

HOUSTON BUSINESS JOURNAL

Friday, June 20, 2008

Waste not, want not

Fat-trimming strategies keep direct marketing company DMN3 lean and efficient

Houston Business Journal - by [Teresa Talerico](#) Special to Houston Business Journal

In 1992, after 13 years in the advertising, marketing and printing industries, Pam Lockard had learned an important business lesson: Don't waste money on the superfluous, whether it's office space or mid level managers.

So when she founded Direct Marketing Network, now DMN3, that year, she aimed for lean and mean.

"It was a great experience to see how the bigger (ad) agencies work," Lockard says. "But I saw a lot of waste. I saw a lot of levels of people and things having to go through all those levels every time something got changed. It just seemed very inefficient to me. So when I started this business, I purposely did not structure it that way."

For example, instead of hiring an account executive and a production manager, she combined those two traditional ad-agency positions into one "project manager" who oversees all aspects of an account.

"With one person ultimately responsible, it makes it faster to get things done and you cut down on the number of errors," Lockard says.

And rather than using copywriters, designers and project managers fresh out of college and ripe for mentoring, Lockard mostly recruits seasoned pros who can supervise themselves. The average age at DMN3 is 45, compared with the 20- and 30-somethings at traditional agencies.

"Part of the reason that we have fewer junior-level people is because if you empower somebody to be running something, they have to know what they're doing," she says. "And some of that just comes from (experience)."

Lockard's fat-trimming strategies have guaranteed DMN3's staying power. The direct response agency, which she began with one employee, now has a staff of 41, including six people in a Dallas office.

Clients include Reliant Energy, the Methodist Hospital system, American Airlines Credit Union and MidSouth Bank. Last year, DMN3 generated \$11.5 million in revenue, a 33 percent increase from 2006.

"Typically, most folks in the (direct response) business have a passion for it," says Norm Pegram, owner of International Mailing Systems, a Houston full-service mail company that does work for DMN3. "It's a creative person that can maintain it. Some folks are born with it and Pam's one of them. And also, you have to know how to run a business. Doing both is a distinct capability that she has."

DMN3 focuses almost exclusively on direct response, or advertising that directly contacts consumers



Craig H. Hartley/HBJ

Pam Lockard of DMN3:
Cutting out wasteful
business practices.

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through mail, e-mail or other means to generate a measurable response.

A DMN3 direct-mail campaign for the Houston Symphony, for example, mailed out brochures promising two free Symphony tickets if recipients contacted the Symphony office by mail, telephone or online. A direct-mail campaign for Ditch Witch of Houston offered businesses the chance to win Houston Texans tickets if they signed up for a free demonstration of Ditch Witch construction equipment.

Lockard's experience includes founding two other direct marketing companies: Lockard Direct Marketing in 1987 and Southwest Direct in 1990. But her first venture was Graphic Media Group, a graphics and printing agency she started in 1982 with four former colleagues from a printing company.

A self-described "penny-pincher," Lockard had saved up about \$50,000 through her work in printing sales. She lived off of this money as the company established itself.

Staying frugal, Lockard says, has been key to the success of DMN3, which she says is self-funded and relies on neither investors nor loans.

"Even if you're very successful and you have a windfall, you always have to hold something back and prepare like a squirrel for the times when things may not be as good," she says.

"When people ask me (about starting a business), I always tell them you need to either start it on the side while you have an existing (job), or you need to have a large nest egg. I think that's why so many businesses never make it -- they run out of money before the money starts coming in."

Although she doesn't skimp on things like sophisticated computer systems or annual bonuses, Lockard does keep costs down in other ways, such as maintaining relatively modest digs. The company's current location is a Class C office space and ad execs accustomed to lavish corner offices and extravagance might not fit in at DMN3, she notes.

"I've been accused of squeezing a lot of people into a very small space," she says.

Lockard, who has a degree in elementary education, says running a company is not unlike running a classroom.

Still, few children -- or few job applicants for that matter -- have to undergo a personality test just to nab a desk. But Lockard believes traditional interviews simply can't reveal enough about job applicants. Ask a prospective hire if he or she is detail-oriented, for instance, and the answer will probably be yes, regardless of the truth.

So around 2002, DMN3 began requiring potential employees to fill out a profile that measures their strengths, weaknesses and overall traits. Developed by The Flippen Group in College Station, the 15-minute profile helps DMN3 match the right people with the right jobs.

"You have better insight with that profile," Lockard says. "Now we have benchmarks for different types of job categories that we're looking for. We're able to compare new people that we're interviewing to people that are already here. Sometimes you want people just like (those) you have here, or you want someone completely opposite because you have too many detail people and you need a creative person. You don't look for the same skills in a creative person that you look for in a project manager.

"It's also pretty accurate on people's aggressive drive and ambition," she adds.

In an aggressive bid to stay current, the company underwent a re-branding process last year. "Direct Marketing Network" became "DMN3," a shorter, catchier acronym that reflects the company's threefold

focus: online advertising, direct mail and direct response. The re-branding also included opening a Dallas office and launching a new Web site with work samples and employee bios.

Reinventing DMN3 was crucial, especially as the industry struggles with the challenge of declining response and consumer apathy, Lockard says. Many agencies are still learning how to use the Internet as a tool in their campaigns; meanwhile, consumers are being bombarded with online ads and offers.

"People are getting hit with so many different types of advertising that they're just tuning it out," she says. "I think the whole advertising/communications world is upside down. I just got back from the (American Association of Advertising Agencies), which is the national organization of advertising agencies and they're all sitting there scratching their heads."

As a result, DMN3 also founded the DMN Institute to educate employees and clients about direct response trends, whether through a "lunch and learn" session on copy writing or an "Online 101" class for an Internet-novice client, says DMN3 chief operating officer John LaCour.

But what really gives the company its edge has little to do with scoring a major campaign or besting competitors. Since 2003, Lockard and many of her workers have been involved with Mission of Yahweh, an emergency shelter for women and children. The experience, she says, has helped ground the company and gives it a purpose beyond profit.

"The success came when I got involved in the mission," she says.

Pegram calls DMN3 an industry leader, particularly as it continues to unite the various methods -- whether it's the Internet or "snail-mail" -- used to reach consumers.

"They need to be integrated and that's what she's done -- she's brought them all under one (umbrella)," he says. "If anybody's adding glamour to the mailing business, it has to be Pam."

DMN3

Business: Online marketing, direct response advertising, direct mail

Year founded: 1992

Top executive: Pam Lockard, president and CEO

Number of employees: Houston 35; Dallas 6

Web site: www.dmn3.com

Revenue:

- 2006: \$8.6 million
- 2007: \$11.5 million

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