

DIRECT[®]

The Magazine of Direct Marketing Management



Opting In

*How IBM
increased sales 80%
by asking busy
execs how they want
to be contacted.*

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and Scott Hornstein
Ernan Roman Direct Marketing



“Consensual Database Marketing provides a powerful competitive advantage . . .”

Yvonne Brandon

Global Direct Marketing Manager, IBM

Notwithstanding the hype and confusion to the contrary, the primary business purpose of a marketing database is to drive the optimal allocation of resources. And, judging from the industry standard 2% response, whether from traditional or electronic media, most of our databases are driving our resources into the ground!

A marketing database must provide reliable information about:

- ▶ Who our best customers are
- ▶ Who is responding, and who's not
- ▶ The profile of our most responsive customers
- ▶ The media mix used for pre-purchase research and buying.

The accuracy of this information helps to guide the marketing process. However, even in the best of cases, huge database inefficiencies can be found, because the data that the information is based on is, at best, inferred, coming from second- and third-hand sources: list compilers, log files, and the like.

A consistent theme has emerged from over 600 hours of voice-of-customer (VOC) research: Customers find most marketing communications to be superficial and irrelevant and do not provide the information they need to make decisions.

We suggest a radical change: the Consensual Databasesm Opt-In Process.

The solution to the B-52 bombings of unsolicited mail, phone reps and the like, came during VOC research. In the words of the chief information officer of a Fortune 50 company, “You are using me as an executive mailroom, and I do not appreciate it. Just because I'm the CIO, you think I'm the only one who can make a decision.”

He added, “Let's fix this. I'd be happy to sit down with you once a quarter and tell you who in my department you should be communicating with, what information they need, when and which media they prefer. But, you must live by this.”

This insight provided the conceptual framework for the consensual database process. It means allowing your customers to participate, and to populate the database with their information needs, timing requirements, media preferences and aversions, and contact information.

In further research, when other executives were asked to react to the concept of involving customers in this process, nine out of ten endorsed the idea. Nine out of ten also said they would be willing to act as their company's primary contact to define their communication needs.

Case History: IBM

The consensual database opt-in process has its roots within IBM's Great Lakes area. IBM practices customer satisfaction sampling, and this feedback showed that its core mainframe business in the region was off by two percentage points and trending to be down a third.

IBM's analysis indicated that one point of customer satisfaction equaled some \$500 million in incremental revenue over three years. The problem was serious and the company moved quickly.

First, it investigated the issues through VOC depth research. In these one-to-one interviews, customers revealed several substantive concerns:

- ▶ An avalanche of irrelevant and poorly targeted communications
- ▶ Too many divergent or often conflicting messages.

Quotes from the research:

“My needs are time sensitive. Make sure you stay in front of my needs as they change. Prove to me that you know who I am and treat me like a client, not a prospect.”

“You flood me with mail, instead of taking time to understand what information you should be sending.”

One participating customer received 35 mail pieces from IBM over one quarter. Only three of these pieces were relevant. The cost of unwanted communications was estimated at more

than \$1 million dollars per year for just the original 221 accounts selected for the consensual process. IBM global direct marketing manager Yvonne Brandon was assigned as project manager. She was responsible for fixing the problems and restoring the lost customer satisfaction points.

When she reviewed the issues and VOC findings with the cross functional team of managers and sales reps, they all realized that one customer summed up the problem:

"I'm your customer—you should know what I need. Understand my business and my specific information needs within that business."

IBM needed to pay more attention to its key customers. That attention had to be in the form of customer-generated data which would give an accurate profile of the individual customer and the individual contact, without the politics and self-interest of competing profit centers.

To generate this data, and turn the data into practical intelligence, IBM decided to test the consensual database opt-in process. Thus, their pilot project began with 221 customers of IBM's most important customers in the Great Lakes area.

Per Ms. Brandon: *"Consensual Database Marketing provides a powerful competitive advantage because through profiling, customers tell you exactly what they want you to sell to them. Consensual profiling has a profound effect on increasing marketing effectiveness by eliminating those marketing costs associated with creating and sending unwanted mail and other correspondence. In my opinion, the Consensual Database is the 'engine' that drives the precision deployment of media. Without that database at the center of the strategy, the media mix won't work as well or as fast."*

Wave 1

IBM's project team targeted five to seven contacts per account, and with the help of field sales, identified key executives from each account. The salespeople were deployed to make face-to-face contact with each individual, to explain the plan and set expectations.

These reps were armed with a detailed discussion guide regarding IBM's goals and rationale for the consensual pilot program, and a formal customer interest profile. Some 1,394 participating customer contacts were generated from the 221 original accounts, or 6.3 contacts per customer company.

Each participating customer contact completed the profile which detailed important information about the contact's company, the hardware and software installed there (from mainframe to PC), the forces driving the contact's business and the contact's co-workers.

FOCUSING ON YOU

Interest Profile

Please make necessary corrections here

Title: _____
Phone: _____

<h4 style="background-color: red; color: white; padding: 2px;">Data Center Systems</h4> <ul style="list-style-type: none"> <input type="checkbox"/> Mainframe <input type="checkbox"/> Major Subsystems <input type="checkbox"/> DASD/Controllers 	<ul style="list-style-type: none"> <input type="checkbox"/> Tape <input type="checkbox"/> Optical <input type="checkbox"/> Printers
<h4 style="background-color: red; color: white; padding: 2px;">Client Server Platforms</h4> <ul style="list-style-type: none"> <input type="checkbox"/> Graphics <input type="checkbox"/> RISC System/6000 	<ul style="list-style-type: none"> <input type="checkbox"/> AS/400 <input type="checkbox"/> S/300
<h4 style="background-color: red; color: white; padding: 2px;">Personal Systems</h4> <ul style="list-style-type: none"> <input type="checkbox"/> Mobile (laptops/notebooks) <input type="checkbox"/> Features & Options <input type="checkbox"/> Other _____ 	<ul style="list-style-type: none"> <input type="checkbox"/> Display/Visuals <input type="checkbox"/> LAN Server Systems
<h4 style="background-color: red; color: white; padding: 2px;">Networking</h4> <ul style="list-style-type: none"> <input type="checkbox"/> Network Management <input type="checkbox"/> Wide Area Subnetworking <input type="checkbox"/> Token Ring LAN 	<ul style="list-style-type: none"> <input type="checkbox"/> Ethernet LAN <input type="checkbox"/> Async Transfer Mode (ATM) <input type="checkbox"/> SNA.NCWTAM 374.5
<h4 style="background-color: red; color: white; padding: 2px;">Business Applications Areas</h4> <ul style="list-style-type: none"> <input type="checkbox"/> Database/Database Management <input type="checkbox"/> Office/Workplace Software <input type="checkbox"/> Multimedia <input type="checkbox"/> Application Development Tools <input type="checkbox"/> Transaction Management Systems <input type="checkbox"/> Image 	<ul style="list-style-type: none"> <input type="checkbox"/> Systems Management <input type="checkbox"/> Systems Availability & Services <input type="checkbox"/> General Client/Server Computing Solutions <input type="checkbox"/> Customer Services Client/Server Solutions <input type="checkbox"/> Decision Support Client/Server Solutions <input type="checkbox"/> Other _____

Throughout the year, IBM hosts local events such as product announcements and technology roadshows to keep you informed about our rapidly-changing technology. Quite likely, you may have already received invitations to some of these events. We certainly want to include you at these events, but we also want to honor our promise to reduce the number of mailings to you. Please indicate if you would like us to send you these invitations outside of the Focusing On You packet you will be receiving.

Yes, please include me in separate, time-sensitive mailings
 No, I don't want to receive separate, time-sensitive mailings

Please help us plan for the future by ranking the following communication methods in order of your preference (1 = most preferred; 3 = least preferred).

Fax Internet Mail Other _____ Internet ID _____
 To respond by mail, simply use the enclosed business reply envelope, or fax to 1-800-575-0370.

Armed with an **Interest Profile**, IBM reps set out to meet with 1,394 participating customer contacts

The database was organized simply, to guarantee responsiveness. It was organized by industry, product installed, geography and business drivers. However, despite aiming for simplicity, extensive database coding was needed to:

- ▶ Enable IBM to understand what communications had been or would be sent to a customer
- ▶ Ensure that customers got the correct information and did not receive duplicate information.

Each customer was to receive a single mailing, encompassing multiple pieces of information. However, each information piece had to be managed as a separate project. Database coding drove the pick-and-pack operation, first deduping to make sure no one received the same piece twice (since one piece may have been the proper piece for more than one information code).

Each customer mailing might contain relevant white papers, consultant reports and application briefs, as well as a vehicle to allow recipients to review, change or update their customer information profile.

All customers were sent:

- ▶ A 3-month calendar of events and event registration information
- ▶ An invitation to "Come surf the web with us:" Information on relevant IBM URLs

- ▶ Special offers, such as a free 120–page year 2000 planner if the recipients would reveal their programs requiring Y2K solutions
- ▶ Reprints of important relevant press releases.

All customer contacts were assigned a tele–relationship rep with Web access to ensure continuous coverage and accessibility. As Brandon notes, *“An effective tele–web database strategy must be in place to support both outbound and inbound customer generated inquiries. An intelligent conversation starts with how much the inbound sales people know about that customer when he or she calls.”*

“The outbound team must be ready to say: ‘I see that you requested information (on a particular product or service) last month. What questions do you have about that product or service that I can answer or help you with?’ The relationship team (inbound and outbound reps) must be able to say: ‘How can I help you take advantage of and leverage the information you requested?’”

The results exceeded IBM’s expectations. They showed:

- ▶ An 80% increase in sales over the control group
- ▶ A 75% decrease in marketing waste
- ▶ An 841% increase in qualified response
- ▶ An 82% conversion from responses to qualified leads
- ▶ A 17% share of the market in pre–sales activity versus only 8% previously
- ▶ A 6–point increase in customer satisfaction.

Wave 2

From this pilot program with mainframe customers, IBM next incorporated its top general business or mid–range customers. Given the greater numbers, formal invitations were sent via direct mail instead of through field sales face–to–face contact. The results:

- ▶ 33% opted into the consensual database process
- ▶ 78% responded via direct mail
- ▶ 17% answered by fax
- ▶ 4% replied via the internet
- ▶ 1% discussed the matter through inbound contact.

IBM also included a bold offer with this invitation: *“Please tell us what it will take to make you into a very satisfied customer.”* Senior management took ownership of each response and drove it to completion. In the end, the Great Lakes area achieved “best of breed” customer satisfaction scores, surpassing all other IBM territories.

Wave 3

Based on the success of the program’s first two stages, customers from IBM’s software marketing group were invited to participate in the consensual database, or Focus 1:1 effort. Outbound telemarketing was added to the media mix for key customers. With this media synchronization, 53% of these customers opted into the new database process.

Mailings also now employed a yearly catalog of information to help contacts review and update their profiles. Response to these catalogs was consistently double digits, ranging from 13% to 17%.

Wave 4

As news of the program’s first three stages spread throughout IBM, many of the company’s business units wanted to deploy their own consensual database. A number of critical issues arose regarding the potential for separate but similar implementations:

- ▶ Duplicate infrastructure costs
- ▶ Duplicate collateral budgets
- ▶ Potential execution inconsistencies
- ▶ Potential audience overlap
- ▶ Message confusion
- ▶ Lack of standards
- ▶ Data security issues.

The logical solution was centralization—a North American rollout controlled by headquarters. This included:

- ▶ Regular conferences with internal business units and profit centers to ensure their continuous support and attention
- ▶ The expansion of the media mix to include publicity, direct mail, e–mail, inbound and outbound telemarketing, field sales and a members–only Web site.

Meanwhile, consider the following:

- ▶ The cost of implementation was reduced from a high of \$150 per contact per year to \$50 per contact per year
- ▶ The consensual database group generated \$594 million more than the control group
- ▶ The consensual group generated \$1.09 million more per account than the control group.

Ms. Brandon concludes: *“Before building a Consensual Database, select a sample group of customers from your universe. They will be your control group. Take spending and customer satisfaction baselines from both groups. From there, take regular snap shots (quarterly or even annually) that show spending and/or customer satisfaction movement among members of your test group compared to those in your control group.”*

The result? You will have control over the relationship, and the consensual data you collect becomes a unique competitive asset, more powerful than a database that contains only data acquired from third party or legacy systems sources.”