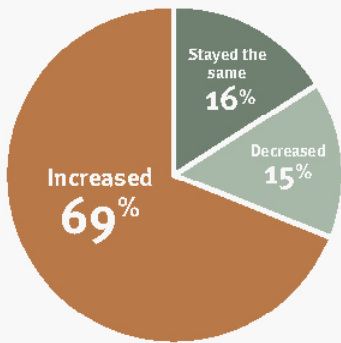


## Survey of Direct Marketing Professionals Indicates Expenditures Trending Upward

Direct marketing expenditures over the past two years



(1)

Source: Trends in Direct Marketing Survey, 2005  
Tivoli Partners / Interactive Marketing and Research

***It's interesting to note that direct marketers identify lifetime customers as their most valuable (38%), yet do not allocate customer retention a bigger slice of the budget pie.***

A national survey among direct marketing professionals to identify key industry trends recently found that 69% of the respondents indicated that direct marketing spending has increased since 2002. (See pie chart 1 at left.) Tivoli Partners commissioned Interactive Marketing and Research of North Carolina to conduct this survey of select subscribers to direct marketing publications.

Responses were collected online from a statistically valid sample of 130 participants with the highest proportion in the financial, retail and services industries. Respondents' company size ranged from eleven to 5,000+ employees. Fifty-five percent spend \$1 million or less on direct marketing each year and 29% spend \$5 million plus.

The findings indicate that reasons for the upward trend included clients' need for more accountable communications and the ability to reach customers and prospects in more targeted fashions, including direct mail, email, telemarketing and other one-to-one communications methods. Advanced technology and enhanced data mining techniques have brought even more science to the art of direct marketing.

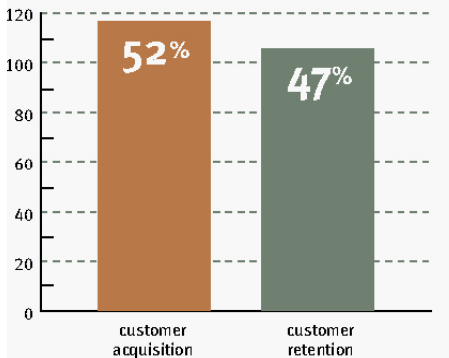
When given a laundry list respondents gave high marks to reminder mailings (83% used these somewhat/very successfully) and newsletters (65% used these somewhat/very successfully).

And finally it's interesting to note that direct marketers identify lifetime customers as their most valuable (38%), yet do not allocate customer retention a bigger slice of the budget pie.

*continued page 2*

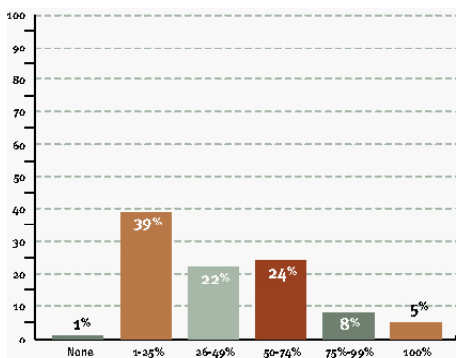
## EXECUTIVE SUMMARY

### Direct marketing expenditures: Customer acquisition vs. retention



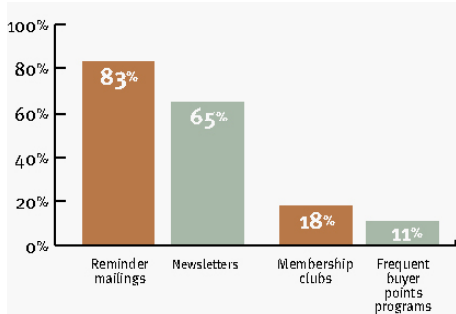
(2)

### Percentage of direct marketing budget spent on customer retention



(3)

### Preferred direct marketing tactics: Used somewhat/very successfully



(4)

Source: *Trends in Direct Marketing Survey, 2005*  
Tivoli Partners / Interactive Marketing and Research

While communications budgets should reflect that there are different jobs to be accomplished and prioritize accordingly, the bottom line is we all want the same thing – to sell more product, gain market share, be loved by our customers and shareholders and respected by competitors and key influencers like the media.

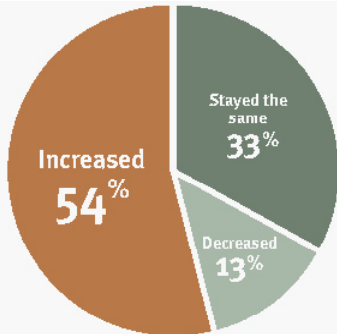
### Key findings

- 1) Direct marketing budgets have increased.** Sixty-nine percent of respondents indicated an increase in spending when asked whether their total direct marketing budget had increased, decreased or stayed the same over the past two years. Sixteen percent indicated their budgets had stayed the same. (See pie chart 1 on page 1.)
- 2) Acquisition and retention are just about equally important.** Fifty-two percent of respondents use direct marketing for customer acquisition while 47% use it for customer retention. (See bar chart 2 at left.)
- 3) Spending for customer retention lags.** More than one third (39%) spend 25% or less on customer retention while those who commit more than 75% of their budgets comprised less than 12%. (See bar chart 3.)
- 4) Reminder mailings and newsletters are preferred tactics.** When given a laundry list including points-based frequent buyer programs and membership clubs respondents gave the highest marks (83%) to reminder mailings and newsletters (65%). (See bar chart 4.)
- 5) There's no substitute for great customer service.** Seventy-nine percent feel that they are somewhat/very successful in delivering exemplary customer service while 8% indicated they are not even trying.
- 6) Marketers are quick to react if something's not working.** Sixty-eight percent agreed with the statement, "We quickly shift dollars during a campaign if we think its not working." The remaining respondents wait until the end of the campaign to evaluate results.

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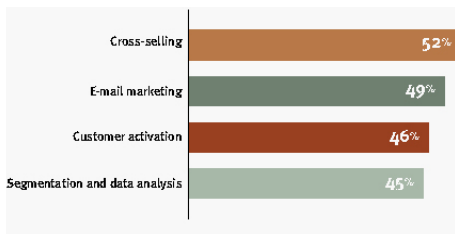
## EXECUTIVE SUMMARY

### Direct mail expenditures over the past two years



(5)

### Interest in direct marketing topics: Rated very interested



(6)

Source: Trends in Direct Marketing Survey, 2005  
Tivoli Partners / Interactive Marketing and Research

- 7) **Telemarketing users have increased spending.** Forty-two percent of respondents do not use telemarketing at all; but of the 58% that do, 43% have increased their spending in the past two years.
- 8) **Direct mail delivers.** Over half (54%) have increased their use of direct mail in the past two years – indicating that predictions that the Internet would replace print communications have not come to fruition. (See pie graph 5.)
- 9) **Email rules.** Seventy-two percent have increased their use of email marketing over the past two years. And 63% of those marketers using online banners or sponsorships have increased their spending.
- 10) **Cross-selling is king.** When respondents were asked to rate certain topics of interest from customer retention to innovative tactics, 52% indicated that they were very interested in techniques to deepen their relationship with current customers. (See bar chart 6.)
- 11) **Life-time value ranks highest.** When asked to identify their most valuable customers 38% chose lifetime value above all other indicators.

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Direct Response Marketing

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