

BY ERNAN ROMAN  
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How IBM  
generated almost  
\$600 million  
through opt-in  
marketing



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# Using Options

**ONE** of the most alarming trends today is the increase in opt-out rates for both B-to-B and B-to-C marketers. It has become obvious that many prospects and customers actively resent untargeted, unfocused mass communications — regardless of the medium. They demand messages and communications that are relevant to their needs via their medium of choice. We're not effectively managing our customer relationships if we're stuck on self-serving, cost-driven views of marketing.

Recognizing this, IBM implemented our Consensual Marketing Opt-In Process™. By looking at what IBM did and how they went about it, marketers can learn valuable lessons about communicating with their customers and prospects.





# WISELY

## Ask Customers What They Want

Think of opening your e-mail inbox and how often you delete without even reading. What if instead of flooding our customers with unwanted e-mail, or direct mail that research tells us is perceived as “irrelevant, superficial and intrusive,” we asked them what they really wanted?

We did just that and they told

us, in no uncertain terms, what they want: value. Using our Voice of Customer (VOC) Messaging and Communication Research™ process, we were able to generate information regarding customers and prospects. Our research showed that for a message to be compelling, it must be based on:

- The recipient’s information needs.
- The best time to contact the recipient via direct marketing media.

- The recipient’s media preference and aversion issues.

In short, customers want messaging and content that is personalized to their specific needs and to their relationship with us. Which brings us to the marketing conundrum — the Holy Grail of direct marketing. We must know our customers well enough to deliver the right message, to the right person, at the right time.

## Don’t Send Stuff — Send Value

Instead of concentrating on the cost and mechanics of “sending stuff,” we need to constantly learn more about customers’ changing needs and requirements — and use that information to drive increasingly targeted communications that customers find both relevant and compelling.

That means marketing to the entire customer life cycle: from pre-sale to sale, and throughout the growth and retention period. Short-term thinking has driven us to pay the most attention to the pre-sale and sale portions of the life cycle. Our marketing activity often drops off or stops after purchase — the thinking being, “This customer bought; now we need other customers to buy.”

Instead of abandoning new customers as we look for new prospects, we should embrace them. We should provide value over time and learn about how our customers’ needs and requirements keep changing.

With this information, we can deploy an increasingly specific, targeted communications stream that satisfies their needs and requirements and creates a distinct preference for our product or service. When the customer goes back into the pre-sale process, we

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All of which led us to develop the Consensual Marketing Opt-In Process, where customers self-qualify regarding content, timing and media. They tell us what they want, when they want it and how they want to get it. This provides unlimited opportunities for marketing effectiveness: Goodbye to the days of marketing waste and customer dissatisfaction. Intellectually, it's mind blowing. Oper-

ationally, it's very difficult.

For one, it's complex and requires a database process that captures the preference information of each individual person and uses it to drive the individual marketing process. More importantly, however, this process requires marketers to reevaluate the role of each medium in the marketing mix and to sequence, combine, delay or possibly suppress messages per individual needs and preferences.

### In-depth with IBM

The first IBM case history concerns large customers' dissatisfaction regarding the volume of untargeted,

irritating communications they were receiving.

The chart below offers a startling illustration. IBM analyzed the communication stream for one individual, a director of engineering. During one period, this person received 35 separate communications. These communications were then mapped per the director's profile. Only three were relevant. This clearly illustrates damaging and expensive marketing waste.

IBM used this as a strategic opportunity to conclusively test the Consensual Marketing Opt-In Process with its best customers. Implementation was complex and involved virtually all of the company's departments.

First came database set-up. It was organized simply, to ensure IBM's ability to sort by installation, industry and geography. Second, different profit centers had to agree that, for the test, they would put aside their turf issues and cooperate. Normally, each profit center operates independently, with specific goals and profit

## Communication Stream:

One executive was barraged with communications and found that only three were meaningful.

### Among the Actual IBM Touches

- Mainframe announcements
- MVS announcements
- VM announcements
- VSE announcements
- ESO III mailing
- 2nd ESO III mailing
- Compression update
- DASD update
- RAID announcement
- 3rd ESO III mailing
- IBM Direct RAID mailing
- ICC used equipment
- IBM support family of services
- AS/400 "rightsizing"
- Printer announcements
- Classes/seminars/conferences
- RS/6000 graphics announcements
- Client/Server Roadshows
- Rightsizing roadshow
- RS/6000 application development aid
- RS/6000 communications
- SMP announcement
- AS/400 announcements
- Administrative survey
- LSCD survey
- Area 4 transaction survey
- Services survey
- Double-blind survey
- Multimedia training announcements
- Multimedia sales and merchandising

### Customer Profile

- Director of Engineering
- RS/6000
- Graphics
- Application development

### Desired IBM Touches

- SMP announcements
- RS/6000 application development
- Graphics announcements

Source: IBM

and loss objectives. Each felt it had the right to contact the customer. For this test, communications would have to be rescheduled, combined or, in some cases, dropped to abide by customers' wishes. A representative population was selected as the control group.

Lastly, IBM needed the cooperation and integration of its field reps. They would be talking to their best customers — the whole concept of the Consensual Marketing Opt-In Process had to be introduced to these customers by their reps.

This brought up another issue for IBM. Their customers were complaining that they couldn't get their questions answered: "My rep is always on the road," they said.

Of course, reps are supposed to be on the road, but customers also need their mission-critical questions answered immediately. To address this issue, IBM implemented a specially trained, empowered telesales group, called a SPOE, or single point of entry. Customers were introduced to the key benefit of the SPOE: "Your SPOE rep will always be there when you call and will take ownership of your issue."

One of the first jobs of the SPOE rep was to explain the Consensual Marketing Opt-In Process and how customers would benefit by completing the customer profiles that populated the database.

Direct mail, e-mail and telemarketing efforts were synchronized per individual preferences, to deliver information on products and services. This included technical data as well as reprints of important articles to provide extra value.

Once a quarter, customers also received a calendar of upcoming events, giving them the chance to change their profile and avail

themselves of information from anywhere in IBM as their interests changed.

The results:

- An 80 percent increase in sales over the control group.

## Why Create an Opt-In Process

The rising tide of e-mail is diminishing the cost-effectiveness and power of that marketing medium. Two examples from leading companies show what can happen when e-mail marketing is carried out without carefully considering what information customers want to receive and how and when they want to receive it.

Garry Dawson, marketing communications, Enterprise Systems Group – Americas at Hewlett-Packard, notes that at HP:

- Spam complaints rose dramatically.
- Click-through rates declined over a period of time.
- The cost-per-lead rose to equal or more than other marketing communications choices.
- Broadcast communications were perceived as increasingly intrusive and were having a negative effect on orders and loyalty. The allure of quick

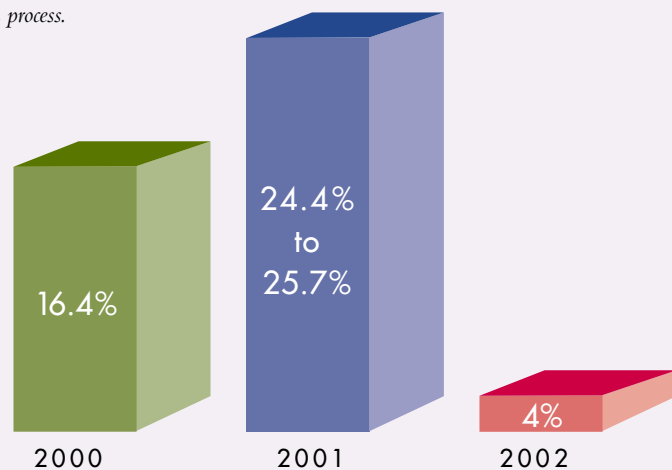
results sacrifices the benefits of customer retention and loyalty.

According to Dianne Lucca, senior interactive marketing manager at IBM Americas:

- Overflowing e-mail in-boxes, increased competition for attention, increased frustration and an overused medium in need of redirection are all the result of marketing shortsightedness.
- Customers are responding by rescinding their e-mail permissions. At IBM, opt-outs for general marketing have nearly doubled from a year ago.
- IBM's e-mail acquisition efforts also are producing significantly lower results. In June 2000, the company had an e-mail acquisition rate of 16.4 percent. A year later, IBM was still adding new e-mail permissions at a rate of 8.0 percent to 9.3 percent. But the company's most recent efforts produced a rate of four percent.

### Decline in IBM's E-mail Acquisition

*Because of a drop-off in customer acquisitions, IBM decided to create an opt-in process.*



Source: IBM

- A 75 percent decrease in marketing waste.
- An 841 percent increase in qualified response.
- An 82 percent conversion from responses to qualified leads.
- 17 percent of the market in pre-sales activity, versus 8 percent previously.
- A 6-point increase in customer satisfaction.
- An incremental \$594 million in sales over the control group.

### Increasing Satisfaction/Decreasing Opt-Out

The second case study is the IBM Software Premier Club, a concept that evolved from the initial testing of the Consensual Marketing Opt-In Process and took the process to the next level.

According to Yvonne Brandon, an IBM-certified direct marketing manager, Worldwide Relationship Marketing, a pioneer of the Consensual Marketing Opt-In Process and a true intrapreneur:

- The IBM Software Premier Club is a relationship direct marketing initiative targeted toward senior software decision makers



## Based on a consensual database, the IBM Software Premier Club sends only the information that is of interest to a particular member.

and influencers in IBM's largest accounts worldwide. Today the program regularly communicates with 17,000 members in 49 countries and in 13 languages. Members represent over 90 percent of IBM's software revenue.

- Based on a consensual database, the IBM Software Premier Club sends only the information that is of interest to a particular member. This saves customers time and saves IBM marketing dollars by not sending unwanted information.
- IBM uses both an e-mail digest for regular push communications and a password-protected members-only Web site (i.e., an executive portal) so that members have an electronic community with 24-hour access to information about IBM software solutions.

- IBM has the highest overall level of satisfaction compared to all competitors — 85 percent of customers are satisfied or very satisfied with our content. IBM believes that because members opted into the program, its e-mails are opened and read because there is an expectation by the customers that the information will be customized to their needs.

- The IBM Software Premier Club enjoys an opt-out rate of less than 5 percent per year, and 46 percent of our membership has been part of the program for three years or longer.

The results of these two case studies prove that you can increase revenue and customer loyalty while minimizing expense and waste. The Consensual Marketing Opt-In Process gives you the ability to reverse the damage of opt-out by delivering:

- The right message.
- To the right person.
- At the right time. ■

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### What to Expect

The Consensual Database Opt-In Process can yield promising results, including:

- At least a 15 percent increase in sales
- At least a 15 percent reduction in marketing waste
- 12–19 percent qualified response, or higher
- A 100 percent increase in field follow-up to leads
- At least a 15 percent increase in customer satisfaction

Source: ERDM