



Commentary: Wham! Spam! and direct misplaced marketing

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Special regulatory issues

Starting with special hearings in 1995, the US Federal Trade Commission moved attention toward what it saw as the special regulatory issues in “the high-tech global marketplace”. As a body involved with regulations of both competition and consumer protection policy, the latter issues were their growing concern for potential managers’ abuse of marketing knowledge and methods.

Since many marketing educators and practitioners believe the focus of management should be “marketing science,” it is an amusing image formed whenever there is discussion of marketing used for evil purposes. It raises the specter of the “mad marketing scientist,” a cross between the old movie serial icon of a mad scientist and Hollywood’s favorite heavy of a business person driven by unbridled avarice. But then, despite scientific pretensions of some professionals, marketing’s critics accuse it of all sorts of powers it does not possess and the real problems are sometimes not what the critics would expect.

To some of the witnesses before the FTC, a basic issue was that the Internet provides increasing refinement of audiences and, in turn, might allow more precise target audience segmentation. This would enable makers of questionable products or deceptive advertisers to more readily deceive and defraud the most vulnerable consumers. Children, elderly or more gullible people would have tailor-made deceptive messages sent directly to their computer screens, or so the witnesses feared. Yet sometimes concerns for misplaced marketing are misdirected. In a way, some people would prefer if this was the real problem.

Direct marketing tool

Before the modern growth of the Internet as a direct marketing tool, Trina was encountering the usual resistances and frustrations as she attempted to start her new direct mail advertising business. As she often would relate, prospective clients would assert that all the “junk mail” they receive is thrown into the trash unread and, believing everyone else acted in the same fashion, they concluded direct mail to be a waste of their advertising budget.

Beyond the ethnocentrism of these managers believing that they are typical — managers mistakenly believing all customers think the same as they do is the core of misplaced marketing — answering their fears was fairly easy and straight out of any textbook. These reluctant clients for Trina’s business threw out all that mail not because they disliked the advertising envelopes per se, but because they had not received information on matters that interested them. The mail was headed straight for the trash bin because of an error by the direct mail companies that did not maintain and monitor their lists and, as Trina would assert in her sales meetings, she would be careful to keep misdirected mailings to a minimum.

Monitoring of list efficiency

It is news to no one that the immediate and two-way nature of the Internet allows for greater monitoring of list efficiency. It is intuitively obvious that new technologies possess the potential for greater refinement of target audiences and this, in turn, could allow for more precisely targeted deceptive practices. With the telephone, telemarketers are known to zero in on people previous contacts found to be most vulnerable to their appeals. And with the Internet, various vulnerable individuals can be specifically targeted for deceptive messages they are prone to believe, or so the theory goes.

Yet even with the Internet, targeting information is not yet that precise nor is audience data that refined, while the economics of audience research limits the precision of data that could become available in the near future. With the Internet, as with the increasing number of new cable channels, better data costs more and no one yet seems willing to pay for it. Broad demographic data are still the norm that define media audiences and that information only provides minimal insight into how people might think.

In direct mail advertising by e-mail, instead of precision targeting, we get spam, the ultimate in nuisance junk mail.

With traditional direct mail, waste circulation is costly. Response rates are low enough, while postage and printing combine for the high cost per thousand of anything sent through a country's postal service or any alternative carrier. Therefore, it is in the firms' best interests to spend time and effort to make certain as high a percentage of people as possible who receive the mailing are in the target audience.

Marginal costs are near zero

However, with the Internet, the marginal costs for each additional mailing are near zero. Instead of the printing and postage costs paid by the sender as in snail mail, e-mail printing is electronic ink with delivery costs paid by the receiver who must download and print from a service provider. The Internet direct mailer's main costs are in design of messages and computer programs for efficient sending, so maximizing efficiency comes from increasing the number of messages sent per minute.

So on the Internet there is no incentive to prune a mailing list. In fact, the opposite is true. By maximizing a mailing list, every possible respondent will be more likely to receive the message. More sendings mean minimal marginal cost and a great potential for additional responses. Multiple mailings are sent to the same lists in rapid succession with different subject headers in the hopes that one will be more likely to be read.

It is a great conflict of freedom of communications. The Internet is open, free and uncensored, which is its strength. But the growing problem of that freedom is not turning out to be audience manipulation of the unwary, but a growing nuisance paid by the receivers. Those receiving the spam would only wish that the Internet was used for more precise audience targeting.

No well-planned postal-delivery direct mail should ever be called "junk mail," but almost all direct e-mail is increasingly getting labeled as spam, a nuisance. And the difference is in the basic financial incentives for the people sending the messages.

