Herschell Gordon Lewis

CRM? Where'd That 'C' Come From, Anyway?

Regardless, it's this year's grabber acronym

Herschell Gordon Lewis operates Lewis Enterprises in Fort Lauderdale, Florida, consulting with and writing direct response copy for clients worldwide.

Herschell Gordon Lewis

ABSTRACT

Senior Fellow Lewis discusses direct mail and prospecting, among other things, in this article on Customer Relationship Management and Customer Acquisition.

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Introduction

In case you've just arrived from the Planet Mars, CRM stands for Customer Relationship Management. Everybody and his brother has jumped on the CRM bandwagon: "Manage the relationship with your customers and you've not only cut the Gordian knot of marketing, you assure yourself of ongoing profits.

Nothing wrong with that truism, except. . .

THE ASSAILABLE UNASSAILABLE PRINCIPLE

The CRM principle is unassailable, just as it's an unassailable truth that when a runner is on first base and the batter hits a solid shot, the runner had better take off for second. What's the parallel? This: How did that runner get to first base in the first place?

It's an unassailable truth that milking cows in your barn is more cost-effective than finding new cows to milk. But where did you get those cows, and what happens when your herd begins to run out of milk or dies off?

Or, in marketing terms, how do you "manage" customer relationships until you have customers to manage?

Everybody knows the reality of entropy: inevitable and steady deterioration. When a marketer turns its administration over to a number cruncher, often one of the first activities to feel the knife is prospecting - name protection. That's because in an attempt to fatten the bottom line immediately, bookkeeping logic says the company should intensify its sales efforts to existing customers, an activity far less costly than acquiring new ones. In the short term, that philosophy is unassailable.

On a long-term basis, that philosophy not only is assailable, it can be disastrous. Why? Entropy. When one markets to a closed group of customers, that group has to shrink. Whether because of disaffection, regardless of the intensity of CRM and database attention: saturation, change of circumstance or individual, or even death, the target group gets smaller.

You can see the paradox: Management becomes more and more efficient. Returns become fewer and fewer. The number of people required to handle the business is reduced. The bottom line looks great. Then, eventually, somebody asks, "Why are sales flat?" Or worst, "Hey, our sales this month are lower than they were last month."

That's where CRM moves over, allowing room for its natural sibling, CAM (customer acquisition management). These two facets not only should be twins, they should be Siamese twins inextricably linked and sharing the same blood supply.

THE BEST AVENUE FOR PROSPECTING

What has damaged ongoing attention to direct mail, the traditional means of bringing new customers into the net, is an unrelenting series of attacks by insiders: "You can't use direct mail for prospecting." In English, this means, "I'm not having any luck using direct mail for prospecting."

We're all victims of folklore: "Self-mailers don't pull." "Nobody reads long letters." "You can't use direct mail for prospecting."

Let's pay better attention to the venerable statement by Alexandre Dumas: "All generalizations are false, including this one."

What avenues exist for customer prospecting? Every one of us knows what they are: space advertising; handouts, "take ones" and "door drops"; alternative media such as package inserts and card decks; "member get a member" promotions; online advertising; telemarketing; and direct mail.

Within that framework, we have options: coupons, sweepstakes, premiums, and freemiums, "Fast50" incentives, and, for retailers, in-store registration. Now, consider for a moment: Which medium is most likely to produce valid names at the most reasonable price? Not just names - *valid* names.

In the Internet era, e-mail is dynamic for CRM but dangerous and, in some cases, illegal for CAM. Among the other heavyweights, direct mail produces a better-quality name than a name resulting from television or space ads. This is not only because response to direct mail is a more thoughtful and deliberate act than response to a more sudden appeal. It's also because direct mail is targeted (selective) while TV and print ads are mass (non-selective).

We prove this over and over again by the "stick rate" - the percentage of merchandise accepted and not returned. "Yes, I ordered this and I want to keep it" is a reaction that seems to be more generic to direct mail than to mass advertising. And the stick rate is the cornerstone not just of CAM but of CRM.

Rumors of the death of direct mail as a lead generator are, then, considerably exaggerated. It's like one of those juggernauts that just keeps rolling no matter what's in its path: postal service mismanagement and rate hikes; poseurs overproducing DM packages; lists that don't deliver the information they promise; incomplete or erroneous databases. The judgement still rolls.

So when you're in one of those creative meetings in which CRM is the buzz acronym, add a little spice to the mix by suggesting that without CAM, it won't be long before there just ain't goin' to be no CRM.