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## **Contemporary Marketing**

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# Contemporary Marketing

by Dr. R.H. Migliore

# **CONTEMPORARY MARKETING**

## **INTRODUCTION**

What goes around comes around. Here we are in the new millennium. Has anything really changed in marketing?

The new trend for the marketing manager in the millennium has to be customer focused. This new trend has been called "IBM CO" or customer-oriented selling. Xerox Canada calls it "solution selling," and Xerox USA calls it "buyer-centered selling." The "new" concept calls for going to the customer and finding out about their future plans, problems, and products.

The key is to find out how your organization can help the customer solve problems, gain market share, and be more profitable. LISTEN TO YOUR CUSTOMER. Listen, listen, listen . . . said the late Frank "Pat" Murphy, Sr., the founder and CEO of the F.W. Murphy Company. (1) Listen and find out what the customer's problem is. The customer doesn't want you to sell them something but help them solve their problem. With this information your organization can take a creative and innovative look at the customer and their needs. By putting together a multi-level, multi-disciplined task force your company can see what specific products, services, and solutions they can come up with. The "solution" might mean a capital investment or could require a complete change in the company's time-honored policy and procedure.

## **MARKETING PLAN**

The marketing plan is coordinated with the finance, production, and human resource plan to implement the overall corporate strategy. The product must always be better than the sales pitch. The product isn't sold until it's paid for. A good marketing/ production plan can only sell a product or service once. The marketing plan has a focus on meeting customer needs. It keeps existing customers and develops new ones. Over the past few years, marketing strategy has been compared to warfare. This creates a view of the competitor, their strategy, and how your strategy combats theirs.

The purpose of the promotion plan is to support the marketing plan. The promotion plan is aimed at the specific customer outlined in the over-all plan. The message in the promotion plan appeals to the perceived and real needs of the customer. The promotion plan is the mix of image, logo, television, radio, direct sales, direct mail, telemarketing, newspaper, magazine, and referrals to get the message to the target market.

The sales management plan coordinates the work of direct sales people, wholesalers, marketing representatives, etc. The ultimate success of the organization is the coordination of all segments of the overall plan, top to bottom.

The organization must empower, train, encourage, and reward its people. When it's all said and done, PEOPLE get the job done.

A strategy must be developed to take advantage of the goodwill and minimize customer complaints. Research indicates that a good product/ service/ experience will likely cause the customer to repeat it seven times. Poor service or a bad product can be repeated 47 times. These issues must be addressed in the marketing plan.

## **CUSTOMER SATISFACTION**

Satisfied customers translate into business success. A customer is the most important asset a company possesses. The customer is the source from which all cash flow is generated. You always want to keep the customers you have and gain new customers who would be loyal to you.

(2), "if you cannot demonstrate the link between increased customer satisfaction and improved financial results, you're not measuring customer satisfaction correctly." Satisfied customers should exhibit at least one of three measurable characteristics: loyalty (retention rates), increased business (share of market), and insusceptibility to your rivals' blandishments (price tolerance).

Companies think of capturing a customer as a singular event. Providing quality service includes recapturing the existing customer each time you are in contact with them. When you do this successfully and repeatedly, the customer becomes comfortable and satisfied with the relationship, thus reducing their chances of leaving. Customer comfort means that the customer's needs have been met. Customers do business with organizations that they rate highly in services, products, support and costs. If the customer's comfort level is strong in all four categories, the overall value will be highly rated.

According to Dawn Lacobucci, of the Financial Times (3), managers are seeking to enhance customer service, to offer customers added value and gain the competitive edge. Managers should consider the implications of the basic characteristics of customer services; such as the differences in services, and the fact that they are simultaneously produced and consumed and that they are intangible.

### **Measuring Customer Cost**

Frederick Reichheld of Bain & Co. says that "long-term customers tend to buy more, pay more, and create fewer bad debts. Reichheld stated that by raising customer retention

rates by five percentage points, a company can increase the value of an average customer by 25% to 100%.”

Based on the work by Reichheld and the University of Michigan's Class Foretell, here is a summary of how to calculate what a customer is worth. First, decide on a meaningful period of time over which to do the calculations. This will vary depending on you planning cycles and your business. Secondly, calculate the profit (net cash flow) customers produce each year. Track several samples, and find out how much business the customers gave to you each year and how much it cost you to serve them. It's better to, segment them by age, income, sales channel, and so on.

For year one, subtract the cost of acquiring the customers. Costs will include things such as advertising, commissions, and back office costs of setting up a new account. Be sure to get specific numbers. For example profit per customer in year one, year two and so on, and not averages for all customers or all years. Lastly, you chart the customer life expectancy, using the samples to find out how much your customer base erodes each year.

Once you know the profit per customer per year and the retention figures, it is simple to calculate the net present value. This information can assist businesses in finding out how much to spend to attract new customers. “Repeat business is the ultimate measure of customer satisfaction and almost certainly merits bigger investments that you make.” According to Reichheld, “for advertising agencies a 5% increase in retention rates translates into a 95% increase in customer NPV and for credit card companies a 75% increase in customer NPV.”

### **Measuring Customer Satisfaction**

Thomas Stewart states that (2), “Customers define a business and the meaning of economic activity. The final analysis of what matters is how well an economy satisfies its customer’s needs and wants.” The University of Michigan's business school and the American Society for Quality Control, released the American Customer Satisfaction Index (ACSI), making it possible to keep track of customer satisfaction.

The ACSI monitors customer satisfaction in more than two dozen manufacturing and service industries and several public-sector functions, totaling about 40% of US gross domestic product (GDP). As a result, this makes the ACSI the first large-scale, methodical attempt to measure the quality of economic output. According to economist, Claes Fornell, a professor at the Michigan business school and designer of the index, “At the macro level, you should consider this an economic indicator, like indicators of price and productivity.”

## *Strategic Planning & Management*

Using ACSI, industries, especially domestic automobile makers, have made significant gains in customer satisfaction. The overall degree of customer satisfaction among U.S. companies has decreased most noticeably in the computer industry. According to ACSI, the reasons could be attributed to the failure to respond to customers' increasing expectations, and insufficiently stringent ways of tracking customer's attitudes.

The ACSI is too new to judge its ability to contribute to forecasts of the economy as a whole, but it appears to be able to foretell corporate performance. A study by David Larcker of the Wharton School, using data from the National Quality Research Center, showed those companies that ranked highest in the first year's ACSI, significantly outpaced lower-ranked companies in the stock market.

The ACSI results suggest at least three wrong turns businesses may have made in their drive to improve customer satisfaction.

1. Customer service is a cost to be incurred, rather than an investment.
2. There is a rising awareness of customer expectations
3. ACSI cannot yet define customer satisfaction to financial results.

According to Ray Schneider of Perspective magazine, (3) your customers are sitting on a wealth of information that can help you improve your business opportunities with them. Conducting a customer survey can bring in this valuable information; by removing the guesswork out of the way you do business so that you can do more of it. A customer survey specifically does the following:

1. Establishes a baseline of measurement for improving customer satisfaction.
2. Help focus improvement efforts.
3. Increases customer perception that you're listening.
4. Increases ability to be customer focused.
5. Increases ability to stay quality focused.
6. Improves market position.

And if properly crafted, analyzed and utilized, money spent will eventually become money earned. According to Schneider (3), in conducting a customer survey, hold the following in mind:

1. Keep customer surveys short so customers are more willing to participate.
2. Open-ended essay questions take time and should be kept to a minimum.
3. Customer surveys can be administered by phone or mail.
4. Response rates for customer surveys are typically far lower than employee surveys, between 5-25%.
5. To increase response rate, a letter of introduction, personalized or not, serves as your essential communication device.

## *Strategic Planning & Management*

6. Confidentiality is less of an issue in customer surveys, some customers may prefer to let the company know their comments.
7. Incentives can increase response rate in customer surveys.
8. Demographic information adds value.
9. Demonstrating respect for your customers helps them to think of you similarly.

The managers of the Clarkson Company of Sparks, Nevada also agree that conducting surveys provide many advantages. According to the managers, having an outside firm conduct the surveys offered substantial benefits both internally and externally to the firm. Respondents felt freer to share information more candidly with a third party. The Clarkson Company used The Voice of the Customer surveys developed by Colleen “Coco” Crum (4), to find out how their customers felt about their services and products in relation to their competitor performance.

The methodology Crum employs, enables companies to determine their competitive strengths and weaknesses as well as customer expectations for customer service, product design and quality, product costs, and other performance attributes

### **New tools for Customer Service**

Database software is the choice of many organizations for tracking customer service. Database software can follow the buying behavior of customers and help companies' meet specific product or service marketing needs. A well-managed customer database is especially helpful for small companies competing with large ones.

Terry Boyle, vice president of Game -Set-match, a tennis services firm in Englewood, Colorado, attributes getting his customers to return with the use of the computerized database his company uses. He says, "the company has increased its revenues at an average annual rate of 43 percent over the past four years by focusing on existing customers for repeat sales and by providing personalized service." The use of the computerized data- base has made Game-Set-Match's marketing campaigns more effective and cost efficient

The database used at Game-Set-Match tracks the buying behavior of every person who takes lessons from the firm, plays in one of the leagues it organizes or makes a purchase in its small retail shop. A total of more than 10,000 people in 4,800 families. “The use and marketing of our data- base have kept us ahead of the competition,” says Boyle. “*They* can target search our customer base. If there's a program we need to promote, such

as a league, we can look up who was in that league last year and put a notice out to that particular group” (6)

According to Claudio Marcus, vice president of marketing with Target-Smart! Inc., a marketing software company in Denver; “generating repeat business costs less than attracting new customers and a lot less than winning back dissatisfied customers.” So, it's important for growth oriented small firms such as Game-Set-Match to concentrate on giving buyers reasons to return.

Donna Fluss, a research director at Gartner Group, a technology consulting company based in Stanford, Conn., says, “the more you know about your customers, the more effective you'll be at increasing their value to your organization.” Fluss says, "that every contact that a company has with its customers is an opportunity to impress them with your, service.” Customer databases help companies achieve these goals by providing employees with quick, convenient, access to relevant information before they call customers. Such information includes previous purchase, questions asked, and problems incurred.

This form of relationship marketing is sometimes called, one-to-one" marketing and is a strategy that large firms have been using for more than a decade to increase customer retention. Now small businesses can hold their own with their big business competitors by using point-of-sale, data- base, contact management, call center, and customer-service and support software.

Technology can also help the company automate the way it serves customers and responds to problems. Automated processes, such as fax- on-demand and automated call-distribution (ACD) systems can be very effective ways to serve customers.

Fax-on-demand systems allow customers to dial in and request that specified information is faxed to them. While ACD systems, allow customers to call in and choose among a number of service options, either by touching a number on their telephone keypad or by using voice commands.

The system routes each call to recorded information or to a person who can help the caller.

In addition to these systems, many companies provide service on Internet sites. The Internet enables even small companies to provide around the clock customer service. Customers may find web-based service frustrating and impersonal if it isn't implemented correctly. To be successful, customer service websites must provide easily accessible, up-to-



date information as well as a mechanism for resolving service problems quickly and completely.

Companies can use the Internet to complement their telephone service offerings using CustomerSoft's ESP Li@ison. The product works in concert with the company's Expert Support Program customer-support software, a database of problem solutions that a firm's telephone support personnel can use to help customers. Many companies are also using "Instant Messenger" to help with customer questions while online.

Internet Message Center (IMC) is an electronic mail based support solution, which makes it easier for companies to automate and manage customer inquiries from a Web site or via direct e-mail. Internet Message Center creates a queue of incoming messages that shows the time they were sent and their related topics. The message can then be forwarded to staff members. IMC also provides a mechanism for monitoring message volume and response time. It works with leading e-mail programs, including Qualcomm Eudora, Microsoft Outlook, and Netscape Messenger.

Even online customers want to communicate with a person sometimes, by using iServe. Companies can offer live interactive support on their websites. Customers who visit a firm's website and type in questions and receive answers immediately from a customer support representative. Support personnel can also display on the customer's screen web pages containing detailed information and send helpful software files to the customer's PC.

Technology can also give employees the knowledge they need to serve customers better. Building a knowledge base has allowed Paradigm4 to establish a reputation for fast and expert service after just three years in business. The Fairfield, N.Y. firm installs wireless telephone networks for corporations and government agencies, such as police departments. One of Paradigm4's selling points is its customer support desk, which responds to problems 24 hours a day, seven days a week. To increase the effectiveness of its help-desk workers, Paradigm-I installed knowledge management software called, Top of Mind from Molloy Group Inc., a software developer in Parsippany, N.J.

Lastly, always make sure that employees are trained to help customers. Not only do they need to know to use the company's customer's service databases, but also need to have the personal skills to provide the attention that customers demand (6).

## **CONCLUSION**

Contemporary marketing is simple, basic, and based on common-sense fundamentals. Contemporary marketing means you get to know your customer. Contemporary marketing

means shut up and listen. Contemporary marketing means to organize your efforts to help your customer succeed. Contemporary marketing means to be honest, have character and integrity. Integrity in what you do, in what you say, and in how you conduct business. Your product must be better than your sales pitch.

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