CHAPTER 7

The Internet:
The Ultimate Relationship Marketing Tool
IT and Relationship Marketing

Traditional PR relied much on a personalised approach in building relationships. Businesses prospered and the relationship chain continued to grow and strengthen. The approach to creating and maintaining handshakes with the society used to be through advertising agencies and conventional marketing set ups. The changing market place saw the beginning of the era of corporate communications managers. They adopted relationship marketing and buffered with newer tools like corporate video films and TV ads. The progress thereafter moved in conjunction with the fast paced technological changes- fax on demand, interactive voice response systems and automated call centres.

IT- enabling the courtesy factor

The convergence of computers and telecommunications and the emergence of the IT wave brought about dramatic changes in the infotech industry. Services industries were the first to sense the relevance and the inherent strength of these IT interventions in winning the customer's confidence.

Cellular phones and bar coding systems provided an efficient delivery system. Further, on the logistics and distribution front, GPS (Global Positioning System) made goods carriers transfer and tracking precise. This enabled proper link to the Supply- Chain- Management. Industry- Vendor - Relationship got a boost with the advent of EDI (Electronic Data Interchange). As a result of relationships between organisations, business transactions became more transparent.

Techniques of GUI (Graphical User Interface) and visual basic on the software front made access and retrieval of information more user friendly.
Implementations of wide area networks (WANs) and transactions over voice and data served as the bedrock for maintaining global information exchanges. This facilitated a better building of partnerships and thus made organisations partners in business. Convenience and relationship banking is one more effort towards customer satisfaction.

**Information at arms length**

With the burgeoning of the Internet, the customer and the organisation are a step closer to direct interface. Interactive websites with in-built feedback mechanisms are excellent prototypes of improved customer response. Online conference registrations, tour guides by various agencies through the IT media helps in maintaining customer relationships. Data marts and Data warehousing are yet other examples in relationship marketing for effective customer service.

**IT -your PRO**

IT has made organisations more and more customer centric. Attitudinal shifts from existing mindsets ensure better utility of IT tool, thereby paving the way for an effective relationship marketing exercise. A virtual, parallel world of intelligent interventions is creating the universal relationship protocol.
THE INTERNET: THE ULTIMATE RELATIONSHIP

When I talk to my friends in the Midwest or in Toronto, they always laugh when I mention my neighborhood. "Who in New York City has a neighborhood?" they chide. I do! And I shop at my neighborhood stores. I use Sing's Dry Cleaner on 46th Street. They know my name, and the fact that I travel, so I need my clothes the "next day." They always deliver them on time and let me know when there are "specials." They build loyalty and friendly service by knowing ahead of time what I am likely to need.

Today, the Internet is giving direct marketers the opportunity to sell the same way as Mr. Sing does by understanding the needs of their customers, and by giving them the ability to customize orders and build personal relationships.

The goal of direct marketing has always been to recapture that neighborhood store feeling, the one-to-one relationship with each individual customer -- to find out that customer's needs and to respond to them as quickly and efficiently as possible. Although direct marketing has been getting closer and closer to that goal (all that relationship marketing we're doing), the incredible power of reacting immediately to a customer's needs has never really been possible. Until the Internet came along.

Now we have the opportunity to look forward to real relationships, servicing huge numbers of customers on an individual basis.

Getting to Know You, Getting to Know All About You

Marketing on the Internet offers distinct advantages that are not possible with any other media. One of the biggest advantages is unlimited access to customer profiles. In recent years, many direct marketers have been enhancing their databases and segmenting their lists to find out as much information as possible about their customers.

Profiling customers allows a company to predict the buying habits of particular segments of its lists, and their likelihood of responding to a particular promotion. The company can then not only offer these segments specific products from its existing inventory, it can design new products especially for these segments. With conventional marketing techniques, however, this process is both costly and time-consuming.

The Internet allows a company to predict buying habits and direct particular promotions to individual customers rather than segments of shoppers. As in any other marketing or advertising media, the amount of information a company can gather depends on the quality of its database and the ability of the company to interpret the information it gathers. It is possible to garner detailed profiles of prospects and customers, but unless you have the ability to capture, analyze, and respond to all the data, the technology is wasted.

As the Internet grows, more and more companies will be investing more of their budget dollars to collect and respond to this personalized information. Some of the companies that are already doing this are:

**iQVC.com:** Web shoppers can visit the iQVC site, then click on "My iQVC." Customers are then informed, "We'll ask you a few questions, you'll give us a few answers, and we'll deliver custom content right to your desktop."

Shoppers can then click on "My Mailing List." QVC offers the ability to choose from several categories, such as cookware, jewelry, toys and collectibles. Once the customer has chosen, iQVC will e-mail the shopper with relevant news on the subject he or she has chosen. The site also offers "My Style Advisor." Customers complete an online questionnaire and receive a Style Advisor Profile, personalized for body-line, face shape and coloring. QVC then makes appropriate fashion and jewelry recommendations.

**E-Saver:** US Airways offers prospects special discount fares to and from selected destinations. Shoppers fill in the cities from which they would like to depart, and E-Saver e-mails weekly discount fares from that city to various destinations.

363
Amazon.com: Customers can click on the Amazon "Recommendation Center" to find a message that reads, "Hello, [customer name]. Based on the items you've bought at Amazon.com, we think you'll like these," followed by suggestions for books by the same author or on similar subjects to ones the customer has already purchased. Customers can also choose specific categories from which to receive recommendations (e.g., marketing, history, true crime, etc.).

The point of all of this customer profiling is to be able to offer a shopper highly customized products and services. Mass-marketing tries to convince people to buy existing products. The Internet gives companies the opportunity to talk with their customers, so they can concentrate on what the people really want (and in so doing, build customer loyalty). In our marketing future, the focus will no longer be on share of market, but on -- as one-to-one marketing gurus Don Peppers and Martha Rogers put it -- share of customer.

The Internet Blend: Brand Advertising and Direct Marketing

Image advertising has always been based on the mass-marketing principle get as many people as possible to become aware of your product. Direct marketing has always been focused on stimulating action -- getting one person at a time to make an immediate decision to buy. On the Internet, image advertising and direct marketing are fusing. A company's home page tells Web suffers who they are and what they have to offer (image advertising). Then, if the consumers wish, they can immediately go on to the next step, which gives them the opportunity to buy (direct marketing).

This fusion of image advertising and direct marketing will be become even more powerful as the technology and acceptance of interactive TV software, such as WebTV, moves into the marketing arena. Personally, I love WebTV. Last week, I installed it on my mother's TV set in Miami. It took about 8 minutes to get her e-mail set up. Without even leaving her chair, she can use her remote control to click on any Web site she wants to visit. You don't have to be computer savvy at all to use it. (My mother can use it -- that's proof right there!) And because the image is larger on her TV set, it's much easier for her to read.

Right now, the merging of Internet and television is in its early stages. A lot of what's on the Net is in text format, and what it gains in size it loses in clarity on a TV screen. This will improve with the introduction of high-definition TV, but it is still not perfect. The good news is that in the very near future, shoppers like my mother will be able to produce an immediate interactive response with their television sets through a process software developer Worldgate Communications calls "channel hyperlinking." Viewers will be able to click on a commercial as it's airing and be instantly connected to that company or product Web site. From there they can either get more information, or go on to the ordering process.

This instant interactivity can also provide companies with instant feedback -- an essential factor in ultimate relationship marketing. The great advantage of Internet marketing is that it is easier to react to customer feedback than in any other medium. Special offers can be changed weekly or even daily and A-B splits tested. Your ability to adjust your marketing plan depends only on the speed with which you can analyze incoming data.

The instant, traceable feedback of the Web also makes it much easier for companies to form profitable partnerships. Hotlinks allow surfers to move back and forth between related businesses. If these companies then share information from their databases, they can, in the not-too-distant future, jointly customize offers for individual consumers.

The Challenges for Internet Marketers of the '90s:

As in every relationship, the Internet has its challenges. The most obvious is that not everyone has access to the Internet. Studies have shown that although about 98 percent of U.S. households have televisions, 97 percent have telephones and 66 percent get cable, only about 40 percent own computers. And out of those, only about 20 percent are online. So for the moment, there is a much smaller audience to "reach out and touch" than there is for other media.

However, a January 1998 survey conducted by Ernst & Young showed that typical on-line purchasers are male (although women are a fast-growing presence), 40-60 years old, have a college education, and have an income of $50,000-$100,000. In other words, they are
qualified buyers. It's now up to Internet marketers to find ways to establish long-term relationships with these older, affluent, educated buyers.

It's not always easy to reach Internet buyers, though, no matter how qualified they are. It's not like print or television advertising, where you bring your ad to consumers. On the Internet, consumers have to come to you.

Some large companies are finding ways to deliver their ads. They use banner ads (you see them appear at the top of your screen when you log on to Yahoo!), for example, and interstitial ads (larger ads that pop up and disappear on a hotlinked company's home page). These ads, like TV commercials, just appear on the screen.

In most cases, however, the Internet is advertising on demand. Your advertising/marketing will not appear to your target market unless they "surf" for it. That's why many of the most successful sites, like Amazon.com, use collateral advertising -- print ads and television commercials -- to draw people to them. There must be a strong incentive for customers to check out your site.

Amazon.com offers a strong incentive in the deep discounts they give you on books and music. While the response to the site has been overwhelmingly positive, the company is not yet making the profits it had hoped to be by now. Their fulfillment costs are high, and their profit margins low. If the company has to change its discount format to stay in business, it might hurt some of the very successful relationship-building it has produced.

On the other hand, Amazon.com has established thousands of individual relationships since its inception. These buyers are impressed with the convenience of Internet book shopping and the instantaneous customer service they receive. They might just remain loyal despite any price increases.

Amazon.com has one other advantage over other Internet sites. It doesn't have to worry about brand consistency. Since the company exists only on the Web, it is not competing with its own retail store or catalog. That is not true for most other companies. Retailers, catalogers and direct marketers are all scrambling to establish their presence on the Web. It often seems as if a totally separate marketing and design team put together a company's Web site, without regard to the branding that has been built up over many years. In fact, much of the advertising on the Web is designed by programmers and technicians -- which Carol Nelson of Communicomp Direct Response compared to "having ads written by typesetters."

This can be a barrier to establishing relationships. People familiar with a brand's "personality" expect it to be the same wherever they find it. In fact, a recent survey showed that 69 percent of Internet buyers listed brand familiarity as critical to buying decisions.

Right now, many people are still reluctant to make purchases on the Internet. About three-quarters of the people who are now online use it to research products and services before they buy. They compare features and prices and then buy via the more traditional retail channels -- phone, fax, catalog, or store. That means that any inconsistencies in pricing, in product availability, or in personality are immediately noticeable -- and likely to cause a rift in the relationship.

This has actually happened to me. Recently, I had to make a sudden trip to Florida to visit my mother, who had fallen ill. I called the airline and asked for a "compassionate" fare. They told me the special price would be $175 one way. When I was ready to return home, I used my mother's WebTV to check the fares online. To my surprise and annoyance, I discovered that the regular one-way fare was also $175! Because of my ability to access this information, I discovered that I had been misled by the airline. I used to be very loyal to this airline, but now I will think twice about flying with them.

Even though there are plenty of issues still to be worked out in this emerging media (not the least of which are privacy and security), this is an exciting time for direct marketers. It's a time when we can use the high-tech advantages of the Internet -- the individual customer feedback and the incredible speed with which we can interact with customers -- and combine it with the relationship-building principles of direct marketing.

The idea is to become a positive force in your customer's life. Use your customer service
capabilities to help customers in need. I am a typical Internet shopper, and I know what I want to find when I'm I-shopping. If you expect me to supply all this information about myself, I want to see some return for it.

I want you to get to know me. Make suggestions for future purchases that are related to my buying history or stated preferences.

I want incredible customer service. I want information on how to return items easily. If I need to assemble a product, I want instructions from your site. I want answers to frequently asked questions. And I want to know how to get in touch with a live human being if I need one.

I want buying reminders. If I purchased a gift item last year for my parent's anniversary, I want an e-mail that says, "Last year at this time you purchased our fabulous pecan sampler for Mr. and Mrs. Herman Kaufman. This year we suggest our Tower of Chocolate gift package."

I want after-purchase communication. Send me an e-mail that says "Thank you for ordering." Then, after the order is delivered, I want another message that says, "I hope you received your package and that everything was satisfactory. We have a special offer for you on something we know you'll like. Click on our Web site for ordering information."

In other words, I want you to treat me like Mr. Sing, my neighborhood dry cleaner, treats me. As a matter of fact, I think I'll go check in at his Web site and let him know I have some dry cleaning ready for him to pick up...

~~~~~~~~~~

By Lois K. Geller
Lois Geller is president of Mason & Geller Direct Marketing, Inc., where her clients include Resorts International, Newbridge Book Clubs, Mosby Matthew Bender, Consumer Reports and Weight Watchers. She teaches the Direct Marketing Seminar Course at New York University, and speaks at many industry conferences. Her book, RESPONSE! The Complete Guide to Profitable Direct Marketing (Free Press), is available in any bookstore. She can be reached at Mason & Geller, 261 Madison Avenue, NYC 10016, (212) 697-4477. Fax: (212) 697-2919. E-mail: loisgeller@masongeller.com

~~~~~~~~~~