DATABASE AND DIRECT RESPONSE MARKETING AND PERSONAL SELLING

From Chapter 11 of *Integrated Advertising, Promotion, and Marketing Communications*, Sixth Edition. Kenneth E. Clow and Donald Baack.
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DATABASE AND DIRECT RESPONSE MARKETING AND PERSONAL SELLING

CHAPTER OBJECTIVES

After reading this chapter, you should be able to answer the following questions:

1. What role does database marketing, including the data warehouse, data coding and analysis, and data mining, play in creating and enhancing relationships with customers?
2. How can database-driven marketing communication programs help personalize interactions with customers?
3. How do database-driven marketing programs create sales and build bonds with customers?
4. When should direct response marketing programs be used to supplement other methods of delivering messages and products to consumers?
5. What are the tasks involved in developing successful personal selling programs for consumers and businesses?
6. How should database marketing and personal selling programs be adapted to international settings?

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SELLING WORDS

PAULA RAMIREZ

Of the many forms of sales that take place in commerce, one of the more complex tasks involves convincing potential clients that a mostly intangible product/service to be delivered in the future offers great value. 1400 Words, a copywriting service housed in Dallas, Texas, features four professional writers and Paula Ramirez, who serves as the company's business development specialist. "We work with advertising firms, marketing firms, and direct loop public relations, human resources, and major corporations. We provide web site content, white papers, case studies, taglines, radio scripts, and annual reports."

Paula has been able to successfully modify the classic steps of selling to business clients for over 5 years. Her approach includes generating prospects, collecting information, qualifying prospects, making the sales call, closing, and following up.

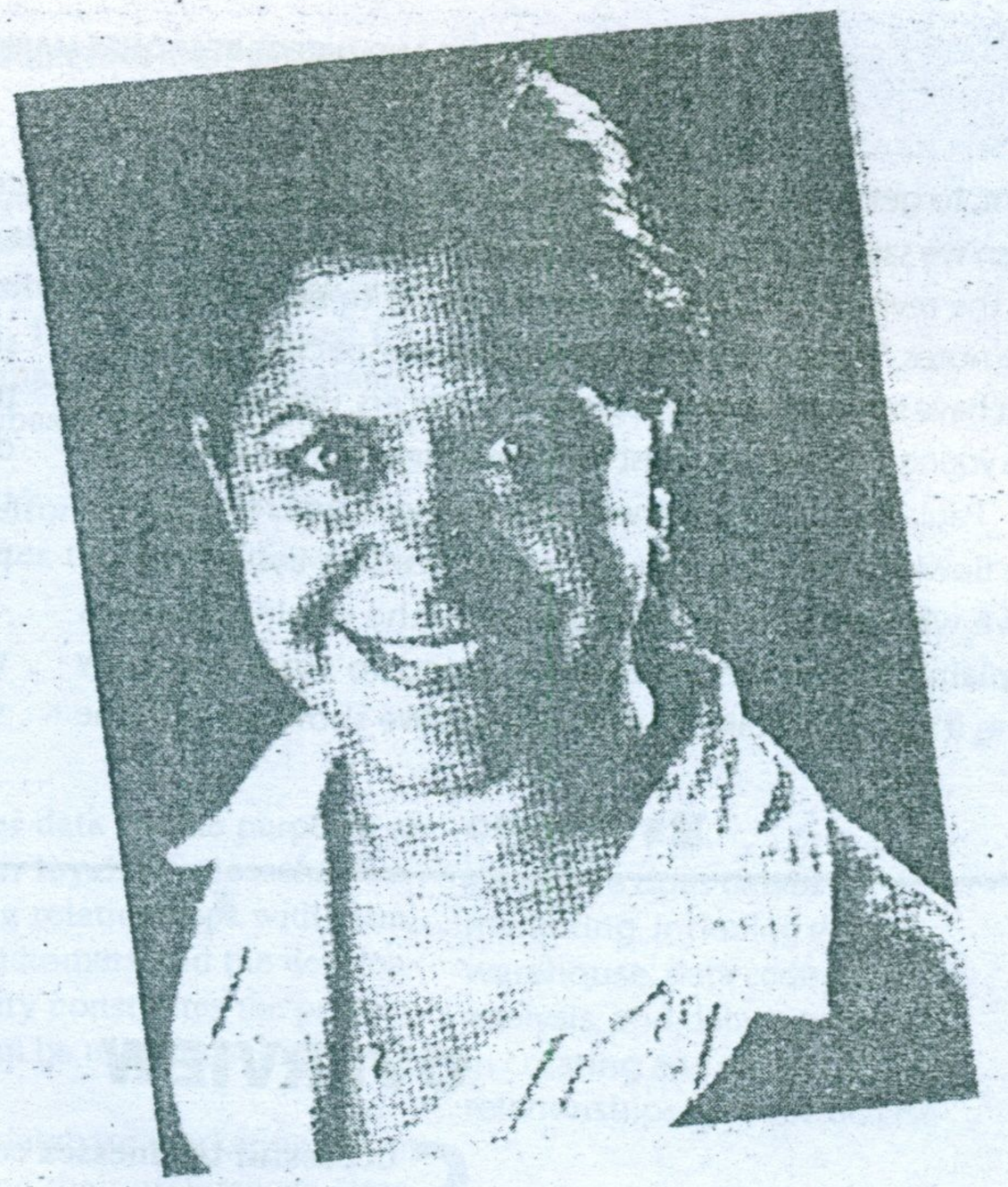
To generate prospects, Paula said, "I go to quite a few networking events. I make sure we are registered with most advertising lists online. I go to the American Marketing Association and Dallas Advertising League, because they usually have lunches and happy hours, and I try to attend both. During the day you get one type of person and at night you get another type. I do a lot of volunteering, because you meet so many people, and usually that's the best because you're meeting people in a relationship and they're not on the defensive. If you can make a friendship connection first, usually the business connection comes after. If you try to create the business connection first, then you have to keep it on a professional level."

Paula notes that, "Word of mouth is a huge factor in our business. 1400 Words obtains clients from people who have worked in advertising agencies and now have opened their own small shops. "We do use social media and we have a YouTube channel as well."

When collecting information about clients, Paula stated, "Right now we're using a program called SUGAR, which is an on-line database that allows me to take the person's business card. I can then upload all the data and information about the person. I go ahead and send an email saying, 'Thanks for meeting with me, and if you need anything let me know." Then I go to LinkedIn and try to connect with them that way."

For strong prospects, Paula sends the company's newsletter to the contact. Others will wait until a more advantageous situation, so it won't appear like she is bombarding them with spam. The 1400 Words newsletter is sent out about every 6 weeks with stories about the writers. "We call it a 'drip campaign.' It's informational about the industry but also announces, 'We're still here.'" This helps her keep in the contact's mind when it becomes time to look for help with revised web site content, an annual report, or some other document. "It helps keep us top of mind."

Paula does not formally qualify prospects into groups, but she separates them in some way, such as, "These are people I'm going to take Starbucks to and see how they're doing on a monthly basis. The next group gets an email or a phone call conversation. They are more of a reach. For us, a company needs about a $50,000 marketing budget, because they already have a developed brand and voice. A company that will grow to that size will keep getting our newsletter."



The method of sales call to be used depends on each client. Contacts are made by phone, e-mail, and through social media. The SUGAR system allows her to maintain a profile while talking to them by email or on the phone. Paula also keeps personal information about prospects, such as "Kids in Little League," or "from Wyoming" in the client's file in order to maintain more a personal connection. They are a good conversation starter when you meet with a client or when you're finishing a meeting.

Paula uses one of three broad approaches to sales contacts. One is for those already in advertising that know the value of copy-editing. Paula provides this type of prospect with clientele lists in the areas of what the company works on. "The guy in advertising wants to see big names on your client list." The second group, a business customer, receives a more "hands on" presentation, showing them a booklet of the company's works and other items that display the writer's skills. "This type of client wants to see the big names, but doesn't want to pay the high prices. We show that we can adjust to them. The third type of prospect receives a power point presentation that can be shared online, with an invitation to contact Paula for further information.

What does she sell? "We're not the cheapest copy-writers, but we will get the work done faster and more efficiently, and in the long run, our approach saves them money, because a cheaper writer will charge so much per hour, such as $50 per hour, but it's going to take that writer 10 rounds to satisfy the

client, to get to what they want. We charge $125 per hour, but when we say, '5 hours', we mean 5 hours and we're done, including the revisions." In essence, she sells a cost to benefit model. She notes, "Experienced, seasoned clients, especially the ones that have had bad experiences with freelancers, understand this; the younger, newer ones just think you're trying to make a sale."

Paula stated, "I make the close with the head creative Margie Bowles. I usually bring her to the meeting. By that time I have what we're going to work on, so the closing involves explaining how the processes is going to work and how long it's going to take." In other words, "We show up with the contract ready to sign." She has already moved incrementally toward the final deal.

"I usually follow up when it's time to pay," Paula noted. "Our service means they will be constantly in contact with our writers throughout the process. When the writer says it is completely done, I call them up to see if there any other final revisions. I contact them when the time is right. I also usually ask about future projects, so I can put that on their SUGAR profile."

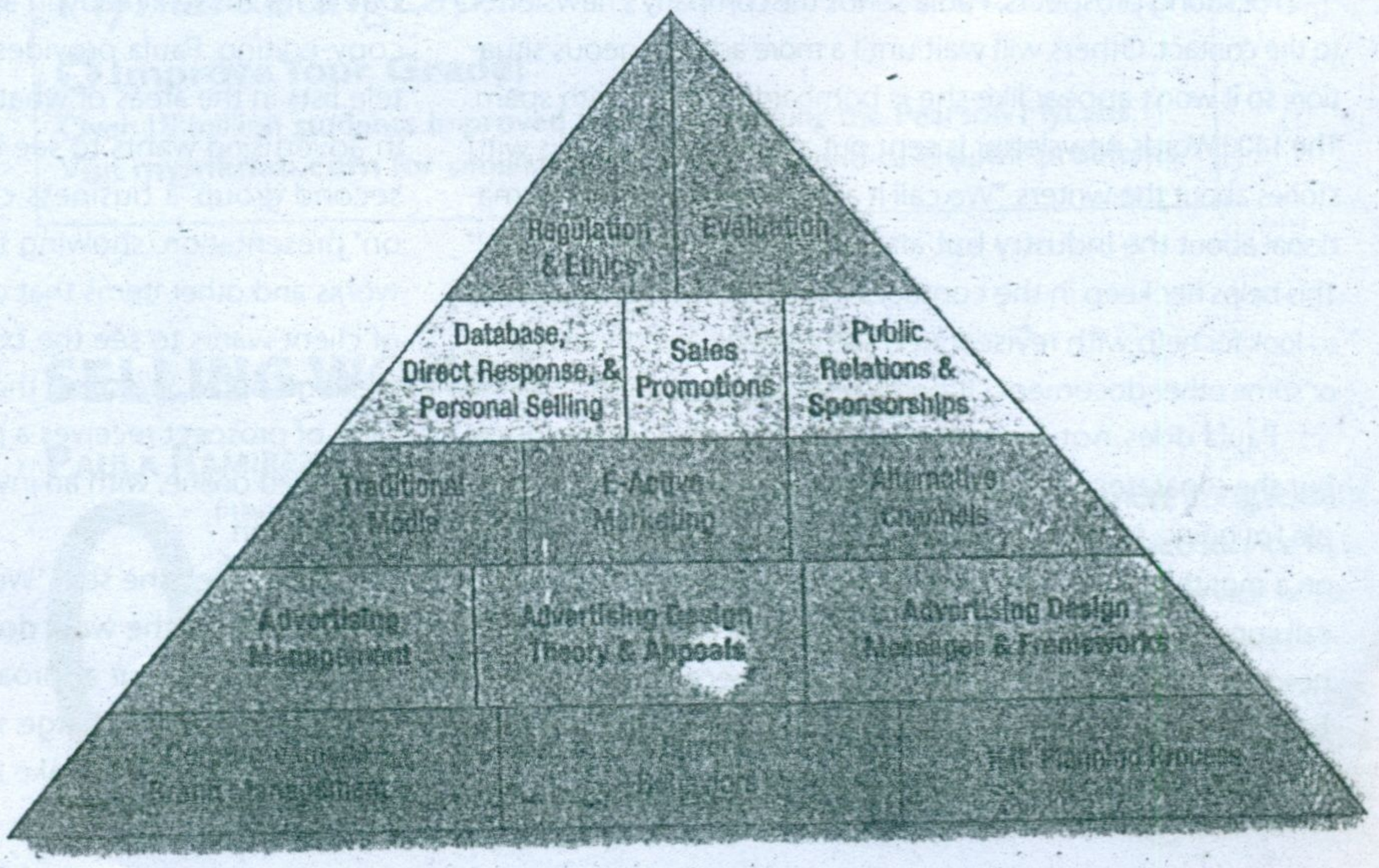
Effective use of the steps of selling helps ensure the continued success of 1400 Words. Paula Ramirez is a key part of the success story.

OVERVIEW

Successful businesses continually acquire new customers and work to retain them. Repeat customers purchase more frequently and spend more money. Maintaining repeat business is far less expensive than constantly replacing those who turn to other companies.

This fourth section reviews a variety of promotional tools that are used to acquire and retain customers, as displayed in Figure 1. Database programs, direct response marketing, and personal selling are examined in this chapter.

Database marketing provides a new communication link with customers. This, in turn, helps to produce higher levels of customer acquisition, customer retention, and customer loyalty. Database marketing has become increasingly crucial. New technologies associated with the Internet and computer software make it easier to build and develop strong database programs.



▶ **FIGURE 1**
Overview of Integrated Marketing Communications

The first part of this chapter examines database marketing, including data warehouses, data coding, and data mining, as well as data-driven communications and marketing programs. Three data-driven marketing programs are: permission marketing, frequency programs, and customer relationship management systems. Databases are used for direct response marketing techniques, including direct mail, email, television programs, telemarketing, and traditional and alternative media. Finally, databases are a key component of personal selling.

Today's customers clearly value personalized marketing efforts. Creating programs that individualize messages and marketing materials constitutes the core of successful database marketing, direct response efforts, and personal selling.

Database Marketing

OBJECTIVE 1
What role does database marketing, including the data warehouse, data coding, and analysis, and data mining, play in creating and enhancing relationships with customers?

Database marketing involves collecting and utilizing customer data for the purposes of enhancing interactions with customers and developing customer loyalty. Successful database marketing emphasizes identifying customers and building relationships with them. This includes understanding the lifetime values of various customers and the development of customer retention efforts. Enhancing customer loyalty constitutes the primary benefit of database marketing. Although database marketing can be used for selling products, retention and relationships remain the primary focus.

A number of retail boutiques have captured the power of database marketing. When shoppers visit the store, the sales staff can access data regarding their preferences, sizes, previous purchases, and other information. Purchases are followed up with thank-you notes. Customers receive notices when new shipments of clothes arrive and are given invitations to special events. Loyalty to these boutiques remains high. Some customers who have moved away return to buy merchandise. One vital ingredient stands out: Data are used to make customers feel special and develop relationships with them. Although selling occurred, it did not drive the database program.

Figure 2 displays the tasks associated with database marketing. Of these, building the data warehouse and data coding are the two key activities described next.

Building a Data Warehouse

Successful database marketing requires a quality **data warehouse**, which holds all of the customer data. In building one, the IT department and marketing team distinguishes between an operational database and the marketing database. The *operational database* contains the individual's transactions individuals with the firm and follows accounting principles. The marketing department manages the *marketing database*, which contains information about current customers, former customers, and prospects. Examples of data and analyses found in a standard marketing data warehouse include:

- Customer names and addresses
- E-mail addresses and digital records of visits to the company's Web site
- History of every purchase transaction
- History of customer interactions, such as inquiries, complaints, and returns
- Results of any customer surveys
- Preferences and profiles supplied by the customer
- Marketing promotions and response history from marketing campaigns

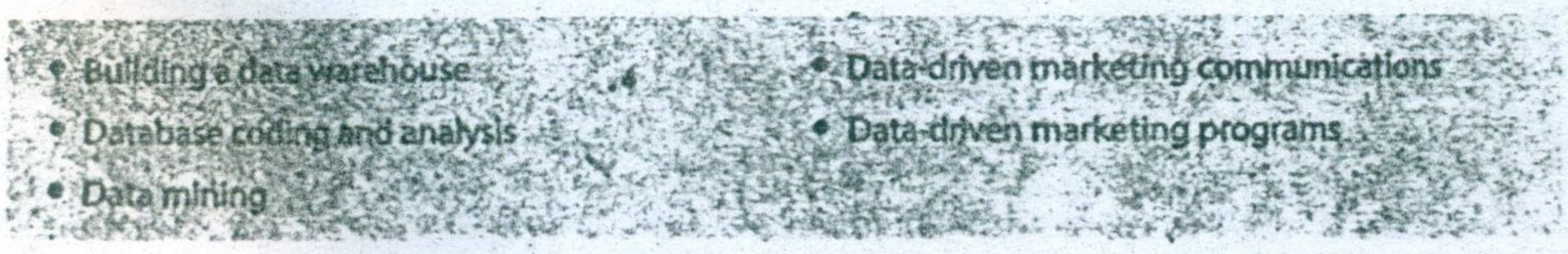


FIGURE 2
Tasks in Database Marketing

- Appended demographic and psychographic data from sources such as Knowledge Base Marketing or Claritas
- Database coding, such as lifetime value and customer segment clusters

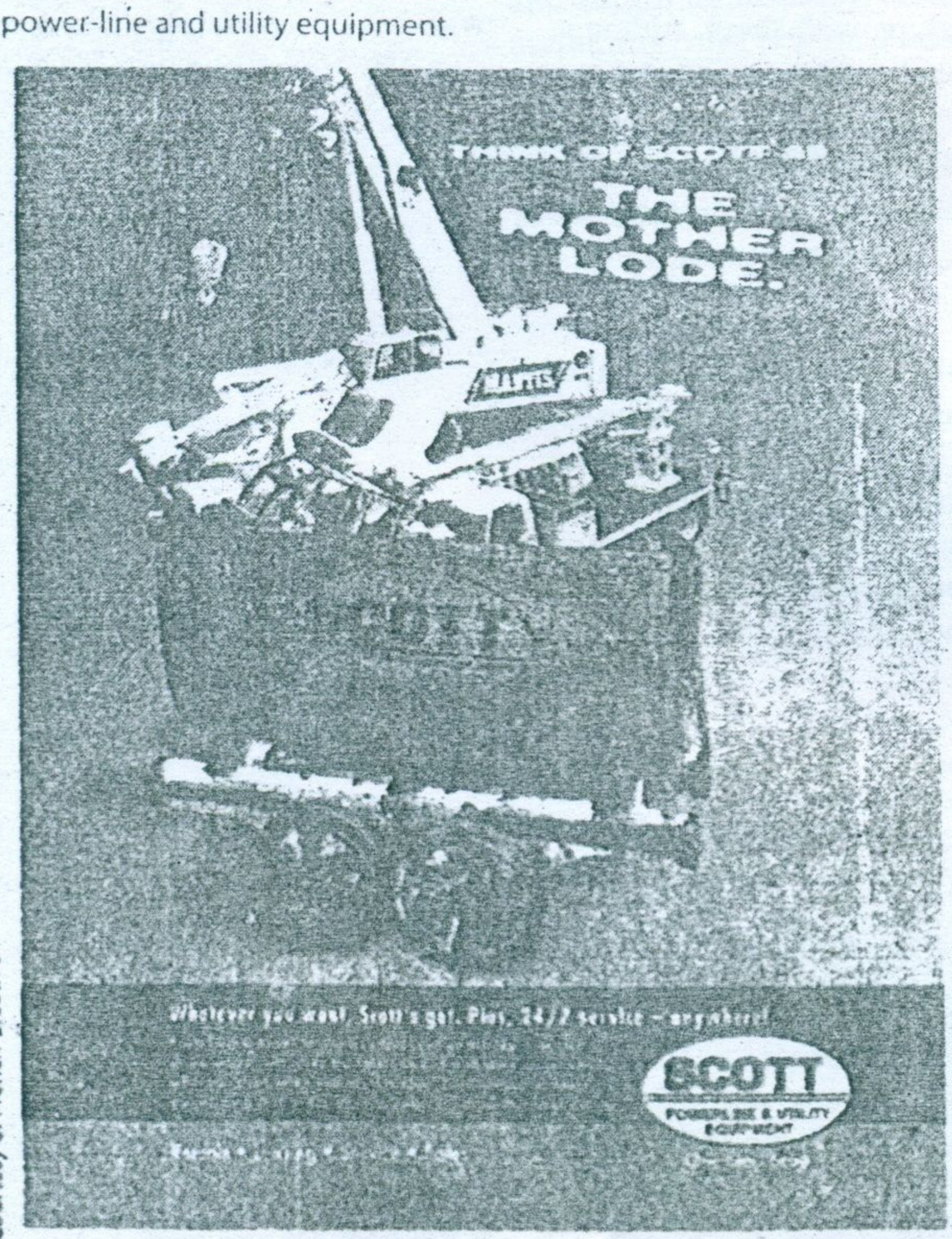
Collecting customer names and addresses is the easiest part of developing the database. Collecting the other information that turns the data warehouse into a powerful marketing and communication tool can be more challenging.

The marketing team typically employs a system for updating addresses, because approximately 20 percent of Americans move each year. When individuals fill out a change of address form with the U.S. Postal Service, the information is sent to all of the service bureaus authorized to sell the information to businesses. A company that sends database names to one of these service bureaus receives address updates for only a few cents per hit, or per individual that moves. Updating mailing addresses occurs at least once each year, depending on how often the database is used and the frequencies of contacts.

E-MAIL AND INTERNET DATA

E-mail addresses are essential elements of a quality database. The Internet and e-mail provide cost-effective channels of communication to be used in building relationships with customers. Most database programs take advantage of digital tracking to register and store Web site visits and browsing patterns. This information allows for personalization of the firm's Web site for each customer. When someone logs onto the site, a greeting such as "Welcome back Stacy" can appear on the screen. The tracking technology makes it possible for the system to recognize that Stacy, or at least someone using her computer, is accessing the Web site. If Stacy has purchased products or browsed the catalog, then the content of the pages can be tailored to contain the products she has an interest in purchasing.

▼ Purchase and communications histories provide important database information for a company such as Scott, which sells and rents power-line and utility equipment.



Courtesy of French Creative

PURCHASE AND COMMUNICATION HISTORIES

Effective database programs maintain detailed customer purchase histories. The database records every interaction between the company and customer. When a customer sends an e-mail to tech support, the information will be placed in the database. Any person who returns a product or who has called customer service with a complaint has the information documented. Purchases and interaction histories determine future communications with customers and assist the marketing team in evaluating each customer's lifetime value and other customer value metrics.

PERSONAL PREFERENCE PROFILES

Purchase and visit histories do not provide complete information. Quality database marketing programs include profiles with specific information about each customer's personal preferences. These profiles and personal preference files may be constructed in various ways, including customer surveys. Others companies gather information on the Web site or in retail stores.

Every time the company initiates a contact with a customer, the information should be placed in the database, along with the customer's response. This information provides a rich history of what works and what does not. It further allows for customization of communication methods for each customer, which leads to the highest probability of success.

CUSTOMER INFORMATION COMPANIES

Oftentimes, demographic and psychographic information are not available through internal company records. In these cases, the information can be obtained by working with a marketing research firm that specializes in collecting customer data. Knowledge Base Marketing, Donnelly, Dialog, and Claritas are four companies that market this type of information.

Other companies operating Web sites, including Gap and Victoria's Secret, combine online information about customers with offline information provided by firms such as Acxiom and Datran Media. Once merged, this information can be stored in cookies to allow for customization and personalization of Web sites and communications with customers. For instance, based on income level and past purchasing habits, two women in adjoining offices can access the same cosmetics Web site; one might see a $300 bottle of Missoni perfume and the other might see the $25 house brand.[1]



▲ Dialog is a marketing research firm that supplies companies with customer information.

GEOCODING

The process of adding geographic codes to each customer's record so that customer addresses can be plotted on a map, or **geocoding**, helps decision makers finalize placements of retail outlets and directs marketing materials to specific geographic areas. Geocoding allows for combining demographic information with lifestyle data. This assists the marketing team in selecting the best media for advertisements.

One version of geocoding software, *CACI Coder/Plus*, identifies a cluster in which an address belongs. A group such as Enterprising Young Singles in the CACI system contains certain characteristics, such as enjoying dining, spending money on DVDs and personal computers, and reading certain magazines. A retailer could then target this group with mailings and special offers.[2]

Database Coding and Analysis

Database coding and analysis provide critical information for the development of personalized communications. They assist in creating marketing promotional campaigns. Common forms of database coding are lifetime value analysis and customer clusters.

LIFETIME VALUE ANALYSIS

The **lifetime value** figure for a customer or market segment represents the present value of future profits the individual or segment will generate over a lifetime relationship with a brand or firm.[3] Many marketing experts believe a market segment value provides more accurate information, because it sums costs across a market segment. Individual lifetime value calculations normally only contain costs for single customers.

The key figures in calculating the lifetime value of a consumer or set of consumers are revenues, costs, and retention rates. Revenue and costs are normally easy to obtain, because many companies record these numbers for accounting purposes. Retention rates require an accurate marketing database system.

The cost of acquiring a new customer constitutes a key figure. It can be calculated by dividing the total marketing and advertising expenditures in dollars by the number -



▲ Knowing the lifetime value of customers helps the marketing team develop useful databases for retailers such as Chic Shaque.

of new customers obtained. As an example, when $200,000 dollars are spent and the company acquires 1,000 new customers as a result, the acquisition cost is $200 per customer ($200,000 divided by 1,000).

The cost of maintaining the relationship represents another key amount. It measures all costs associated with marketing, communicating, and maintaining the database records. These records are more difficult to obtain because such costs are usually for a campaign, which makes allocating costs to a single customer difficult. Computer and database technology can average or allocate a portion of these costs to individual customer records or to a lifetime value segment.

The end product for either individual customers or a customer segment is the lifetime value figure. When the lifetime value of a customer segment is $1,375, the figure represents the amount of income, on average, that each customer will generate over his or her lifetime. By communicating with and marketing to the customer segment, the lifetime value may be increased. Lifetime value analysis notifies the company's customer contact and service personnel about a customer's worth to the company.

CUSTOMER CLUSTERS

Coding can be used to group customers into clusters based on a wide variety of criteria. A bank may group customers based on the number of accounts, types of accounts, and other relationships a customer may have with the organization. For example, customers with a home mortgages above $100,000 with a balance of 30 to 60 percent remaining may be targeted for a home equity loan. A clothing retailer might group customers by the type of clothing each group purchases and then develop marketing programs for the various groups. Teenagers who like Western wear would be in a different cluster than teenagers who like hip, trendy fashions.

Unified Western Grocers, a wholesale cooperative association serving over 3,000 grocery stores, used customer cluster analysis to reduce 19 different advertising campaigns and programs for the various stores it served down to 4, based on customer commonalities. The four clusters that emerged from the analysis were: affluent urban and suburban households; mid-downscale rural seniors; large, low-income urban households; and non-acculturated Hispanics. Advertisements and shelf allocations of brands were then designed for each of the four customer clusters. Advertising design costs were reduced and more effective ads were created.[4]

Data Mining

Data mining involves using computer data analysis software to mine data for meaningful information and relationships. Data mining includes two activities: (1) building profiles of customer segments and/or (2) preparing models that predict future purchase behaviors based on past purchases.

Data mining assists the marketing team in building profiles of the firm's best customers. These profiles, in turn, help identify prospective new customers. They can be used to examine "good" customers to see if they are candidates for sales calls that would move them from "good" to a higher value. Companies offering different types of goods

and services develop multiple profiles. The profiles are used to target sales calls and to look for cross-selling possibilities.

The marketing team at First Horizon National Bank used data mining to expand the company's wealth management business by studying consumer groups. Data about existing customers from the mortgage side of the firm's business made it possible to locate the best prospects for investment services. Linking the data mining program with cross-selling resulted in an increase in company revenues from $26.3 million to $33.8 million in just 1 year.[5]

Retailer American Eagle developed a data mining method to study how consumers responded to price markdowns. The information helped the marketing team determine when to cut prices and by how much in order to optimize sales. Markdown programs were geared to individual stores, because consumers responded differently in each outlet.[6]

The second data mining method involves developing models that predict future sales based on past purchasing activities. Staples, Inc. prepared a modeling program to examine the buying habits of the company's catalog customers. The program identified the names of frequent buyers. Customized mailings were then sent to those customers.

The method used to mine the data will be determined based on the specific information that is needed. Once the data have been mined for information, individual marketing programs can be designed. Profiles and models assist in creating effective marketing programs. A direct-mail program to current customers differs from one designed to attract new customers. The data provide clues about the best approach for each customer segment.

Data coding and data mining serve three purposes (see Figure 3). First, they can assist in developing marketing communications. The marketing team utilizes the information to choose types of promotions, advertising media, and the message to be presented to each group of customers. Second, they can help in developing marketing programs. Third, companies that employ salespeople can use the information to qualify prospects and make personal sales calls on those individuals or businesses that have the most potential. These activities are discussed in the following sections.

- Develop marketing communications
- Develop marketing programs
- For personal sales
  - Qualify prospects
  - Information for sales calls

▲ **FIGURE 3**
Purposes of Data Coding and Data Mining

Database-Driven Marketing Communications

OBJECTIVE 2
How can database-driven marketing communication programs help personalize interactions with customers?

A major reason for building a database, coding the information, and performing data mining is to use the output to establish one-on-one communication with each customer. Personalized communications build relationships and lead to repeat business and customer loyalty. They may help move the company and its products from brand parity to brand equity. A database marketing program contains tools to personalize messages and keep records of the types of effective and ineffective communications. The Internet offers the key technology for database-driven communications. Figure 4 highlights the importance of the Internet in customer interactions.

- It is the cheapest form of communication.
- It is available 24/7.
- Metric analysis reveals that the customer read the message, the time it was read, and how much time was spent reading it.
- Customers are able to access additional information whenever they want.
- It can build a bond with customers.

◀ **FIGURE 4**
Why the Internet is Important in Customer Communications

IDENTIFICATION CODES

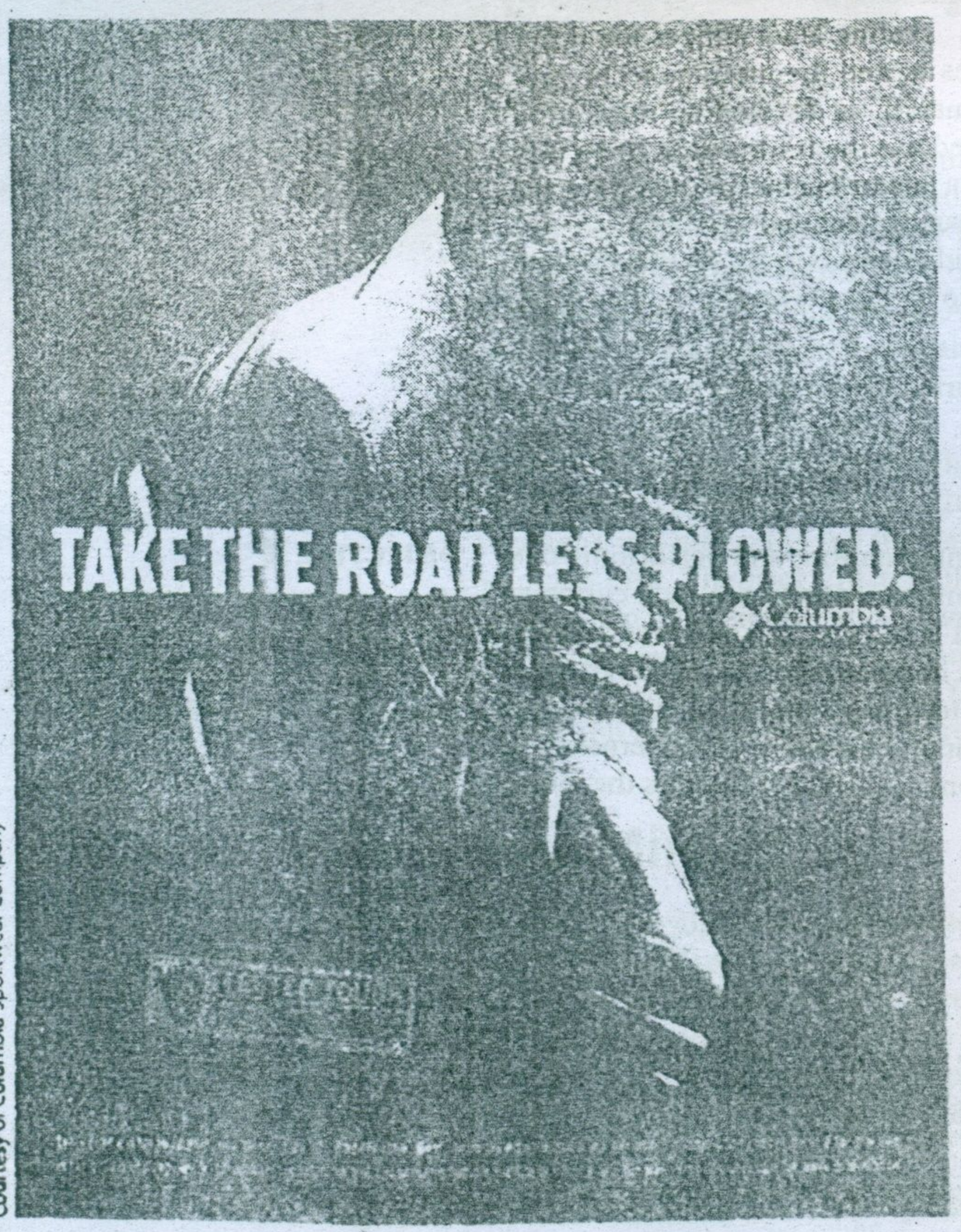
A database-driven marketing program starts with assigning individual customers IDs and passwords that allow them to access components of the Web site that are not available to those who simply visit the site without logging on. The IDs and passwords are tied to cookies in order to customize pages and individual offers. When the system works properly, the customer does not have to log in each time. Instead, the cookie automatically does it for the user. For example, each time a user accesses Barnes & Noble, he receives a personalized greeting, such as "Welcome, Jim." Next, when an order is placed, the user does not have to type in address or credit card information. It is in the database and comes up automatically. This saves the customer time and effort and increases the probability he will make a purchase.

Specialized communications should be sent after the sale. A series of communications follows each purchase. First, an e-mail confirming the order and thanking the buyer is sent. An estimate of shipping date will be included. When the order is pulled and shipped, another e-mail containing the tracking number follows. Some companies include an e-mail in the interim stating that the order has reached the warehouse and is being pulled and made ready for shipment.

CUSTOMER PROFILE INFORMATION

An effective database-driven communication program relies on customer profiles and any other information about customer preferences to help individualize messages. Clothing retailers often send e-mails about new fashions that have arrived. These e-mails do not go to every person in the database. Only to those who have indicated a desire to have access to the information or who have indicated they have an interest in fashion news receive e-mails. Customers should feel they are receiving special "inside" information.

▼ Through customer profile information, Columbia can identify individuals with high levels of interest in hiking.



Courtesy of Columbia Sportwear Company

Customer profiles can also be used to send birthday greetings to loyal customers. Recently, a steak and seafood restaurant sent a card and offered a $10 birthday discount to 215,600 customers who provided their birthdates. The cost of mailing the birthday card and discount was $90,000. Approximately 40 percent of the cards were redeemed. Each birthday customer brought an average of 2 other people and those individuals paid full price for their meals. The result was $2.9 million in revenues derived from the program.[7]

The profiles, cookies, and ID numbers are also critical when the customer initiates contact with the company. When a customer contacts the company on the Web or through e-mail, the company's employees already know something about the individual. Responses can then be created that are tailored to that particular individual.

IN-BOUND TELEMARKETING

Contacts made by telephone work the same way as Internet contacts. The service-call operator immediately sees the identity of the person calling. Customer data appears on the screen in front of the in-bound telemarketer. The operator then treats the caller in a personal way. When the company calculates a



Courtesy of French Creative

A company such as Scott Equipment can use trawling to correspond with buyers on each yearly anniversary of their purchases.

lifetime value code, the operator knows the customer's value and status. The operator can ask about a recent purchase or talk about information provided on the customer's list of preferences or a customer profile. The operator greets and treats each customer as an individual, not as just some random person making a call.

TRAWLING

Database marketing includes a procedure called **trawling**, or the process of searching the database for a specific piece of information for marketing purposes. Home Depot uses trawling to locate individuals who have recently moved. Home Depot's marketing team knows that when people buy new homes they often need home improvement merchandise. Most of the time these items include merchandise sold at Home Depot.

Other marketers trawl a database to find anniversary dates of a special purchase, such as purchasing a new car. Car dealerships send a correspondence on each year's anniversary of a car purchase to inquire about customer satisfaction and interest in trading for a new vehicle. It can be used to locate individuals who have not made a purchase within the last 3 months or who purchased a lawnmower last year. Trawling presents a wide variety of ways to communicate with specific individuals who meet a particular criterion.

Database-Driven Marketing Programs

Database-driven marketing programs take many forms. They may be undertaken in conjunction with other marketing activities. Some of the more common programs include permission marketing, frequency programs, and customer relationship management efforts.

OBJECTIVE 3

How do data-driven marketing programs create sales and build bonds with customers.

PERMISSION MARKETING

A strong backlash by consumers against spam and junk mail exists. Consequently, many marketing departments have turned to **permission marketing,** a program in which companies send promotional information to only those consumers who give the company authorization to do so. Permission marketing programs can be offered on the Internet, by telephone, or through direct mail. Response rates are often higher in permission programs, because customers only receive requested marketing materials or those for which

FIGURE 5
Steps in Building a Permissions Marketing Program

1. Obtain permission from the customer.
2. Offer the consumer an ongoing curriculum that is meaningful.
3. Reinforce the incentive to continue the relationship.
4. Increase the level of permission.
5. Leverage the permission to benefit both parties.

consent was given. Results are enhanced when permission marketing programs utilize database technology and segment customers; however, not everyone who signs up for permission marketing becomes a valuable customer.

Figure 5 lists the steps of a permission marketing program. Permission can be obtained by providing an incentive for volunteering. Information, entertainment, a gift, cash, or entries in a sweepstakes are common incentives. The information provided is primarily educational and focuses on the company's product or service features.

Reinforcing the relationship involves an additional new incentive beyond the original gift. Relationships can be enhanced when marketers acquire more in-depth information about a consumer, such as hobbies, interests, attitudes, and opinions. The information can be tailored to entice additional purchases by offering special deals.

Quris, Inc., of Denver, Colorado, solicited travelers and frequent fliers for an e-mail permissions marketing program. The permission marketing e-mails were opened and read regularly by 54 percent of the program's enrollees. In one year, nearly two-thirds made online purchases that were tied directly to the permission program. Frequent fliers who participated in the e-mail permission program spent an average of an extra $1,210 per year.[8]

Keys to Success in Permission Marketing For a permission marketing program to succeed, the marketing team ensures that the recipients have agreed to participate. Unfortunately, some consumers have been tricked into joining permission marketing programs. One common tactic is to automatically enroll customers in a permission marketing program when they complete an online survey or make an online purchase; opting out of the program requires the individual to un-check a box on the site. Although this approach increases the number of individuals enrolled, the technique often creates bad feelings.

The marketing material should be relevant to the consumer receiving it. Far too many people have joined permission-marketing programs that have turned into situations where they provide no input and are bombarded with extraneous marketing messages. This does not create loyalty and runs counter to the purpose of a permission program.

One recent survey revealed that 80 percent of consumers stopped reading permission e-mails from companies because they were shoddy or irrelevant. Another 68 percent said the e-mails came too frequently, and 51 percent said they lost interest in the goods, services, or topics of the e-mails. On the whole, consumers delete an average of 43 percent of permission e-mails without ever reading them.[9]

To overcome these challenges, the marketing team monitors responses and customizes the permission program to meet individual customer needs. Database technology allows for customization by tracking responses. When a customer regularly accesses a Web site through a link in an e-mail sent by the company to read the latest fashion news, the behavior can trigger e-mail offers and incentives on fashions related to the news stories. An individual who does not access the Web site and does not appear to be interested in fashion news receives a different type of e-mail offer. By capitalizing on the power of database technology, a company can enhance the permission marketing program and make it beneficial to the company and the customer.

Permission Marketing Enticements Figure 6 notes the top reasons for opting into e-mail programs. Winning a sweepstakes tops the list. Also, when the individual is already a customer of the company, the person feels favorably predisposed to the

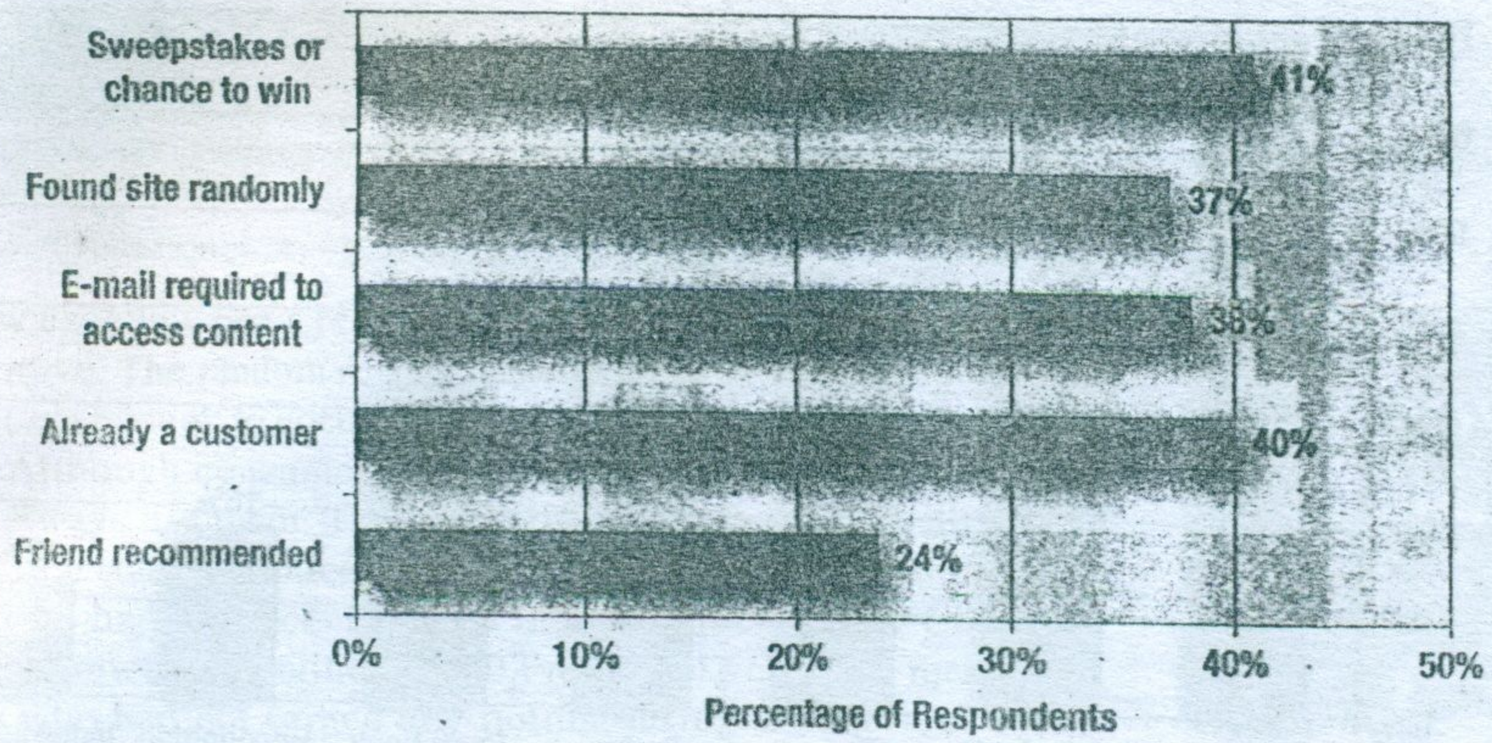


FIGURE 6
Reasons Consumers Opt into E-Mail Permission Programs

Source: Joseph Gatti, "Most Consumers Have Reached Permission E-mail Threshold," *Direct Marketing* (December 2003), pp. 1–2.

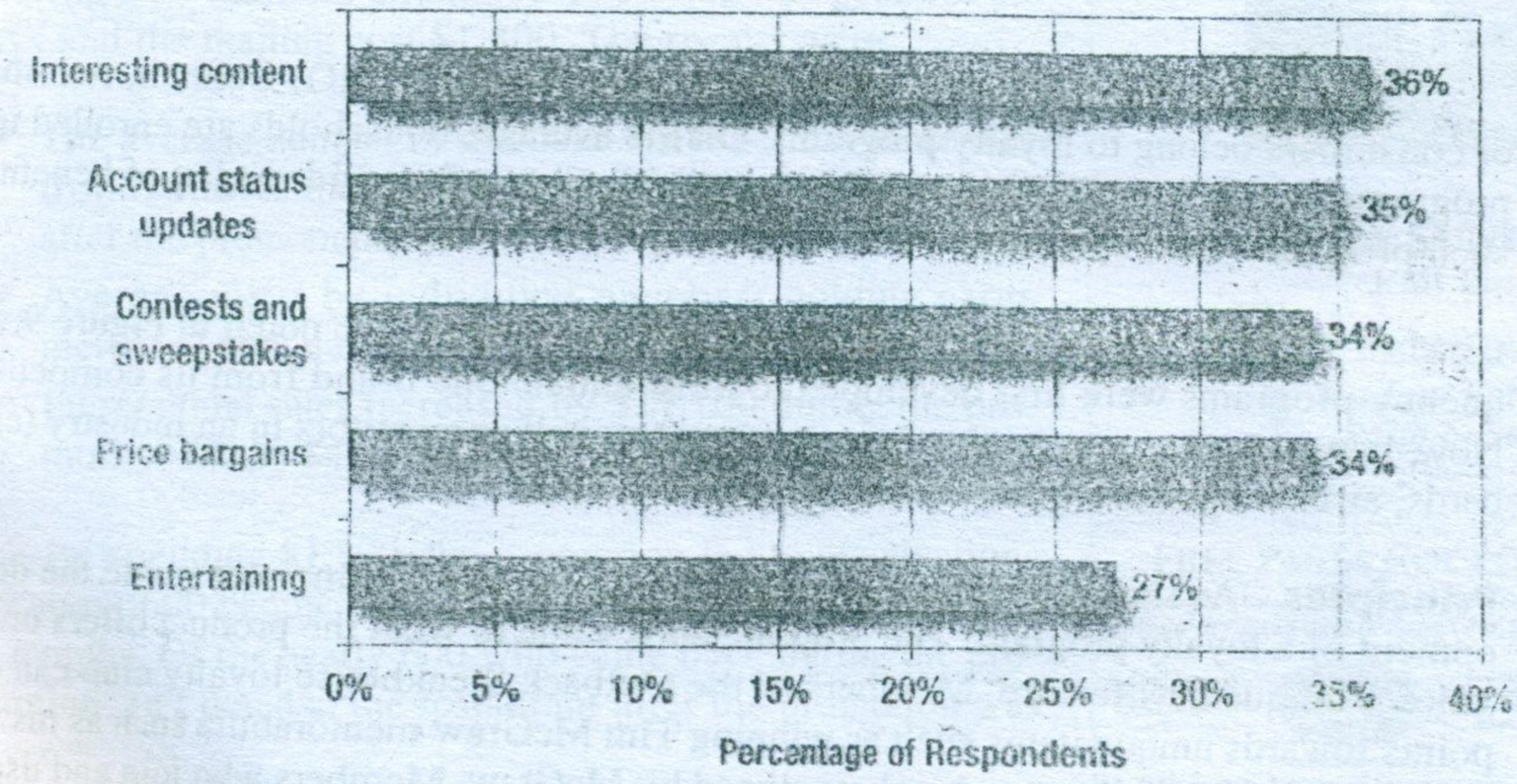


FIGURE 7
Reasons Consumers Remain in a Permission Marketing Program

Source: Joseph Gatti, "Most Consumers Have Reached Permission E-mail Threshold," *Direct Marketing* (December 2003), pp. 1–2.

company's products.[10] Enticing current customers into the permission marketing program will be easier than attracting new customers.

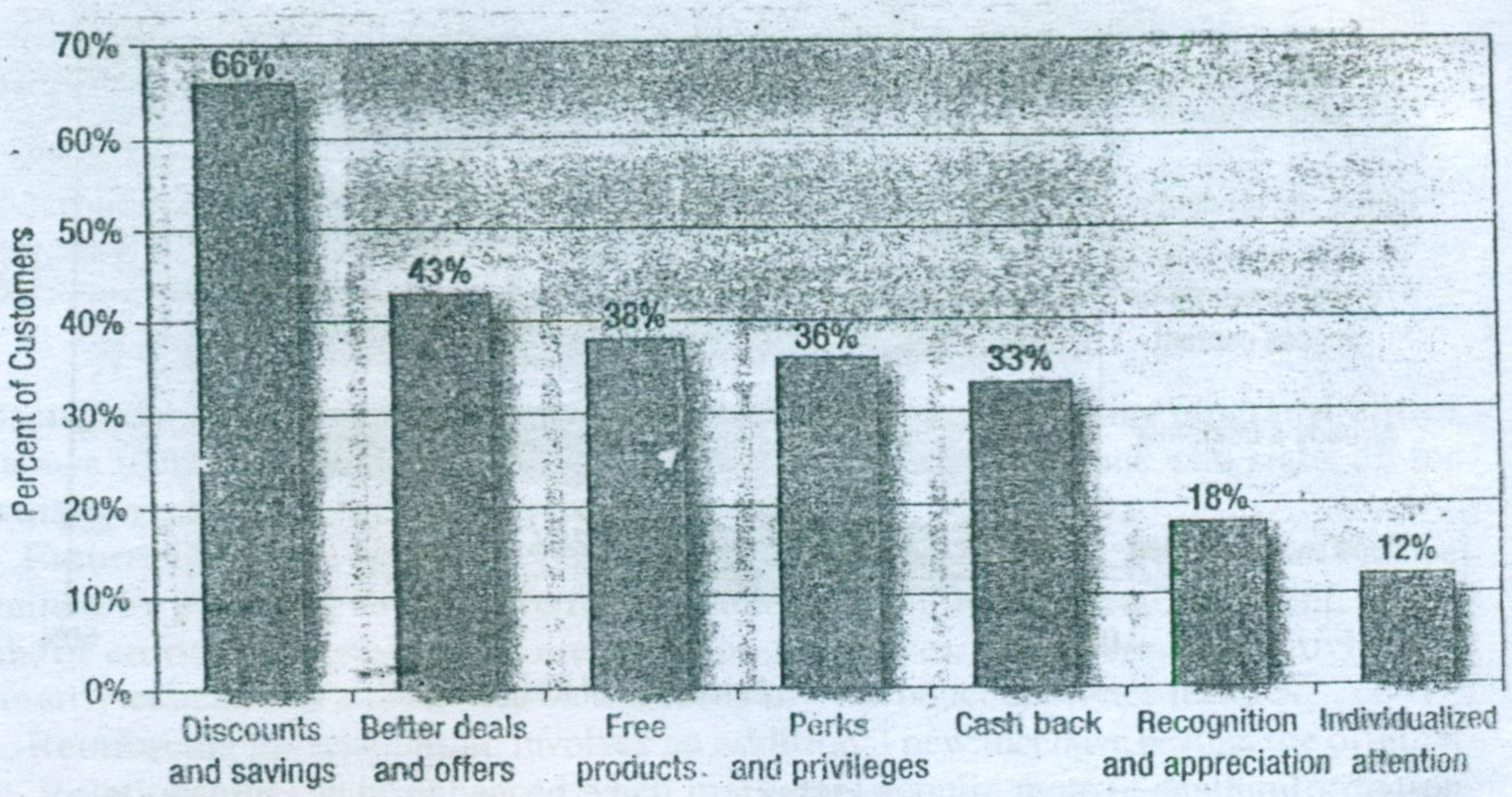
Figure 7 provides a list of motives that help retain customers in a permission marketing relationship. As shown, consumers remain with such programs for many reasons.[11]

Permission marketing programs have the potential to build strong, ongoing relationships with customers when the program offers something of value them. To optimize permission marketing, firms feature empowerment and reciprocity. **Empowerment** means consumers believe they have power throughout the relationship and not just at the beginning when they agreed to join the program. They can make decisions and have choices about what is received.

To maintain positive attitudes, consumers should be given rewards along the way, not just at the beginning. This creates feelings of **reciprocity**, or a sense of obligation toward the company. Only rewarding customers for joining the program will be a mistake. Empowerment and reciprocity lead the customer to believe the company values the relationship, which increases the chances the consumer will continue to be an active participant.

FREQUENCY PROGRAMS

With a **frequency program** or **loyalty program**, a company offers free merchandise or services for a series of purchases. These efforts encourage customers to make repeat purchases. In the airline industry, frequent-flyer programs offer free flights after a traveler accumulates a certain number of miles. Grocery stores grant special discounts when purchases reach a certain amount within a specified time period.



▸ FIGURE 8
Benefits of Loyalty Programs Cited by Customers

Source: Adapted from Mark Dolliver, "Gauging Customer Loyalty," *Adweek* (**www.adweek.com/aw/content display/news/agency/e3i4a73f5d7451749a37c7fca20,** February 16, 2010).

According to research by the Chief Marketing Officer (CMO) Council, two-thirds of consumers belong to loyalty programs. On the average, households are enrolled in 14 programs, but only actively participate in about 6. Figure 8 provides a list of benefits of such programs cited by customers.[12]

Goals Various reasons for developing frequency programs are noted in Figure 9. Frequency programs were first developed to differentiate one brand from its competition. Now, however, they now tend to be common across all competitors in an industry (credit cards, airlines, grocery stores, hotels, restaurants, etc.).

Principles As shown in Figure 10 on the next page, three principles guide the development of a loyalty program. The program adds value to what the product offers or provides a unique new feature. Members of the Outback Steakhouse loyalty club can earn points towards unique items such as winning Tim McGraw memorabilia such as his CDs or cologne or football or cowboy hats signed by McGraw. Members who join and use the card are automatically entered into a contest to win a free trip to Australia to see a Tim McGraw concert.[13]

The more effort a customer expends to participate in a frequency program, the greater the value of the reward. Many consumers are willing to put forth greater effort to obtain luxury rewards as opposed to necessity rewards. Shoppers at a grocery store are more likely to put forth a higher level of effort in order to receive a free overnight stay at a nearby local resort or a free meal at nice restaurant than they would for a $25 gift certificate for food.

Marketers consider the full costs of a loyalty program. If not properly planned, costs can exceed returns. For restaurants, costs to launch a reward program are estimated around 1 percent of sales revenue. The perks offered during the launch can range from 5 percent to 15 percent of sales. The return on this investment is usually around 2 percent of sales, a 100 percent return on the initial expenditure.[14]

Programs should maximize the customer's motivation to make the next purchase. Moderate users of a product are most likely to be enticed by a frequency program. The added incentive encourages loyalty to a particular company or brand. Research suggests that a *variable ratio reward schedule* is superior to regularly scheduled rewards. A *variable ratio* means that customers receive intermittent reinforcements. They do not

▸ FIGURE 9
Goals of Frequency or Loyalty Programs

- Maintain or increase sales, margins, or profits
- Increase loyalty of existing customers
- Preempt or match a competitor's offer
- Encourage cross-selling
- Differentiate the brand
- Discourage entry of a new brand

- Enhance the value of the product.
- Calculate the full cost the the program.
- Maximize customer motivation to make additional pruchases.

FIGURE 10
Goals of Frequency or Loyalty Programs

know exactly when a reward will be given or the size of the incentive. The random reward schedule, however, should be frequent enough to encourage them to make purchases.[15]

Although consumers have frequency cards, they may not always use them. The marketing manager of a locally-owned restaurant noticed he had a large number of customers who had not recently used their Frequent Diner Club cards. Trawling identified 4,000 Frequent Diner Club members who had not earned any points during the previous 3 months. The restaurant sent a letter to each of the 4,000 offering a $5 discount on dinner. The offer was good for 35 days and the mailing cost $1,800. The results were:

- The average number of member visits per day increased from 25 to 42 during the promotion and to 29 per day after the promotion ended.
- Average visits by individual members holding cards increased both during and after the promotion.
- Incremental sales increased by $17,100 during the promotion and by $4,700 after the 35-day promotion.

By spending $1,800, the promotion led to reactivations by about 600 people who had not dined at the restaurant in 3 months. Of the nearly 600 who came back during the promotion, 147 dined at the restaurant after the promotion was over.[16]



Courtesy of the Pasta House Co.

▲ Many restaurants offer frequency or loyalty programs to diners.

CUSTOMER RELATIONSHIP MANAGEMENT

Customer relationship management programs (CRM) generated a great deal of interest in the 1990s. Several companies invested significant dollars in CRM software, employee training, and implementation. **Customer relationship management (CRM)** programs allow companies to use databases to customize products and communications with customers, with the goals of higher sales and profits. Unfortunately, most CRM endeavors were not successful. Several reasons have been given for the poor results; the central one seems to be that CRM programs focused on making sales rather than on enhancing relationships.

The basic tenets of customer relationship management programs are sound. The objectives of CRM and its implementation are the ingredients that are usually flawed. Successful programs build long-term loyalty and bonds with customers through the use of a personal touch, facilitated by technology. Effective customer relationship management programs are designed to go beyond the development of a database and traditional selling tactics to the mass customization of both communications and products.

Two primary CRM metrics are the lifetime value of the customer and share of customer. The second metric, share of customer, is based on the concept that some customers are more valuable than others and that over time the amount of money a customer spends with a firm can increase. **Share of customer** refers to the percentage of expenditures a customer makes with one particular firm compared to total expenditures in that product's category. Share of customer measures a customer's potential value. The question becomes, "If more is invested by the company in developing a relationship, what will the yield be over time?" When a customer makes only one-fourth of his purchases



▲ Centric Federal Credit Union can use a CRM program to enhance relationships with its current customers.

of a particular product with a specific vendor, increasing the share of the customer would mean increasing that percentage from 25 percent to a higher level, thus generating additional sales revenues. The ultimate goal would be leading the customer to make 100 percent of his purchases with one vendor.[17]

Assuming the tenets of CRM are sound, the question becomes, "Why did so many programs fail?" The Gartner Group, a research and advisory firm, identified four factors. First, the program was often implemented before a solid customer strategy was created. Market segments should be identified first so that customization programs can then proceed. Failing to understand market segments resulted in a "ready, fire, aim" approach.[18]

Second, rolling out a CRM program before changing the organization to match it creates problems. A CRM program affects how customers are viewed as well as the methods used deliver goods and services. A new management philosophy becomes essential. Failing to educate the entire staff about this new perspective and approach quickly leads to difficulties.

Third, some CRM programs failed because they were technology-driven rather than customer-driven. Technology can only assist in record keeping and some aspects of order fulfillment. The rest is the responsibility of the employees, who must understand each customer and develop customized approaches.

Fourth, CRM programs fail when customers feel like they are being "stalked" rather than "wooed." Trying to build a relationship with a disinterested customer will be more annoying to the customer than helpful. A number of companies discovered that telemarketing programs designed to reach customers and expand relationships was annoying people rather than winning them over. These problems led many marketing departments to abandon CRM programs and to search for new and different ways to build relationships with customers.

In general, database-driven marketing programs should be designed to enhance customer loyalty. When a hotel's check-in person knows in advance that a business traveler prefers a nonsmoking room, a queen-size bed, and reads *USA Today*, these items could be made available as the guest arrives. Training hotel clerks and other employees to use the database helps them to provide better service, thereby building loyalty from regular customers. Any organization's marketing department can adapt these techniques to fit the needs of its customers and clients.

In addition to permission marketing, frequency programs, and CRM systems, other marketing programs can result from database analysis. Internet programs, trade promotions, consumer promotions, and other marketing tactics may be facilitated by using the database.

Direct Response Marketing

OBJECTIVE 4
When should direct response marketing programs be used to supplement other methods of delivering messages and products to consumers?

One program closely tied to database marketing, **direct response marketing** (or **direct marketing**), involves the targeting of products to customers without the use of other channel members. Figure 11 identifies the most typical forms of direct marketing and the percentages of companies using them. Notice that direct marketing can be targeted at customers as well as prospects. According to the Direct Marketing Association, about 60 percent of a typical direct marketing budget targets prospecting for new customers; the other 40 percent is spent retaining current customers.[19]

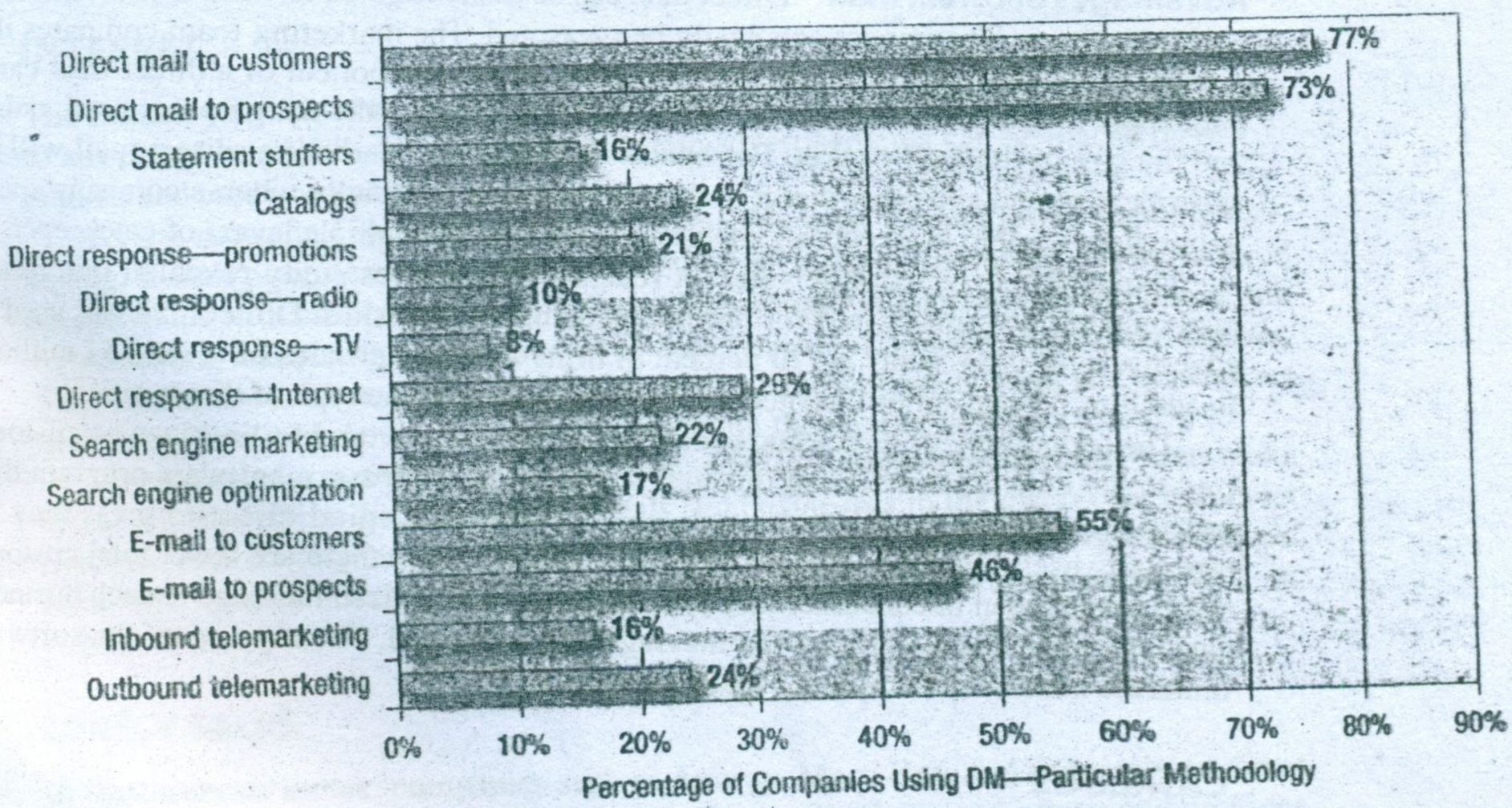
Many pharmaceutical companies employ direct response advertising, especially on television and in magazines. A recent study revealed that this direct response approach works. Ads for prescription medications by pharmaceuticals prompted almost one-third of Americans to ask their doctors about a particular brand of medicine and 82 percent of those who asked doctors received some type of prescription. The prescription was for the advertised brand 44 percent of the time; for another drug, 56 percent of the time. Sometimes doctors prescribed both the advertised brand as well as another brand.[20]

Individuals and companies respond to direct marketing pieces in a number of ways, such as by telephone, e-mail, visiting a retail location, or using a PURL (personalized URL). PURLs offer the advantage of preloading all of the individual's personal data to the site, which can then personalize the information and any offer. It also assists in tracking the individual's onsite activities and to make real-time changes in offers.[21]

DIRECT MAIL

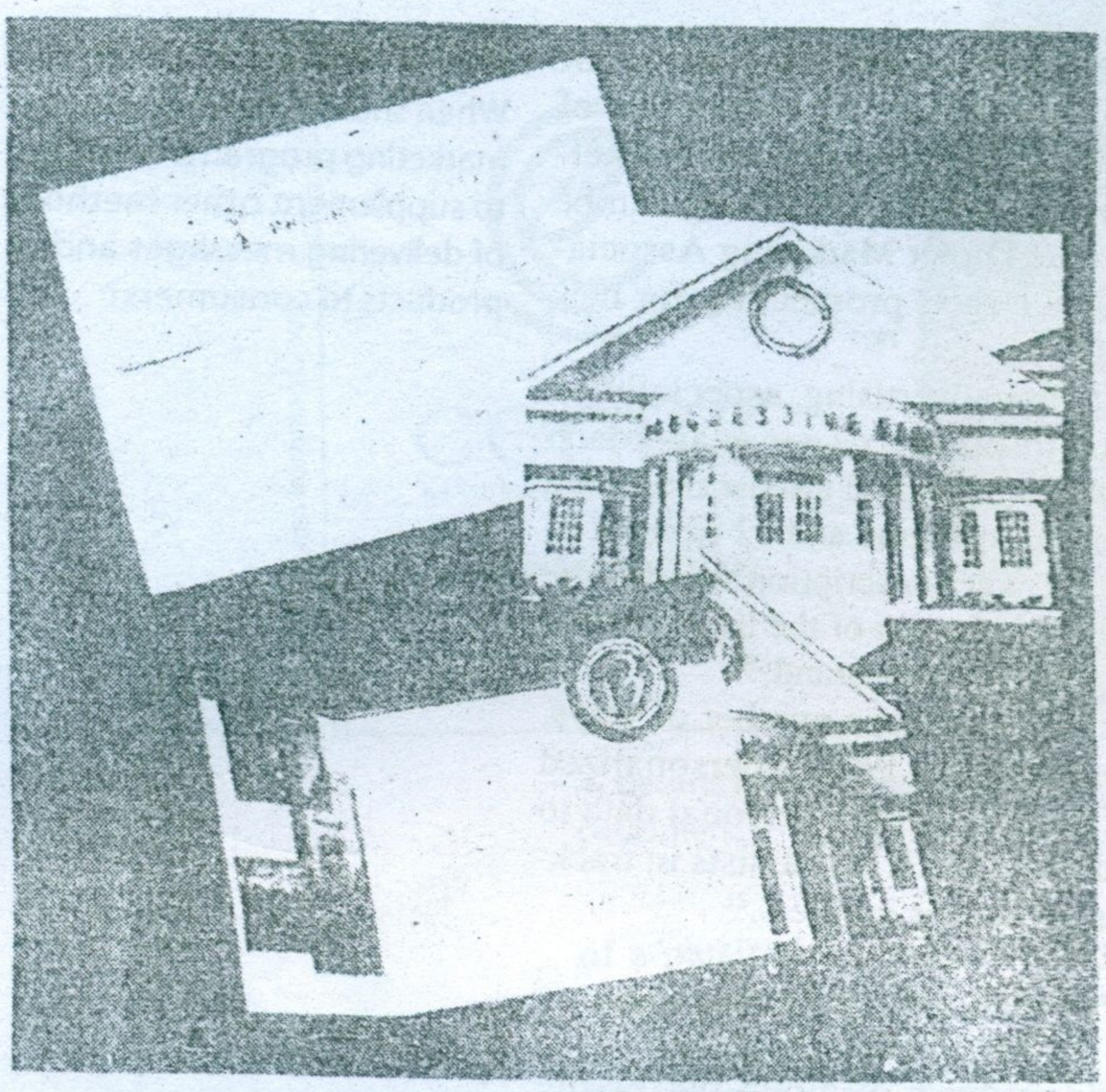
As shown in Figure 11, mail remains the most common form of direct marketing. Direct mail targets both consumers and business-to-business customers. The quality of the mailing list determines the success of a direct mail program. Companies have two sources when compiling a mailing list: the firm's internal database or a commercial list.

The company's marketing department parses an internal list and separates active members from inactive members. Prospective new customers receive a different direct mail piece than messages designed to entice repeat purchases. Mailing direct offers to individuals (or businesses) who have not purchased recently but who have purchased in the past often yields a better response rate than cold-call mailing lists from brokers.



▲ **FIGURE 11**
Methods of Direct Marketing

Source: Richard H. Levey, "Prospects Look Good," *Direct* 16 (December 1, 2004), pp. 1–5.



Courtesy of French Creative

▲ Progressive Bank can use direct mail to target specific financial service customers.

Types of Commercial Lists Purchasing a commercial list, either a response list or a compiled list, is the most common approach. A **response list** consists of customers who have made purchases or who have responded to direct mail offers in the past. Brokers selling these lists provide information about the composition of the list and how much was spent by buyers on the list. In addition, a "hot list" can be requested. It contains the names of individuals who have responded within the past 30 days. Individuals on the hot list are the most likely to make purchases. This type of list is more costly: as much as $250 per thousand names. A regular response list may sell for $100 per thousand names.

The second form, a **compiled list**, provides information about consumers who meet a specific demographic profile. The disadvantage of a compiled list is that although someone might fit a demographic category, only about one-half of Americans purchase items by mail.

Caterpillar's marketing team wanted to reach potential buyers in the Southwest as part of its "Eat My Dust" campaign. The company purchased 1,700 names of individuals who had purchased industrial loaders during the past 5 years from Equipment Data Associates, a Charlotte, North Carolina, firm that compiles detailed purchasing histories of more than 870,000 U.S. contractors. Rea & Kaiser's Nichols agency designed a sweepstakes to win a new Cat 414E. An eye-catching direct mail piece urged contractors to sign up either online, by mail, or at a local Caterpillar dealer. Standard response rates are 1 to 3 percent; the response rate for the "Eat My Dust" direct mailer was 18 percent.[22] Using a highly targeted list made the difference.

Advantages of Direct Mail Direct mail can be easily targeted to various consumer and business groups. The impact can easily be measured. The marketing team compares the number of mailings to the number of responses. Every component of a direct-mail campaign may be tested, including the type of offer, the copy in the ad, graphics used, color, and the size of the mail packet. For business-to-business marketing, direct mail will be superior to e-mail and other direct marketing methods, especially when a company seeks to introduce itself to prospects and needs to break through multiple layers of gatekeepers.

Direct mail drives online sales. A recent Pitney Bowes study revealed that direct mail remains the primary tool for promoting company Web sites. Direct mail was used to advertise a firm's Web site by 70 percent of firms with annual sales of at least $1 million. In addition, 43 percent of Internet sales were driven by some type of direct mail.[23]

The technology of direct marketing has greatly improved. Mailings can be customized to the individual recipient through **digital direct-to-press**, a software program that instructs the computer to send a tailor-made message. Digital direct-to-press may be especially useful in the business-to-business sector, where there are fewer total customers to contact than in consumer markets. Sending a customized message to each business customer increases the chance the message will be viewed. The expense of the software limits the number of companies that can afford it.[24]

CATALOGS

Many consumers enjoy catalogs and view them at their leisure. Catalogs have a longer-term impact because they are kept and shared. Catalogs feature a low-pressure direct response marketing tactic that allows consumers time to consider goods and prices.

Many marketers believe that online shopping has replaced catalog mail-order shopping; however, research by the U.S. Postal Service reveals that although the number of consumers purchasing online has increased, consumers continue to prefer to receive catalogs by mail. In many cases, receiving a catalog becomes the first step in the buying cycle.[25]

Successful cataloging requires an enhanced database. Many catalog companies, such as L.L.Bean and JCPenney, create specialty catalogs geared to specific market segments. The specialty catalogs have a lower cost and a higher yield, because they target individual market segments.

Catalogs are essential selling tools for many business-to-business marketing programs. They provide more complete information to members of the buying center as well as prices for the purchasing agent. When combined with the Internet, a catalog program can facilitate a strong connection with individual customers.

DIRECT RESPONSE MASS MEDIA

Television, radio, magazines, and newspapers are additional tools for direct response advertising. Direct response commercials appear on many channels and stations. Often, these commercials are slightly longer (60 seconds), which allows a potential buyer time to find a pen to write down a toll-free number, an address, or a Web site. Catchy, easy-to-remember contact information is often used, such as "1-800-Go-Green" or "www.gogreen.com." Repeating the response format helps customers remember how to respond. Often a "call-now" prompt concludes the commercial.

Television also features infomercials for various types of products, such as exercise equipment and cooking tools. Cable and satellite systems have led to the creation of numerous direct response channels. The Home Shopping Network remains one of the most successful. Essentially the channel provides 24-hour infomercial programs. Other channels feature jewelry, foods, and shoes.

Direct response techniques also are presented on radio stations and in magazines and newspapers. Radio does not have the reach of television, but it can be targeted by the type of station format. Radio ads repeat the response number or Web site frequently so consumers can make contacts.

Print media can be sent to various market segments. Newspaper advertisements may feature Web site information and other quick-response formats. The same holds true for magazines. Both contain Web site information and toll-free numbers.[26]

INTERNET

The Internet offers a valuable form of direct marketing. Consumers can respond directly to ads placed on a Web site and direct response advertisements can be placed on search engines and used in e-mails.

As was shown in Figure 11, e-mail is a frequently used form of direct response marketing. E-mail provides a cost-effective method of reaching prospects. It helps build relationships with current customers through personalization of communications and by presenting marketing offers tailored to each consumer's needs, wants, and desires. For business-to-business marketers, e-mail works better than postal mail and other direct marketing forms when the recipient is familiar with the company.[27]

By placing ads on search engines and using search engine optimization, firms make direct response offers directly to individuals and businesses in the market for particular products. A direct response ad for fruit trees that appears when a person types in "apple trees" will be more effective than one that appears when a person searches on "iPad" or "office furniture."

DIRECT SALES

In the consumer sector, companies such as Amway, Mary Kay, and Avon rely on direct sales. The salesperson contacts friends, relatives, coworkers, and others and provides them with small catalogs or marketing brochures. Alternatively, individuals host parties and invite friends and relatives to see products.


© SerrNovik/Fotolia

▲ More than 40,000 "Mark Girls" work in the United States for Avon.

Mark is the Avon flanker brand designed for teenagers and women under 30. In launching a new line of cosmetics, Mark brought direct selling into the digital and social media age through the 40,000 "Mark Girls" who work in the United States. They are primarily women between the ages of 18 and 24 who use grassroots methods to sell Mark cosmetics and fashion accessories in dorms, through sororities, and via Facebook. The brand offers personalized e-boutiques, iPhone apps, and a Facebook e-shop. Kristiauna Mangum is a marketing major at Ohio State University. She is also a sales manager for Mark and manages 155 other Mark girls, earning commissions that range from 20 to 50 percent of the product's price.[28]

TELEMARKETING

Telemarketing takes place in two ways: inbound or outbound. *Inbound telemarketing* occurs when an individual initiates a call to a company. When a customer places an order, cross-selling can occur by offering other products or services. At times customers make inbound calls to register complaints or talk about problems. Direct response marketing can give information about how to solve the problem. For example, when a customer calls a mortgage company because of a late fee, the person can be encouraged to sign up for a direct pay program, which means the customer does not have to worry about possible mail delays.

The least popular method for direct marketing is *outbound telemarketing*. Cold-calling of consumers yields few buyers and alienates many people. No-call list legislation, whereby a person or organization can designate a telephone number that may not be contacted by business organizations using telemarketing programs, has been passed. Many people even object to calls from companies with which they do business.

Outbound direct response telemarketing achieves greater success when tied into a database and either customers or prospects are being contacted. An outbound telemarketing program that contacts customers who have not purchased in a year can help bring those customers back. A company that purchased a copy machine can be called to inquire about interest in paper and toner. A vendor can learn why a client has not purchased recently.

Personal Selling

OBJECTIVE
What are the tasks involved in developing successful personal selling programs for consumers and businesses?

Personal selling offers a face-to-face opportunity to build relationships with consumers. It takes place in both consumer and business-to-business transactions. Personal selling may result in the acquisition of new customers in addition to influencing current customers to increase levels of purchases. It can also be used to service and maintain existing relationships. The goal of personal selling should not be limited to making sales. Developing longer-term relationships with customers represents a second key objective. **Relationship selling** seeks to create a customer for life, not for a single transaction.

Figure 12 identifies the standard steps in the selling process. A quality data warehouse accompanied by effective database technologies provides key tools that assist in personal selling.

- Generating leads
- Qualifying prospect
- Knowledge acquisition
- Sales presentation
- Handling objections
- Sales closing
- Follow-up

▶ **FIGURE 12**
Steps in the Selling Process

GENERATING LEADS

Producing quality leads will be the first task in personal selling, especially for business-to-business customers. Figure 13 identifies some of the most common methods. Personal sales calls are costly, which makes generating quality leads crucial.

Referrals constitute ideal leads, because most recommendations are made by satisfied individuals. Referrals give the salesperson a head start. Making contact with purchasing agents or buyers in business organizations is often difficult. Using the name of the person who gave the referral can help the salesperson get past any gatekeepers. Also, if someone has given a referral, then the potential lead becomes more receptive to the sales call and has a more positive attitude toward the salesperson. The best referrals are from current customers. Referrals from other channel members, vendors, and acquaintances can also be good because they allow the salesperson to get a foot in the door with a potential prospect.

For generating leads, databases provide quality leads, especially internal databases. Most of these leads are generated through some type of advertising or inquiry. Direct response ads in various media, such as television, radio, magazines, or newspapers, can generate leads. Online ads on various Web sites or search engines may also generate leads. Individuals may send an e-mail inquiry or request additional information through the company's Web site.

Databases provide quality leads through trawling and analytical techniques, such as data mining. A company may trawl its database for customers who have not made purchases within the last 6 months or for companies that purchased a particular type of equipment and have not ordered additional parts or supplies. Data mining helps the company's marketing team create a profile of the best customers. Then lists of leads consisting of customers who are not high purchasers may be created. Trawling and data analysis techniques provide leads with higher sales potential.

Other less desirable means of generating sales leads are networking, directories, and cold calls. Although these methods may produce some leads, most are time consuming and less productive. Networking in civic and professional organizations allows salespeople to make personal contacts. Directories may be obtained from the federal government, professional organizations, or research firms that provide the names of companies that purchase specific products or those in a given industry. The challenge is locating quality leads from the list. Cold calls are the worst method of generating leads. The salesperson has no idea whether the company or individual has any interest in the product.

- Refferals
- Database-generated leads
- Networking
- Directories
- Cold calls

▲ **FIGURE 13.**
Methods of Generating Sales Leads

▼ Building relationships with customers is an important component of personal selling.



"It's all about relationships!"

We joined the Ceco builder organization a decade ago and learned very quickly that Ceco does business based on relationships. We have immediate access to our Ceco District Sales Manager Gary Johnson, Plus, Ceco Midwest VP/General Manager Kurt Resnick and VP of Sales Lynn Clement are readily available to Gary and to us anytime we need their involvement.

The result is that we can provide the kind of service we want to offer our clients, ensuring our close relationships that guarantee future sales are made to existing clients but to their friends and associates.

Building relationships is the way Ceco does business. It's the way Primus does business.

Ron Woods, President
Primus Construction Company
Hiawatha, Iowa



Ceco Building Systems
BE CONFIDENT. USE PROFESSIONALS
Plants in Columbus, MS; Mt. Pleasant, IA; and Rocky Mount, NC. Headquarters in Columbus, MS.
1-800-474-CECO (2326)
www.cecobuildings.com/mcn

Courtesy of French Creative

QUALIFYING PROSPECTS

Every name or prospect may not be viable. Also, prospects are not of equal value. With this in mind, qualifying prospects means evaluating leads on two dimensions: (1) the potential income the lead can generate and (2) the probability of acquiring the prospect as a customer. Based on the outcomes of these evaluations, determinations can be made regarding the best methods of contact and what happens with the lead. The high cost of making personal sales calls means that only the best leads warrant personal visits. Some prospects receive telephone calls or e-mails from an inside salesperson. Others may be mailed or e-mailed marketing materials but are not contacted directly by a salesperson.

FIGURE 14
Knowledge Acquisition Information

- Understand the prospect's business.
- Know and understand the prospect's customers.
- Identify the prospect's needs.
- Evaluate the risk factors and costs in switching vendors.
- Identify the decision makers and influencers.

Once the leads are analyzed using the two categories, sales potential and probability of acquisition, they are then placed into categories, or buckets, with the leads high on both dimensions as being the best, or "A" leads. These leads normally receive a sales call from the sales staff. The second best group, or "B" leads, often will be contacted by a telemarketer or through e-mail. "C" leads receive marketing materials and are encouraged to make inquiries if interested. Leads that score low on both dimensions may be kept in a database and monitored for future action in case the lead's situation changes.

KNOWLEDGE ACQUISITION

During the knowledge acquisition phase, the company's salespeople or other members of the sales department gather information about the prospect. Figure 14 identifies typical information. The more a salesperson knows about a prospect before making the sales call, the higher becomes the probability of making a sale or gaining permission to demonstrate the company's prospect.

Understanding the prospect's business, customers, and needs will be helpful. When selling janitor supplies to a commercial cleaning company, understanding the commercial cleaning company's customers provides information about the type of cleaning chemicals needed. Cleaning heavy, greasy industrial areas requires different chemicals than those used to clean medical offices or office buildings. A manufacturer that supplies electronic components for high-tech aerospace customers has differing needs than would a company supplying electronics for automobile engines or for televisions and radios.

Changing vendors involves risk and switching costs. From the prospect's perspective, it helps to understand those risks and costs. When switching costs are low and risk is also perceived to be low, convincing a company to change vendors becomes easier.

The final valuable piece of information is a list of the names of decision makers and decision influencers. The names of these individuals are often difficult to obtain prior to the sales call, but getting them should be a high priority during the first meeting. Understanding who will be involved in the decision process is important as the sales process proceeds.

THE SALES PRESENTATION

The initial sales call can be used to gather information, discuss bid specifications, answer questions, or to close the deal with a final pitch or offer.[29] The exact nature of the first sales call depends on the information gathered prior to the call. Also the stage of the buying process affects the presentation. The types of sales presentations used typically fall into one of these categories: stimulus-response, need-satisfaction, problem-solution, and mission-sharing.[30]

A **stimulus-response** sales approach, or a "canned" sales pitch, involves specific statements (stimuli) designed to elicit specific responses from customers. The salesperson normally memorizes the stimulus statement (the pitch). Telemarketers, retail sales clerks, and new field sales reps often rely on this method.

The **need-satisfaction** sales approach strives to discover a customer's needs during the first part of the sales presentation and then to provide solutions. The salesperson should skillfully ask the right questions. She should understand the customer's business



.shock/Fotolia

◀ Understanding customer needs provides the basis for the need-satisfaction sales approach.

and customers. Once a need has been identified, the rep then shows how the company's products meet that need.

The **problem-solution** sales approach requires employees from the selling organization to analyze the buyer's business. It usually involves a team of individuals, such as engineers, salespeople, and other experts. The team investigates a potential customer's operations, its problems, and then offers feasible solutions.

In the last approach, **mission-sharing**, two organizations develop a common mission. They then share resources to accomplish that mission. This partnership resembles a joint venture as much as a selling relationship.

HANDLING OBJECTIONS

Companies and individuals seldom make purchases after a sales presentation without raising some objections or concerns. Salespeople anticipate objections and should carefully answer them. Figure 15 lists the most common methods of handling objections.

With the *head-on approach*, the salesperson answers the objection directly. Doing so, however, indicates that the customer or prospect is wrong. The salesperson should use tact. No one likes being told he is wrong. The salesperson uses care to not offend the customer.

To avoid a confrontation, some salespeople employ an *indirect approach*. This method allows the salesperson to never really tell the customer he is wrong. Instead, the salesperson sympathizes with the customer's viewpoint and then provides the correct information.

When the customer's objection is partially true, then salesperson may utilize the *compensation method*. With this approach the salesperson replies "yes, but . . ." and then explains the product's benefits or features that answer the customer's objection.

Some customers do not have specific objections, but are anxious or worried about the consequences of switching to a new vendor. For this situation a sales rep can apply the *feel, felt, found* method. The salesperson permits the customer to talk about her fears or worries. In response, the salesperson can relate personal experiences or experiences of other customers who had the same fears and worries and how the product resulted in a positive experience.

- Head-on method
- Indirect method
- Compensation method
- "Feel, felt, found"

▲ **FIGURE 15**
Methods of Handling Objections

- Direct close
- Trial close
- Summarization close
- Continuous "yes" close
- Assumptive close

▲ **FIGURE 16**
Methods of Closing Sales

CLOSING THE SALE

It may be that the most important part of the sales call is the closing, and it may also be the most difficult part. Salespeople often experience feelings of rejection or failure when prospects or customers say "no." Successful salespeople are masters at making the close. Figure 16 identifies some of the most common sales-closing methods. The one to be used depends on the personality of the salesperson, the personality of the prospect, and the situation surrounding the sales call.

With the *direct close*, the salesperson asks for the order outright. The approach may be used when objections have been answered and the salesperson feels confident about the prospect's readiness to buy.

When the salesperson cannot be sure if the prospect is quite ready, the *trial method* can be used. With this approach, the salesperson solicits feedback that provides information regarding the customer's reaction, without asking directly for the sale. A positive reaction leads the salesperson to ask for the order. If not, then the salesperson returns to the sales presentation. The salesperson may also *summarize* the product's benefits and how it meets the customer's needs prior to asking for the order.

Sometimes a salesperson asks a serious of questions along the way, ensuring the customer will *continuously* respond "yes." By answering "yes" to smaller questions about the benefits of a product, when it comes time to ask for the order the customer may be more likely to respond with a "yes."

A salesperson can also *assume* the customer will say "yes." He might ask, "How many cases do you want?" or "How would you like this to be shipped?"

FOLLOW-UP

Keep customers happy after the purchase results in repeat business, customer loyalty, and positive referrals. Quality follow-up programs are cost-effective ways to retain customers, which much cheaper than continually finding new ones. Unfortunately, following-up may be neglected by the sales staff, especially if the salesperson receives commission on new sales but not on follow-up activities. In this situation, the company must designate other employees to follow-up to ensure that customers are satisfied with their purchases.

International Implications

OBJECTIVE 8
How should database marketing and personal selling programs be adapted to international settings?

Database marketing faces the same challenges as other aspects of an IMC program when a firm moves into the international arena. These include differences in technology, which make data collection and analysis more difficult due to issues such as language and Internet availability. Further, local laws may limit the methods by which information can be collected as well as the types of information a company seeks and/or shares with other companies.

In many parts of the world, customers may only live a few miles apart yet reside in different countries. For example, the European Union consists of many nations in close proximity. Therefore, decisions must be made as to whether data will be country specific.

Programs such as permission marketing, frequency, and CRM are subject to legal restrictions as well as cultural differences. In some instances, they may be highly accepted. This is the case for permission marketing in Japan. In many Asian cultures, the giving of gifts takes on added meaning. This may indicate that stronger bonds between customers and companies are important in personal selling.

Direct marketing programs should be adapted to local conditions. Mail delivery systems may be easier to access in some countries than others. The same holds true for telephone systems, Internet access, and other technologies. Infomercials may not be possible in countries with state-run television systems. A company's marketing team considers all local legal, social, cultural, technological, and competitive conditions before embarking on an international database-driven marketing program or direct marketing program.

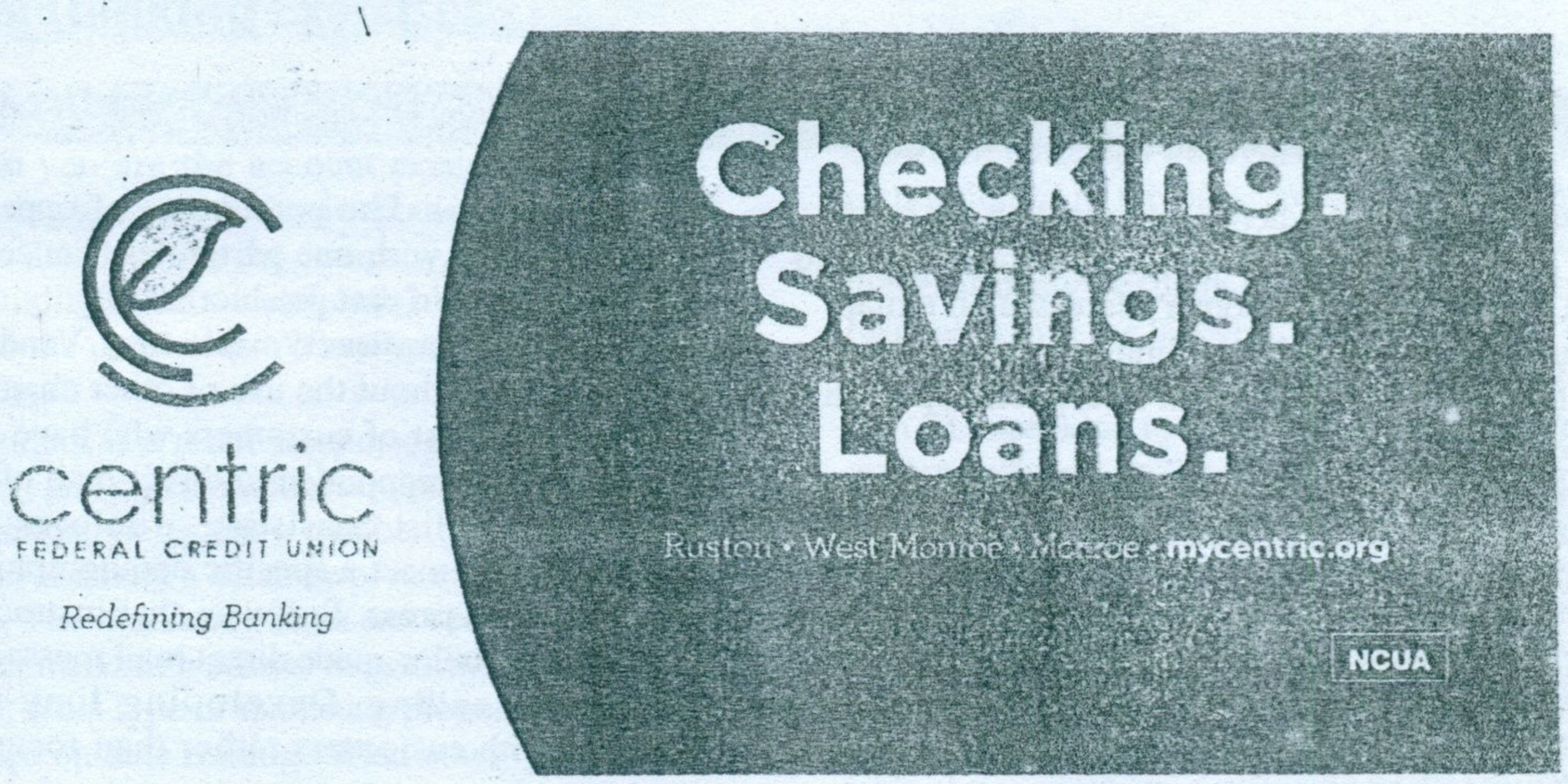
INTEGRATED CAMPAIGNS IN ACTION

Centric Federal Credit Union

Emogen Marketing was retained by Centric Federal Credit Union to increase new memberships and increase deposit accounts and balances with current members. Centric had a high number of members on its books that had taken advantage of the low interest rates for loans. Some of these members held the minimum required in savings balance and usually had no checking account.

Emogen Marketing developed the "Free-er Than Free Checking" campaign that featured television, radio, and billboard spots. The tagline "just like a bank . . . only better" was adopted.

The entire Centric Federal Credit Union campaign is located at the Pearson Instructor's Resource Center (www.pearsonhighered.com). The campaign contains a PowerPoint presentation outlining the details of the campaigns and examples of the collaterals created by Emogen Marketing.



Courtesy of Emogen Marketing Group.

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SUMMARY

Database marketing has become a vital element of a complete IMC program. The two key activities involved at the most general level, identifying customers and building relationships with them, have an impact on numerous other IMC tasks. It is more cost-effective to retain customers than to seek out new ones. Further, the actual message may change when communicating with long-time, loyal customers.

Building a data warehouse begins with collecting data to be used by the marketing department. Beyond basic information, such as a customer's name, address, and e-mail address, other key data include the customer's purchase history and preferences. Geocoding involves adding geographic codes to customer records, which assists in selecting media and creating messages targeted to specific groups.

Database coding and analysis leads to either lifetime value analysis of customers or the clustering of customer groups based on customer spending patterns. Data mining programs involve building profiles of customer segments and/or preparing models that predict future purchase behaviors based on past purchases. The information gathered from data coding and data mining leads to the development

of data-driven marketing communications and marketing programs.

Database-driven marketing communication programs are facilitated by effective identification codes that allow for personalization of messages and interactions. An effective database-driven communication program relies on customer profiles combined with other information available regarding specific customers. In-bound telemarketing programs, trawling, advertising, and lifetime value segment programs can be fine-tuned for individual customers.

Database-driven marketing programs include permission marketing, frequency programs, and CRM systems. Permission marketing is a selling approach in which the customer agrees to receive promotional materials in exchange for various incentives. Frequency programs are incentives customers receive for repeat business. Both are designed to create customer loyalty over time. CRM is designed to build long-term loyalty and bonds with customers through the use of a personal touch facilitated by technology.

Direct response or direct marketing efforts may be made by mail, catalog, phone, mass media, the Internet, or e-mail. Direct mail programs remain popular as outbound telemarketing programs continue to diminish.

A case can be made that individual consumers desire greater intimacy with the companies that serve them. They are drawn to firms that take the time to build relationships through quality, customized communications and marketing programs. This trend will likely continue. Successful marketing teams should continue to emphasize methods for identifying customers and personalizing relationships.

Key Terms

data warehouse The place where customer data are held.

geocoding Adding geographic codes to customer records to make it possible to plot customer addresses on a map.

lifetime value The present value of future profits a customer generates over his or her life in a relationship with a brand or firm.

data mining The process of using computer data analysis software to mine data for meaningful information and relationships.

trawling The process of searching the database for a specific piece of information for marketing purposes.

permission marketing A form of database marketing in which the company sends promotional materials to customers who give the company permission to do so.

empowerment Consumers believe they have power throughout the seller–consumer relationship, not just at the beginning when they agreed to join a frequency program.

reciprocity A sense of obligation toward a company that results from receiving special deals or incentives such as gifts.

frequency (or loyalty) program A marketing program designed to promote loyalty or frequent purchases of the same brand (or company).

customer relationship management (CRM) Programs designed to build long-term loyalty and bonds with customers through the use of a personal touch facilitated by technology.

share of customer The percentage of expenditures a customer makes with one particular firm compared to total expenditures in that product's category.

direct response (or direct) marketing Vending products to customers without the use of other channel members.

response list A list of customers who have made purchases or who have responded to direct mail offers in the past.

compiled list A list consisting of information about consumers who meet a specific demographic profile.

digital direct-to-press Software that instructs the computer to create a tailor-made direct mail message to a customer.

relationship selling Developing long-term relationships with customers rather than focusing on a single transaction.

stimulus-response A sales approach, often called a "canned" sales pitch, that uses specific statements (stimuli) to elicit specific responses from customers.

need-satisfaction A sales approach in which the salesperson strives to discover a customer's needs during the first part of the sales presentation and then provides solutions to those needs.

problem-solution A sales approach that requires employees from the selling organization to analyze the buyer's operations and offer ways to solve their problems.

mission-sharing A sales approach in which two organizations develop a common mission and then share resources to accomplish that mission.

Review Questions

1. What two activities are parts of a successful database marketing program?
2. What is a data warehouse? What is the difference between an operational database and a marketing database?
3. List the steps involved in building a data warehouse.
4. What is geocoding?
5. Define *lifetime value*. How is it determined?
6. What are the two primary functions of data mining?
7. Explain how identification codes are used in database-driven marketing communications.
8. Explain how consumer profile information is used when sending communications to customers.

9. Describe a permission marketing program. What are the key benefits of this approach?
10. What are the keys to an effective permission marketing program?
11. Describe a frequency program. What three principles should guide the development of a loyalty program?
12. What is customer relationship management? Explain why most CRM programs have not been successful.
13. What is meant by the term *share of customer*?
14. What is direct response marketing?
15. Explain how response lists and compiled lists are used in direct mail programs.
16. Why is digital direct-to-press popular in business-to-business direct marketing?
17. Explain the two ways infomercials are presented as parts of a direct response program.
18. What is relationship marketing?
19. What steps are involved in the personal selling process?
20. Identify the four types of sales presentations typically used by sales reps.
21. What types of closing methods are available to salespeople?

Critical Thinking Exercises

DISCUSSION QUESTIONS

1. Assume that you are the account executive at a database marketing agency. A music retailer has asked you to develop a database for the company. How would you go about building a data warehouse? What information should be in the databases? Where and how would you obtain the data?
2. Hickory Outdoor is a retail store that sells fishing, hunting, camping, and other outdoor equipment and supplies, including various items for a number of outdoor sports. The company has built a database of its customers over the last 5 years. The marketing team can use data mining to improve their marketing efforts. Suggest ways data mining can be used. What type of marketing programs would you suggest based on data mining? What other types of marketing programs can be developed from the database?
3. Karen's Formal Dress is a retailer specializing in formal and wedding wear. She has a database with over 3,000 names of individuals who have purchased or rented formal wear. She would like to develop a permission marketing program. How can the marketing team encourage individuals to give permission to receive marketing materials? Once the company has the customer's permission, how can the relationship be continued to make it beneficial to both the consumer and to Karen's Formal Dress? Describe the methodology Karen should use in her permissions marketing program, including the types of materials, methods of distribution, and incentives.
4. A primary reason for developing a frequency program is to encourage customers to be loyal to a business or brand. For each of the following products, discuss the merits of a frequency program. What types of incentives would individuals need to join the frequency club and then to continue participation in the program?
   a. Local restaurant
   b. Auto repair service
   c. Printing service
   d. Clothing retailer
5. Examine the forms of direct response marketing shown in the graph in Figure 11. Which ones have you responded to in the past? Which ones are most likely to influence your purchase decisions? Which ones are the least likely? Explain for each method your personal responses over the last year.
6. The marketing team for Hickory Outdoor (see question 2) is seeking to use direct response advertising to accomplish two goals: (1) to sell specific merchandise and (2) to encourage individuals to visit the store or its Web site. Which types of direct response advertising would be the most effective? Why? What type of direct response offers should Hickory Outdoor make?
7. Examine the direct marketing methods highlighted in Figure 11. Evaluate each method for the following types of businesses. Which ones would be the best? Which ones would not work as well? Justify your answers.
   a. Shoe store
   b. Sporting goods retailer
   c. Internet hosiery retailer (sells only via the Internet)
   d. Manufacturer of tin cans for food-processing companies
8. Interview five individuals. Ask each person to list the catalogs they have received during the past month. Have each person discuss why he or she receives certain catalogs. Ask how often each person orders something out of a catalog and how the order is usually placed. Is anyone accessing the Internet for information offered in a catalog or ordering from a catalog after accessing a Web site? Discuss how important the catalog market is today and what you see as the future of catalog marketing.
9. Think about a recent personal purchase experience that involved a salesperson. Describe how the salesperson handled you during the sales call. Which sales presentation approach did the salesperson use? Which methods of handling objections were used? Evaluate how well the objection was handled. Which closing did the salesperson use? How well did the salesperson handle the closing?

Integrated Learning Exercises

1. Pick one company that sells clothing. Go to the company's Web site. What evidence do you see of database marketing and of personalization of the Web site? Describe a database marketing program that the company could use.
2. Go to Web site for Scotts Miracle Gro at **www.scotts.com/smg**. What evidence do you see of database marketing and of personalization? Review the concepts presented in the section "Database-Driven Marketing Communications." What steps should Scotts take to develop data-driven communications with visitors to the Web site as well as individuals who make purchases?
3. A number of companies specialize in database marketing. You are the manager of a small chain of 25 restaurants. Review the Web site of each of the following companies. Outline what each company offers. Which one would be the best for your company? Why?
   a. Database Marketing Group (**www.dbmgroup.com**)
   b. Advanced Marketing Consultants (**www.marketingprinciples.com**)
   c. Dovetail (**www.dovetaildatabase.com**)
4. *DMNews* is a trade journal for database marketing and CRM programs. Access the Web site at **www.dmnews.com**. What types of information are available on the site? How could this help companies with database marketing and CRM programs? Access and read one of the articles from the journal. Write a paragraph about what you learned.
5. CentricData is a database marketing firm that specializes in mid-size to large retailers. Access the Web site at **www.centricdata.com**. What types of services does CentricData offer? How could this company help a retail store develop a database marketing program?
6. The Direct Marketing Association (DMA) is a global trade association of business and nonprofit organizations that use direct marketing tools and techniques. Access the trade organization's Web site at **www.the-dma.org**. What services does the DMA provide its members? What value would this be to a business in developing a direct marketing program?
7. A primary key in successful direct marketing is the quality of the list that is used. One company that specializes in compiling lists is US Data Corporation. Access the company's Web site at **www.usdatacorporation.com**. What types of lists does the company offer? Access one of the lists and describe how that list can be compiled. Discuss how a company could use US Data Corporation for a direct response marketing campaign.
8. Almost all hotels have some type of frequency or loyalty program. Examine the loyalty programs of the following hotels. Critique each one. Which ones are best? Why?
   a. Best Western (**www.bestwestern.com**)
   b. Days Inn (**www.daysinn.com**)
   c. Doubletree Inn (**doubletree.hilton.com**)
   d. Marriott (**www.marriott.com**)
   e. Radisson (**www.radisson.com**)
   f. Wyndham Hotels & Resorts (**www.wyndham.com**)

Student Project

CREATIVE CORNER

Lilly Fashions sells fashionable, trendy clothes. The company's primary target customer is 20 to 30 years old, female, has an average income of $40,000, and has some college. Lilly's marketing team wants to capitalize on the concepts of database marketing and direct response marketing. Design a newspaper advertisement that encourages females in the company's target market to visit the retail store and join Lilly's loyalty program. In addition, design a direct mail piece that would go to individuals who are currently in the database but who have not made a purchase within the last 3 months. Prepare another e-mail that can be sent to members in the database on the person's birthday offering them a free meal at a local restaurant, if they come to the store to pick up the meal voucher. This promotion is a joint promotion with the restaurant, which shares in the cost, which means the restaurant must also be part of the e-mail.

CASE 1 THE TRAVEL AGENCY DILEMMA

Leisure time travel remains a common pursuit across a variety of markets. Numerous forces influence consumers as they seek out restful, adventuresome, romantic, and family-oriented vacations. Factors such as gasoline and airline ticket prices, economic conditions, political unrest, and the changing world of technology factor into personal and family decisions regarding places to go, things to do, people to see, and events to enjoy.

Travel agencies experience the influence of these forces as directly as any other group. When gas prices rise, consumers take shorter trips. When airline tickets are at a premium, travelers look for bargains or seek other alternatives. Unemployment, political turmoil in places such as Mexico and Europe, and other considerations cause people to either stay at home or change travel plans.

The most direct influence on the travel agency business has been the Internet and its popular travel sites. Travelocity, Priceline.com, and other airline booking sites allow consumers to shop online for the best air fares and travel times. Hotels.com plus numerous hotel chain-run booking sites, which also offer frequency programs, make it possible to find the most ideal hotel arrangement without the use of a travel agency. Many Internet-savvy consumers no longer feel the need to call or drive to a local travel agency. These individuals have become convinced that they are able to match any price or travel arrangement that an agency can find.

To compete in this intense environment, agency managers seek ways to deliver value-added services that entice consumers to continue to utilize their companies. Among the potential methods to maintain customer loyalty are offers of convenience, skill at finding better prices than consumers can obtain online, and the ability to package travel into one-price programs. Many travel agencies create agreements with hotels, cruise lines, and airlines to offer better prices than consumers encounter in other ways.

Travel agencies can also offer suggestions regarding combinations of activities, such as fine dining with an elaborate hotel. Many agency employees visit numerous destinations, seeking to obtain better quality information about local attractions that would go unnoticed by travelers to a specific area.

In the future, the question remains as to whether travel agencies will be able to continue to compete. Only with carefully constructed service programs and quality marketing efforts will it be possible to maintain a set of clientele as the world of Internet shopping continues to increase.



1000words/Fotolia

▲ With access to the Internet, many tourists see little value in the services provided by travel agencies.

1. How might database marketing, including the data warehouse, data coding and analysis, and data mining, help a travel agency create and enhance relationships with customers and potential customers?
2. How could data-driven marketing programs including permission marketing, frequency programs, and customer relationship management systems be of use to travel agencies?
3. Discuss each of the direct response marketing techniques in relation to marketing of travel agencies.
4. What personal selling tactics are most important to travel agency employees as they work with customers and potential customers?
5. Discuss the pros and cons of each of the methods of handling objections in personal selling in relation to a couple who are hesitant to purchase vacation to one of the Caribbean islands.
6. Discuss the pros and cons of each of the closing methods in personal selling in relation to a couple who are hesitant to purchase vacation to one of the Caribbean islands.

CASE 2

ANHEUSER-BUSCH: DATABASE MARKETING AND PERSONAL SELLING

Margie Washburn was about to begin an exciting new era in her life. She had purchased the distributorship rights for Anheuser-Busch InBev products in the Denver/Aurora, Colorado area. Even though her company would be standing in the shadow of the Coors Brewing Company, she believed that through effective database marketing and personal selling tactics, Budweiser and Busch products would be widely accepted in the region.

As a distributor, Margie's primary customers are other businesses, specifically, bars, taverns, and restaurants that serve beer to patrons; retail outlets such as grocery stores, convenience markets, and liquor stores; and entertainment venues, including the arena housing the Denver Nuggets. She did not expect to make in-roads selling beer at Coors Field, home of the Denver Broncos.

Anheuser-Busch competes in a highly fragmented market. Major vendors include Miller/Coors, Heineken, Corona, and Guinness. Recently, other beer companies had created buzz and captured some market share, including Dos Equis, Stella Artois, and Samuel Adams. The microbrewery trend that expanded quickly in the 1990s had slowed; however, several popular local companies were doing well in the Denver area.

Anheuser-Busch InBev had endured some negative publicity in the past decade, when the former Anheuser-Busch, owned and operated from the United States, was acquired by Belgian brewer InBev. Some customers feared that popular products such as Budweiser and Bud Light would somehow be changed by an international company.

Advertising and promotional efforts targeted at individual consumers continue. Budweiser's "King of Beers" approach, including commercials featuring the Clydesdales, maintained a strong brand presence. Bud Light's use of comedy had also created positive reactions. A recent campaign emphasizing the romance and marriage of Bud Light with wheat had been used to kick off another variation of Anheuser products, Bud Light Golden Wheat. Anheuser-Busch produces lower-end beers, including Natural Light, as well as the higher-end Michelob line of beers.

One of Margie's challenges was finding out how each type of customer related to her products and brands. She needed to know how many restaurants and drinking establishments prominently displayed her beers. She also was interested in finding out whether her products received good, fair, or poor shelf space in off-sale outlets. From there she might be able to find ways to create bonds with individual consumers that would "pull" Anheuser-Busch brands to the forefront in these locations.



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▲ Margie faced a number of challenges with her distributorship.

Margie also knew that her competitors employed brand ambassadors, especially on-campus at the universities in the Denver area. The ambassadors were college students who pitched Miller/Coors products to fellow students and local watering holes. Miller/Coors also sponsored a variety of events targeting college-age students with music and sports.

To compete, the new Anheuser-Busch InBev distributorship required an extensive, coordinated marketing communications program. The objective would be to tie brand loyalty and positive relationships with individual consumers to database programs use personal selling tactics to reach all of the business-to-business customers in the area. Margie looked forward to getting started.

1. What types of data should the distributorship collect about individual consumers? How can it be used?
2. What types of data should the distributorship collect about business customers? How can it be used?
3. Can the distributorship build any frequency or loyalty programs in the area? If so, describe what would work. If not, why not?
4. What sales approach should the sales staff use for the various businesses that sell Anheuser-Busch products, such as nightclubs?
5. What type of sales approach should the company use to entice liquor vendors to carry and emphasize Anheuser-Busch products in both on-sale and off-sale venues?

MyMarketingLab

Go to **mymktlab.com** for Auto-graded writing questions as well as the following Assisted-graded writing questions:.

1. Karen's Formal Dress is a retailer specializing in formal and wedding wear. She has a database with over 3,000 names of individuals who have purchased or rented formal wear. She would like to develop a permission marketing program. How can the marketing team encourage individuals to give permission to receive marketing materials? Once the company has the customer's permission, how can the relationship be continued to make it beneficial to both the consumer and to Karen's Formal Dress? Describe the methodology Karen should use in her permissions marketing program, including the types of materials, methods of distribution, and incentives.
2. Pick one company that sells clothing. Go to the company's Web site. What evidence do you see of database marketing and of personalization of the Web site? Describe a database marketing program that the company could use.
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