

“And now for something completely different....”

Closing the loop of customer interaction in the era of permission based marketing en social networks

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Relating to the picture: “you deliver your marketing message loud and clear on an individual customer level, but is it effective in modern times ?”



Summary.

The current crisis creates business opportunities for organizations that sense the change that is taking place in the economy and marketing in particular. Due to recent innovations in technology, and the maturity level that is reached by these technologies as demonstrated in market place acceptance, a conceptual redefinition of the marketing concept is (once again) needed. We are moving – in a gradual process – from the individualized customer orientation towards an interactive model based on communities and social networks. Gradually the initiative for marketing relationships is moving from the organization towards the customer, embedded in a social group context. However, by intelligently using the available technologies, organizations can adapt to these changes, being responsive to customer needs while supplying augmented product and service bundles at a profit.

In this paper, we describe the historical developments in marketing techniques and present the current state of affairs as a logical next step in the marketing orientation. By presenting two exemplary cases, concrete examples of how to implement the new marketing paradigm are shown and the strategic way forward for marketing oriented organizations is illustrated. In general, such organizations are given instruments to adapt to these changes, and develop ways to profit from it.

Introduction.

The economy in general (relating supply and demand for goods, services and ideas) and marketing as a specialized functional discipline (relating individual organizations with their customers for mutual benefit in an exchange relationship) in particular have always shown a very dynamic character. Throughout their history, both economy and marketing have been influenced by the fabric of society at the time. We have moved from an agricultural society with barter trade, through industrialized societies with mass-produced en mass-consumed products, to an information based service economy with individualized economic transactions through multiple media channels.

The economy today is said to be in a state of crisis. We argue however that, although the recent turmoil in the economy may be unexpected and unprecedented, there are broad patterns to be discovered which have relevancy for businesses practice in general and the marketing discipline in particular.

Supported by major technology innovations such as the emergence of mobile and Internet platforms, the concept of marketing as a relationship of exchange is once again changing, having broad implications for the way in which organizations address their customers and other constituents.



Organizations can prepare for these trends and can profit from these developments once the current crisis is cleared. Our proposition is that things will not get back to normal, but that indeed organizations should change to position themselves competitively in the new era.

In this article we put the developments in perspective, showing that although the underlying broad trends are shifting extensively, the eventual outcome can be forecasted on a quite accurate level. We describe the development from personal marketing, through database marketing and customer relationship management, to the emergence of social networks and permission based marketing in the current era.

By describing the general characteristics of these phases of development, we identify the trends and the conceptual reorientation of the marketing concept. Applied to organizations we show which issues and problems are relevant and should be addressed.

We present a plan of approach to reorganize the organization for the new era and present some concrete business cases in which the ideas as described are implemented.

The historical perspective: database marketing turning into customer relationship marketing.

At which moment the marketing discipline was started is a matter of discussion. Arguably, marketing already was already there when economic exchange or barter was taking place, so “at the start of time”. But it gained importance after the rise of the modern corporation, specifically after World War II, when the abundance of production facilities and the creation of massively produced products needed to be met by an increase in demand, which for better or worse had to be created.

Marketing as a discipline was concerned with the practical tools that could be employed to influence customer behavior, both in the business to business markets (B-to-B) as well as business to consumer markets (B-to-C).

With the advent of automation in the early sixties, the marketing discipline was quick to see its possibilities. Specifically in the era of mass production in the sixties and seventies, several techniques were employed to mass-target audiences through mail and telephone channels. The level of income was quickly rising and people had strong needs for the mass produced products, whatever that product and its quality was. The sophistication of the marketing techniques was fairly limited, and the marketing activity was aimed at sending out huge volumes of undifferentiated messages to anonymous crowds (list management). It was the great era of the big brands, where organization names were identified with products used within the household.

With the saturation of the market in the eighties and nineties, the sophistication of marketing techniques had to be further upgraded. Transparency and globalization of markets further



increased competitive intensity. The reduced level of effectiveness of traditional mass marketing campaigns made it necessary to distinguish between target groups or segments, and to differentiate the product offering specifically to the needs of these differentiated segments. Products gained in appeal, as its unique features (or USP's) made it stand out in the crowd, giving its consumers a touch of individuality and source of identity. Services were added to the product, creating a broad proposition, the augmented product.

Furthermore, it was understood that it was not necessarily the product that was of paramount importance, but the customer who bought it. Gradually, the concept of differentiated groups of customers was put to its logical end, creating the idea of one-to-one marketing, or marketing on a (again) personal level. Along with this ultimate micro segment the idea was born of lifelong development of relationships with customers. Not the one-off transaction was important, but the development of long lasting relationships with customers (loyalty). All phases of the marketing process became important, including finding, convincing and retaining customers. Instead of sending out messages, the company tried to individualize its relation to customers by adding interactivity, both telling and listening. Along with brand awareness, product sales or market share, customer lifetime value and share-of-the customer became important measures.

In information technology, ever increasing volumes of data were gathered about customer profiles and preferences, product transactions and communications. By analyzing these data by powerful statistical techniques, marketing professionals tried to discover how customers could be influenced by the providing the message at the right time. Next to these analytical technologies, technology became also important at the customer interface. Call center technology is just an example of how technology changed the way the organization interacts with its customers and other constituents. But also webtechnology became important, creating digital 'shops' with product display and transaction capabilities.

The current perspective: introducing social networks and permission based marketing

Once again, developments in information technology such as the Internet and mobile phones lead to changes in marketing. By adding these technologies to the media mix, transactions and communications became electronically mediated. This has opened the box of Pandora, making a truly "anywhere, anytime" economy possible.

The influence of these new technologies can hardly be exaggerated. The dotcom crisis at the turn of the millennium may be the proverbial false start. The influence of these new technologies on production, distribution and communication is enormous, leading to complete new business propositions. Much of the product proposition attributes switches from the material aspects to informational aspects. Products who were in the past "owned" and "used" are increasingly "licensed" and "consumed". Once a customer bought an automobile, but now he buys or even leases a package of transportation, financial and insurance services.



The brick-and-mortar companies who survived the mind shift that these innovations made necessary changed their business blueprint in major ways. Totally new companies were started based on new business models (e.g. Google) and their revenue and profit growth was in some cases phenomenal. There also were a lot of failures (e.g. World Online), but the change is here to stay now the technology reaches a level of maturity.

In current times, people search on the Internet before selecting a supplier, make recommendations (or complaints) visible to the world or create products that are only available online. Customers have become suppliers and vice versa as barter trade makes a strong comeback (e.g. Ebay).

The mobile phone delivers multimedia content directly at the customer, wherever and whenever he is active. The nearly total transparency combined with instantaneous communication put an end to the Dutch DSB bank. A customer revolt was initiated by a remark of a criticaster in a breakfast TV show, leading to an old-fashioned bank run to which the bank could not react. The parable of David and Goliath has become reality in the modern economy. Besides financial services, the printing press (newspapers, magazines) is but another industry which will change in important ways the coming years.

People are active on social network websites like Hyves, Facebook, Twitter and LinkedIn. Becoming increasingly popular, these sites offer possibilities for people to connect along friendship and interest lines, establishing communities on far greater scale than was possible before. Although people are more and more concerned about their privacy when it is invaded by companies of the government, they have less trouble when they themselves publish personal content (pictures, blogs, tweets) to the internet. This content is also becoming important for marketing communications, as customers share experiences with the public at large.

The direct solicitation of prospects by customers is more and more prohibited by legal or social constraints. For economic goals, the right to communicate directly is to be granted (opt-in) leading to permission based marketing. In summary, the customer is more connected among peers but more or less disconnected from the organization. The focus and possibilities of marketing therefore change.

Conceptual reorientation of the marketing concept.

The following trends are to be observed from this historical narrative:

- The evolution from an active, individual role of the organization towards an responsive, social role in marketing communications
- The reduction of the loyal customer base, also expressed in an increase in customer churn



The organization is no longer at the center of the economic and social universe. Instead of being the director in the marketing theatre, orchestrating the individual actors, the marketing professionals of modern organizations are increasingly the public watching the commercial play being played out. Organizations need to take into account that the initiative for commercial transactions is more and more taken by the customers themselves, the customer playing the active role, and the organization in a more responsive mode. By responsive, we do not mean reactive: indeed there are possibilities for the organization to “shape” the environment in which customers take initiative themselves, making this process much more complex than just reacting unintelligently to customer requests. But this influence process is much more indirect: the days of cold calling or spamming are indeed over, banned by legal restrictions or by social prohibition.

Once the customer relationship is established there are indeed possibilities to connect to the customer and establish a more direct, individualized relationship if the customer wants. Individual knowledge gained in an intimate relationship can indeed be valued.

The “customer-for-a-life-time” is under stress. The customer base of most companies used to be pretty stable, but is gradually diminishing due to the two reasons. The customers that were related for a long time to the organization are getting older and older. Their behavioral patterns may shift over their life time, and crudely, each time and over and over again “in the end” some die. For fundraising and media organizations (newspapers, magazines) this problem is very real: it can already be calculated when the last loyal customer leaves the building (not being Elvis, though).

This outflow is not matched by an inflow of new, younger customers. Indeed, new customers do come in but their behavior is very different. These customers are much more transaction oriented (“the best deal”) and due to the increased transparency in the market may shift their purchases to competitors at the touch of a button. Churn or switch rates are therefore increasing, and the customer life time value is gradually decreasing. In industries like telecom/mobile and utilities this trend is very real, putting pressure on the efficiency of customer acquisition and retention. Paradoxically, loyalty is being bought by flirting with prospects, annoying true loyal customers to whom these “benefits” do not automatically extend.

Consequences for organizations: the way forward.

The current approach of organizations to these new developments is mostly explorative, trying out the various possibilities. Few organizations have a consistent, strategic approach to these trends yet. Due to this ad hoc approach to implementation, not all possibilities are fully realized, generating reduced interest and reduced benefits for the false reasons.

In order to reap the benefits, first of all organizations should spend some time to place all these developments into perspective and figuring out if their current business model is



impacted. This is not a one-off, few hours discussion, but an intense discussion which has to be “lived thru” by key personnel, reducing the level of abstraction to real consequences, which can be felt and related to. Not “how is e-mail communication to impact our distribution methods”, but “how many customers will switch in 1-2 years to electronic versions of our newspapers and what is the impact on our revenue model”.

Although marketing has a primary role for communicating the voice of the customer within the organization, marketing has not the sole responsibility anymore. The responsibility for the customer is dispersed within most organizations. While some parts of the organization are in direct contact with the customer, other parts can influence customer behavior as well. Jay Curry once described this: “Marketing says to the customer *we love you*, Finance says to the customer *pay or die*”. Every part of the organization has to be involved in the strategy setting for the new era, making it necessary for top management to be directly involved.

Based on these insights, companies should start with an approach we would like to call “focused experimentation”. By focused, we do not mean experimentation in the blind, but experimentation based on available knowledge, educated guesses or defined strategic goals. Experimentation remains necessary due to the existing and uncontrollable uncertainties: it is better not to devote substantial amounts of money to initially risky ventures. In experimenting, it becomes possible to find out how things work by small scale investments. Due to these experiments, valuable knowledge can be obtained. Further investments can be done based on this knowledge.

In general, in the information age much more emphasis will be placed on information, content and knowledge management, including its dissemination inside and outside the organization. Constituents and stakeholders are interested in the identity of organizations, relating to its historical narrative amidst the change of times.

A few remarks can be made in this regard:

- A lot of content that has historically been generated can be digitized, described (adding meta-content) and published. This will serve the informational needs of a lot of individuals and communities who are interested in the organization, its people, its activities and its products/services. New content can be added by involving employees, customers and the public at large in the content generation.
- Regarding the interaction with customers, historical data can be used to individualize campaigns to personal preferences of customers. These data come for (nearly) free by registration in operational systems, but need to be analyzed to help marketeers. In this way, experimentation can be enhanced by factual knowledge on what works and what doesn't.

By capitalizing on these informational assets, organizations can create a true and lasting identity in a world which is in desperate need of a consistent, true story to be told. By



involving direct constituents, but also the public at large in a dialogue where commitment is being created by mutual consent and respect, indeed the loop can be closed in the era of permission based marketing and social networks.

Some examples in the fundraising and media industry.

Let's take the example of a fundraiser active in demonstrating against whale hunting. This is a purely hypothetical example, but it shows the possibilities that new technology brings fundraising in the social network society.

Setting the stage.

The vessel RW deployed by the fundraising organization in the Atlantic Ocean around Iceland is following Nordic whale hunters. On the Internet, a live webcast is shown each day at 16.00 Greenwich time which covers the events of the day. Personnel on the RW take the footage 24x7 themselves, using mini HD (photo and film) cameras. Films are instantly published on Youtube, in the three weeks that they have been in the Icelandic seas generating a crowd of followers that increases by hundreds a day. There is a website, www.whalehunters-in-action.com which gives background information and blogs of RW personnel. People who are interested can react to the stories, put comments, engage others and take a stand in a petition by signing with their e-mail address. An inner crowd is created, following the days' events with interest.

A call to action.

Then something terrible happens, a rubber boat that confronts the whale hunters is shot by a harpoon. Luckily nobody is hurt but the boat is sunk. All this action is covered, and instantly published on a world wide scale. An appeal is sent out right away. Appalled supporters start blogging on various forum sites, attracting various followers. On Youtube, the sinking of the boat is an instant hit. In an indirect fashion people are being made aware of a special action site, www.getusarubberboat.com, where small donations can be made in order to buy a new rubber boat. People can donate anonymous, but also can leave their mobile phone number, supporting the fundraising organization by receiving a few SMS.

Rounding up and closing the loop.

In a few days time, enough money is donated to buy a new boat. The maiden trip of the new boat is again a media event. All people that contributed to the replacement of the sunk boat with the new one, are informed in a personal way that by their help the fundraising organization is in action once again.



Then, let us take an example of a news company that brings both local and regional news, next to (inter)national news, using both print and digital channels like the internet and mobile phones.

Setting the stage

Fire breaks out in the heart of Amersfoort, a medieval city with lots of old buildings and museums. One of its top artists has a museum within an old church that sets on fire when construction people are repairing the roof. The local press photographer arrives quickly at the scene and takes some beautiful, yet dramatic pictures. He also makes sure that the people who live near the museum know that they not only can find the item on the website of the newspaper publisher, but also can make their contributions by telling their story and adding their own pictures and movies.

A call to action.

Within no time the news company opens a dedicated website about the fire that shows unique content. Content of its own photographer, but also content of the people who live near the museum. Citizens of Amersfoort and people all over the country know where to find the latest news on the fire, and people living in Amersfoort get an alert on their mobile phone with a link to the action site.

The news company follows a strategy that it not only gathers customer data such as name and phone numbers, but also geographical data and topics of interest of their readers. So when something happens in their geographical area of interest, they get automatically news alerts. When people on their mobile phone click on the link to the action site, they can follow the latest news in their hometown even when they are away.

Rounding up and closing the loop.

The story about the fire in the museum is a story with a long tail. People in the nearby houses can't return to their homes for weeks and local politicians have to take responsibility for both the disastrous fire and the aftermath of the restorations that prohibit people to return to their houses. A year after the fire a special photo book is being published by the newspaper company that tells the whole story, combined with some unique footage. After a sneak preview of the book published on the action site, people can sign up and order the book.

Conclusions and recommendations

In summary, the recent technology developments lead once more to a reorientation on the marketing concept. Mobile and internet technologies provide the platform for community based social interactions. As with other developments in the past, it is not about getting rid of



the old methodologies and practices, but to extend these concepts into the current era, adding a few new things to the mix.

Direct customer contact remains important, and so does the CRM concept in itself. Customers continue to be addressed in a personal, individualized way after the original contact has been established. But the idea and reality of social networks add new strategic possibilities. Instead of being in the driver's seat, organizations need to be driven, being open to community based interaction. In a way the identity of organizations is being created by being immersed in social action, content being generated by both personnel of the organization and the public at large.

There is no silver bullet for this new reality, but a few observations can be made:

- Manage for content and identity. By constantly re-telling a true and compassionate story (on whatever subject) you create your own community of followers which are not loyal by volume, but share your original idea.
- Experiment with strategic intent. Although there are a lot of uncertainties, do not engage in the blind. By focused experimentation, a quick learning curve can be established.
- Hire young people. Adaptation to new technology takes a generation. We learn to understand new technology by trying out, but the younger generation just lives through these innovations, taking for granted the enormous possibilities these advancements create.
- Involve your total organization in focusing on the customer. Your employees and supporters are fellow humans who can relate to others in amazing ways. If your organization creates an identity that your employees can relate to, for sure they will find other friends, families, supporters out there who will relate in turn to your organization.

We live in exciting times, as in one generation (20-30 years) we move into the digital era. Do not be afraid of the developments but embrace them with your spirit and creativity. You will be rewarded in future times as being the innovator that spelled out the strategic direction correctly.



About MindMatters and the authors.

MindMatters is a consultancy and software company in the area of marketing and sales. Started in 2000, it has steadily grown towards an entrepreneurial company where both techies and consultants share their passion to make organizations work for their customers.

Cees Kappert is managing partner of MindMatters. His background in business administration, combined with a background in IT provides him with the knowledge and experience to help organizations to put strategic customer thinking to work with innovative information technology. Cees has worked in multiple projects for top10 companies in the branches financial services, telecom, fundraising and utilities.

Hans Lodders is also managing partner of MindMatters. His main interests are CRM and change management, looking at this from the organizational perspective. Hans has worked for top10 companies in financial services, media and fundraising.

Appendix 1. Development of the marketing concept and techniques

