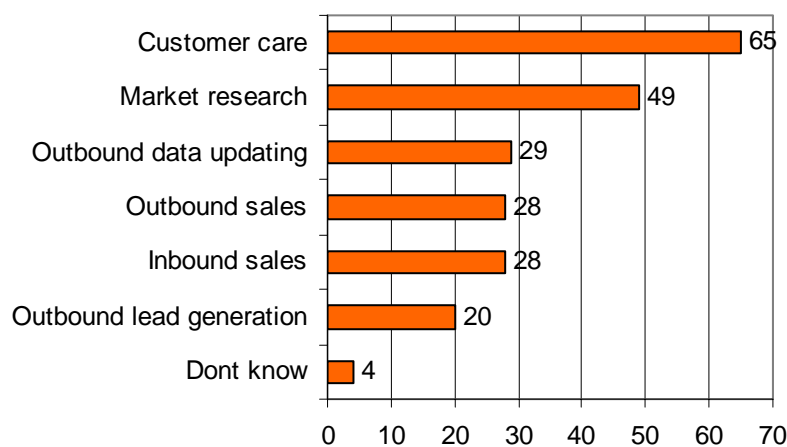
1. Personal relationships with customers
2. High quality of dialogues
3. Easier managing of calls
4. Cost efficiency

These priorities indicate that these managers who do use call centers in-house are aware of the need for keeping good customer relationships, high quality and a deliberate approach to managing calls cost-efficiently.

### Services for Outsourcing

How to treat customers is a key question that needs to be answered carefully. Some of the customer care services are better done by external call centers, as these are better prepared and more experienced to execute these services across different markets.

The kind of services that are outsourced are listed here. Whereas Customer Care is with 65% the most often outsourced, the runner-up with 49% are market research services. There is less outsourcing so far with sales related services, like outbound, inbound and lead generation as all these services are outsourced at less than 30% of companies (multiple choice).



Share of companies outsourcing Direct Marketing services, %

Only few companies have experience with outsourcing of call center services (8%) and of these most are restricting themselves to customer care and market research. This indicates a growth opportunity in outbound and inbound sales activities up to levels similar of West European and North American countries, where call center outsourcing is a well accepted marketing tool.

### Reasons for Outsourcing

When asked about the reasons for outsourcing part or all of call center services, the order of importance for the respondents is listed here.

Reasons for Outsourcing
1. Faster results
2. Professional work (trained agents)
3. Managing overflow of calls
4. Advanced technology of call centre
5. Focus on core business
6. Don't have the internal resources
7. Reduced cost
8. Share risks

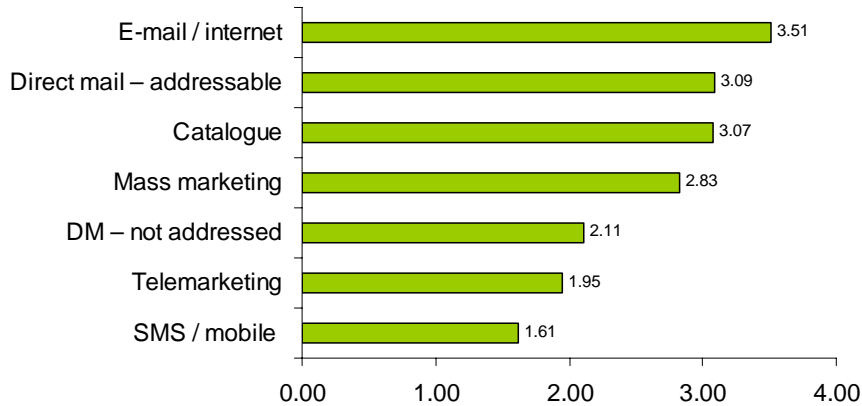
Reasons for outsourcing Direct Marketing services, rank

It is interesting to see that “Cost” and “Risk” do not register as high as “Speed,” “Professional Work,” and “Capacity / Resource Constraints.” This indicates a well developed sense of customer orientation, where the customers’ needs are put as the top priority.

## IV. Direct Marketing Usage

### Marketing Channels

The kind of marketing channels that are used for communicating with customer is led by “e-Mails,” followed by “Addressed Direct Mail” and “Catalogue.” Not far behind ranks the “Classical Mass Marketing” channels (Print, TV, etc.). And, then “Not Addressed Mail”, “Telemarketing” and “SMS/Mobile” are even less important.

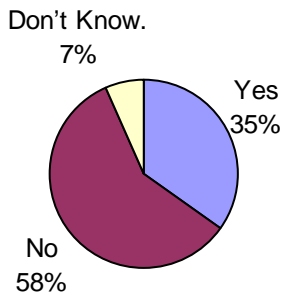


The kind of marketing channels companies use when communicating with their customers, rank

Companies rank e-Mails and direct mail as major channels for customer contact. However, knowing about the low budgets for direct marketing, these channels are hard pressed to deliver the results needed to attract and keep profitable customers.

### Outsourcing of Direct Marketing Activities

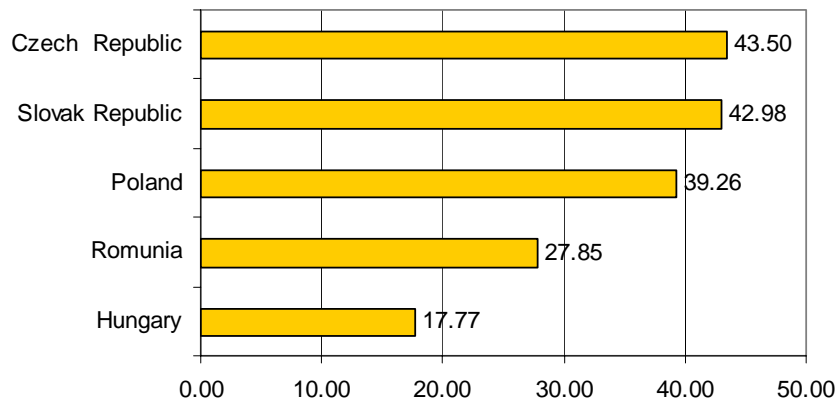
About a third of all researched companies are outsourcing or planning to outsource some of their Direct Marketing activities, the rest does not, or does not know. However, the differences within countries are worth looking in more detail.



Companies outsourcing some of their Direct Marketing services, %

### Country Differences in Direct Marketing Outsourcing

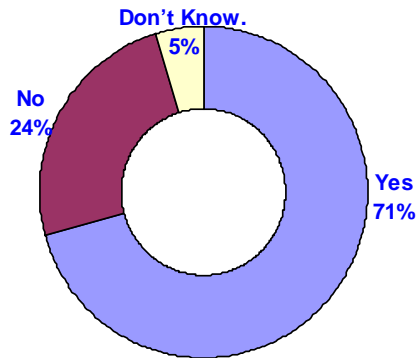
The use of Direct Marketing outsourcing is developed differently across countries. While Czech Republic, Slovakia and Poland are leading with about 40% of companies outsourcing some services, the countries Romania and Hungary are lagging behind in the use outsourcing.



Companies outsourcing some of their Direct Marketing services, per country (%)

These differences show how critical a local understanding of the CEE markets still remains for a successful implementation and fulfilment of Direct Marketing campaigns.

## V. Database Usage

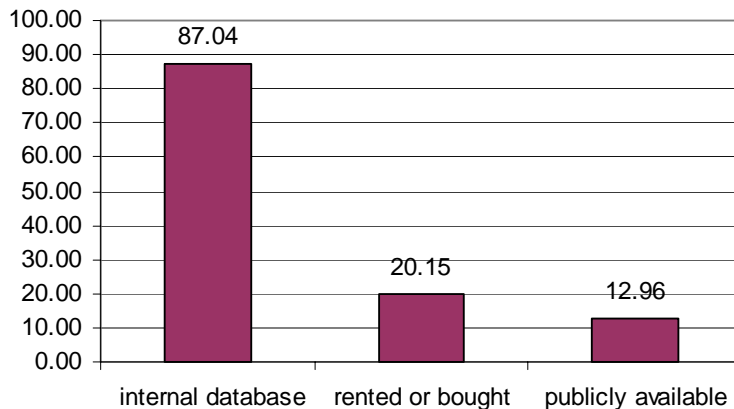


The proportion of companies that use databases for marketing, %

71% of companies are using databases in their campaigns, where 24% do not use databases. Of those who use databases there are 87% who using internal databases, 20% buy and rent data, and 13% are accessing publicly available databases.

### Source of Used Databases

The databases are mostly internally sourced in 87%, whereas in 20% it was rented and 12% found in publicly available sources.



The sources of databases used in marketing, %

### Size of Used Databases

The size of database for nearly half of all companies is just under 5,000 records. About a quarter uses databases of 5,000 to 10,000 contacts. And, an eights of all companies use 10,000 to 50,000 records, where more than 50,000 records database is used by about 9% of the respondents.

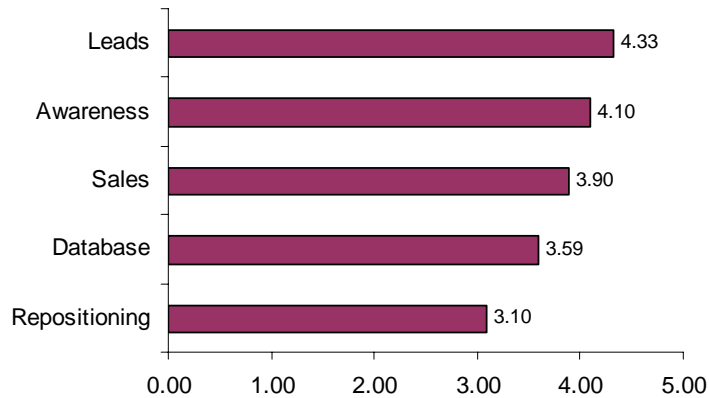
Number of records	% of Companies
Up to 5.000	46.08
5. 000 – 10.000	23.64
10.000 – 50.000	12.42
More than 50.000	8.71
Don't know	9.15

Size of database used for campaigns

## VI. Measuring Results

### *Objectives in Direct Marketing*

When the participants were asked what would they like to reach from Direct Marketing activities, most important was to generate *new leads* (mean = 4,33 in scale from 1 to 5; where 5 – most important) followed by *better awareness* of the brand (4,1) and *additional sale* (3,9). Still highly evaluated was also to build accurate databases (3,59).

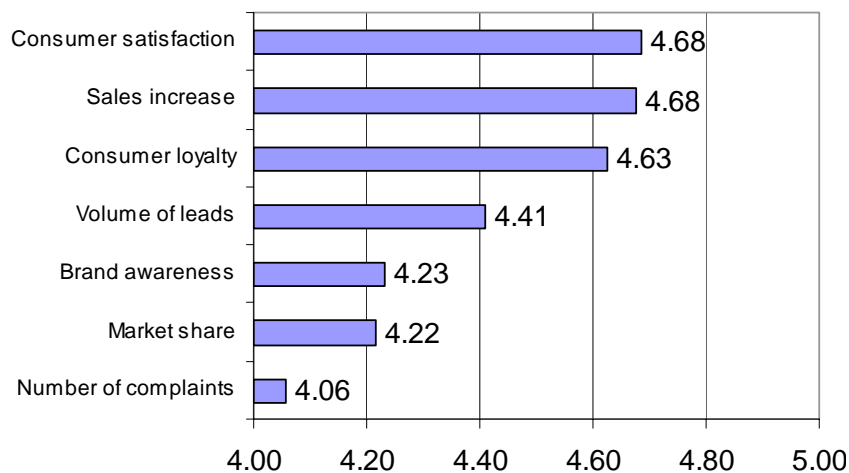


The objectives in Direct Marketing, rank

### *Metrics for Direct Marketing Success*

In response to the question of success measures, only 62% are measuring the results of their Direct Marketing activities.

For those managers measuring success indicators, they are looking first for customer satisfaction and sales increase.



The relative importance of metrics for measuring marketing success, rank

## VII. Participants Demographics

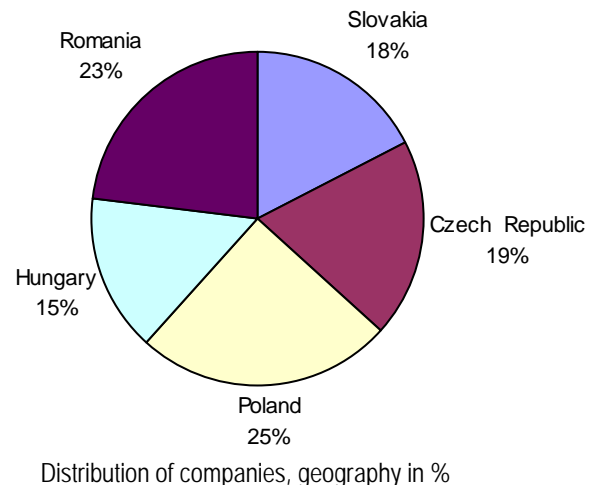
The survey participants were selected randomly from a stratified sample of companies comprising the surveyed industries in the respective countries.

### *Participants – Numbers, Positions and Countries*

Overall, a total 1295 surveys were conducted by phone between April and June 2008.

The survey participants have been selected from the ranks of managers in sales and marketing, market communications executives, call center managers or managing directors.

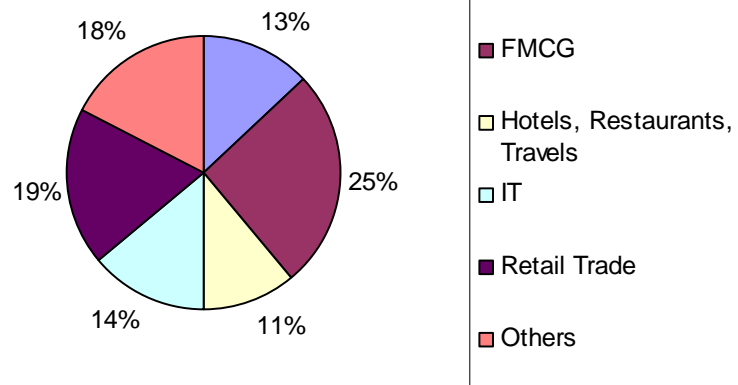
The respondents are located in CEE countries; Poland (326), Slovakia (228), Czech Republic (246), Hungary (197), and Romania (298).



### *Participants – Industries and Customers*

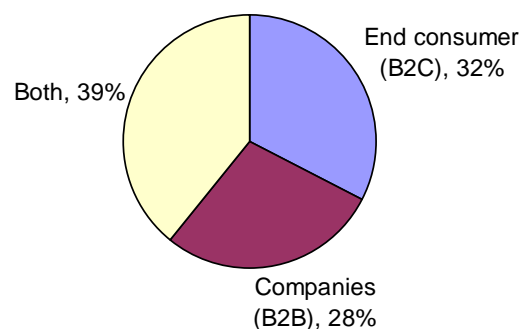
The companies researched are well distributed across a range of industries.

Of the 1295 interviewed companies, there are about 13% in the Financial industry, 26% in FMCG, in Hotels, Restaurants and Trade are 11%, in Information Technology 14%, in Retail Trade 19% and the rest are in other industries.



### **B2B/B2C**

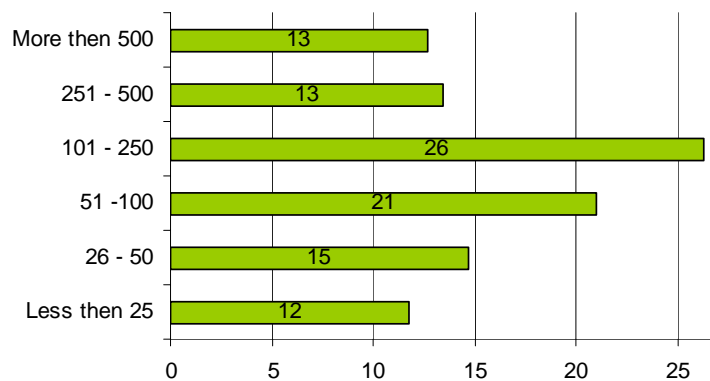
The companies' customers are in 32% end consumers, in 28% other companies (B2B) and in 39% both end consumers and companies.



## Participants – Company Size

The sizes of the companies include a broad mix from small to big.

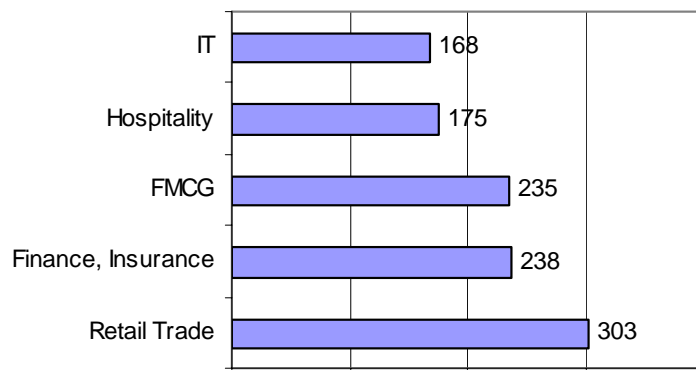
By number of employees, 13% of companies have more than 500 employees, 13% between 251-500 employees, about 26% between 101 and 250, and the rest has less than 100 employees.



Distribution of companies, number of employees, %

## Employees across Industries

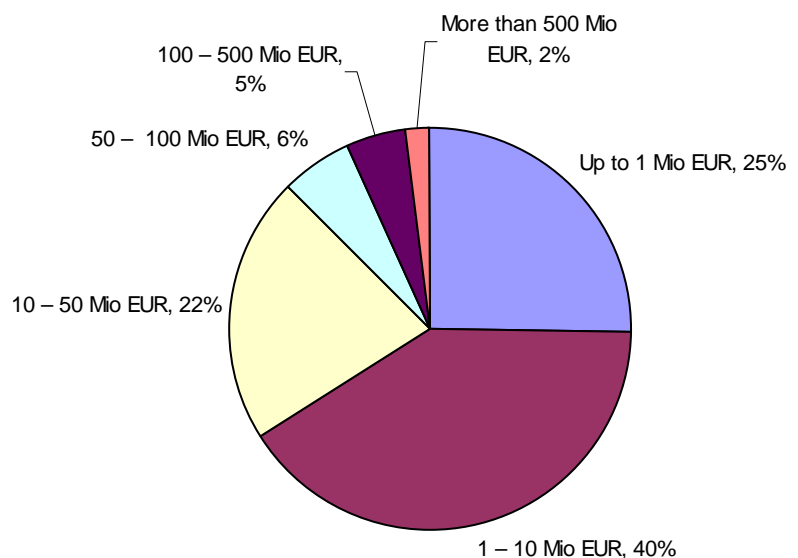
Most employees are working in the retail with on average 303, the least in IT with 168.



Distribution of companies, employees across industries, numbers

## Participants - Revenue Distribution

In terms of revenue, most companies (40%) are between €1 and €10 Mio., about 25% are smaller than €1 Mio., and 22% have revenues of €10 to 50 Mio. The rest of about 13% of the companies have revenues higher than €50 Mio.



Distribution of companies, size by revenue in %

## VIII. Company Facts and Contact Data

Linea Directa Communications is part of the Studio Moderna Group, one of the biggest and fastest developing DM companies present in 19 CEE markets.

Linea Directa Communications offers DM services across CEE consisting of multi-channel Customer Management Centers.

The main service areas are Call Center, DataLab and Customer Loyalty programs.

Its clients include well-known companies in a variety of industries: IT, Banking, Automotive, Retail and FMCG.

For more information or a detailed presentation of the survey please contact Anko Reijnders - Managing Director of Linea Directa Communications Kft. ([anko.reijnders@linea-directa.eu](mailto:anko.reijnders@linea-directa.eu))

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Please visit our website [www.linea-directa.eu](http://www.linea-directa.eu)