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Submission to the Senate Standing Committee on Environment, Communications and the Arts Inquiry and Report on the Do Not Call Register Legislation Amendment Bill 2009

Background:

DirectIT was established as a telemarketing company in 1993. The focus of the company is the IT sector. The clients of DirectIT are the larger Global IT companies.

DirectIT has developed particular skills that allow its marketing agents to discuss new and emerging sophisticated technology with IT executives amongst Australia's top 5,000 companies.

Over the last 17 years DirectIT has had in place a responsible policy with respect to telemarketing and it has enjoyed long and stable relationships with its highly regarded clients.

The Nature of Business in Australia

The vast majority of small and large businesses use telemarketing to promote business.

The hypothetical Print Shop in the main street uses telemarketing to promote its business to the local business community. Invariably the owner/manager of the business will call owners of other businesses in the area to understand if there are any printing requirements that can be responded to. At some stage the other businesses will call the Print Shop owner to understand if it has requirements for printers, PC's, Pot Plants etc, etc. The *calling company* will, at some stage, become the *called company*.

Precisely the same process happens elsewhere in business. The sales teams in the large corporate entities will call appropriate decision makers in other large entities to understand if there are requirements for IT Infrastructure, for Communications Infrastructure, for Office Equipment, for assistance with personnel and financial management. Once again, the *calling company* will, at some stage, become the *called company*.

Our observations suggest that the small Business to Business entities will put some 60 percent reliance on telemarketing to generate new business - telemarketing is effective and it is relatively inexpensive. The larger companies will have a lesser reliance on telemarketing because they can afford other more sophisticated and more expensive forms of marketing, eg press advertising, PR, Online advertising, Corporate Events.

Nevertheless it is our observation that virtually all successful companies use telemarketing either with or without other supporting marketing strategies.

Invariably those contacts who want to avoid telemarketing calls do so through their switchboard, PA's, Voicemail systems. These facilities serve as their own Do Not Call Registers.

Micro Economic Impact of widening the provisions of the Do Not Call Register

I understand that the current Do Not Call Register has been widely accepted by domestic phone users with some 4,000,000 registrations. If the same level of popularity extends to the business sector, then it is anticipated that the take up rate could be of the order of 30 – 50% of business users.

For the small Print Shop, it will no longer be possible for the owner/manager to pick up the Yellow Pages and call other local businesses to increase his business. The data will have to be keyed into some form of spreadsheet and then passed to the appropriate authority for washing against the Do Not Call Register before a call can be made. This will involve a level of organisation, an allocation of precious time and a financial investment all of which the small business owner would never have dreamt of in the past.

To rub salt into the wound, the list that comes back will be dramatically cut. In all probability some 30% - 50% of his potential market will disappear, from the phone contact perspective.

Other marketing options will prove ineffective (Direct Mail), too expensive and ineffective (Advertising) and unavailable (EMarketing) because of lack of Optins to send email.

The inevitable result will be a contraction in business.

Larger businesses will also suffer because of the inability to make direct contact with potential customers. These organisations will, however, seek to limit the damage by spending more money on other forms of marketing. Such strategies will see marketing costs rise but the ultimate result will be a decline in revenues as alternate forms of marketing fail to match the effectiveness of telemarketing.

Advertising costs will be driven up, events will have fewer attendees, sales pipelines will diminish and fewer sales people will be employed with the shrinking markets.

The inevitable result for the larger company will be a contraction in business with fewer employees.

The load will not be spread evenly. Those organisations with a large share of their market will experience a much lighter impact on their businesses as they have open access to their customer base. Indeed there will be fewer threats to existing business. For new entrants into a market, the situation will be intolerable - no opportunity to make direct contact with prospective customers and no opportunity to engage in emarketing (as a consequence of being unable to phone prospective customers to get Opt Ins).

We should also consider for a moment the new entrants into the job market as they face a road block in making direct contact with would be employers who are registered on the Do Not Call Register. They will be limited to responding only to jobs advertised or visiting the actual premises of prospective employers.

As momentum gathers with the newly established Do Not Call Register, additional weight and focus will fall on those companies not registered. Over time these companies will tire of the increased calls and extra marketing attention and they in turn will end up opting out. This will further add to the grief of the businesses already suffering.

Macro Economic Impact of widening the provisions of the Do Not Call Register

The sum of the micro impacts will be the macro impact.

If the vast majority of Australian enterprises use telemarketing to some degree and their available markets decline in the first instance by say 20%, then the likely impact on the Australian economy is likely to be serious, both from a GDP and an unemployment perspective.

And it will get worse as more and more companies end up registering as a consequence of the frustration caused by the increased calls to the remaining companies not on the DNCR

If incumbent suppliers and suppliers with large market shares are favoured as a consequence on the expansion of the Do Not Call Register, then overall churn will diminish as will the efficiency of general resource allocation.

One might then ask.....**and for what?**

The principle

The extensions at the Sydney International Airport now present an enormous duty free shopping experience. As soon as one goes through the customers barrier, one must navigate a maze of walkways intended to take travellers past all manner of duty free shopping opportunities. There is no direct path from the customer barrier to any departure gate. The walkway zigzags in and out of perfume stands and alcohol stands.

From what I can see a lot of travellers are bemused if not a little annoyed by this. Some of the annoyed folk end up buying goods that they had not intended buying when leaving the customs gate.

Now I imagine that Sydney Airport Authority could take steps to ensure that express paths are put in so that travellers could, if they prefer, go straight to their departure gates without distraction. This will not happen and travellers wouldn't expect it to. Most travellers know that it's just part of commercial activity and accept the occasional inconvenience.

There are parallels here with telemarketing and the vast majority of businesses know that *what goes around comes around* and that even though the telemarketing calls may be inconvenient, they play a major role in business for most suppliers and most customers

Summary

The extension to the DNCR is a poorly thought through concept.

This extension to the DNCR will:

- hurt a vast majority of businesses – large and small
- particularly hurt small businesses which have fewer marketing options
- give favour to those business that currently enjoy a large market share
- inhibit entry into markets and as a consequence it will sponsor misallocation of resources
- It will be anti-competitive in nature and restrict churn
- have a detrimental effect on the Australian economy and unemployment at precisely the same time that other measures are in place to encourage growth.

I urge the Senate Committee to ask.....**and for what?**

I also ask the Senate Committee to recommend against extending the application of the Do Not Call Register. Companies have had great success, up until now, using Switch Boards, PA's and Voice Mail Systems to establish their own Do Not Call arrangements and they should be allowed to continue to do so.