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Finding Needs and Filling Them

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ABSTRACT

Marketing is undergoing a global revolution. The underlying power is coming from our ability to store and use the mountains of data generated from the very stuff of doing business. Television took off in the 50's, radio in the 20's, newspapers in the 18th century, etc. We seem to be accelerating. However, in this article, John Miglautsch asserts that the changes of this century in the science of marketing will pale in comparison with those of the next decade. John believes that we are beginning an era when the barriers to entry are melting and the communication costs are shrinking to near zero; we are finally figuring out how to meld the comfort of our friendly PC with the power of the massive main frame. Although we do not know exactly where the future will lead, we do know that things will certainly change.

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Introduction

Though we still see newspaper, radio and TV ads, marketing is undergoing a global revolution. The underlying power is coming from our ability to store and hopefully use the mountains of data generated from the very stuff of doing business. TV took off in the 50's, radio in the 20's... newspapers in the 18th century... we seem to be accelerating. However, I sincerely believe that the changes of this century in the science of marketing will pale in comparison with those of the next decade. We are beginning an era when the barriers to entry are melting and the communication costs are shrinking to near zero. We are finally figuring out how to meld the comfort of our friendly PC with the power of the massive main frame. We do not know exactly where the future will lead, but we do know that things will certainly change.

Marketing = Finding a customer need and filling it.

The American Marketing Association defines marketing as "Finding a customer need and filling it." Assuming this is correct, we may be entering an age where the investigation can be joined by the customers themselves. As marketers we have used innovative methods to uncover our customers buying motivations. The main paths to understanding your customer were the fuzzy world of qualitative focus groups or attempting to discern patterns in buying behavior. Case studies abound with stories of misinterpreted sample consumers describing what they would or would not buy. But in the direct arena, when extra seconds on an 800# ripple through order processing overhead, it is difficult to take the pulse of every customer. Even with field valid experimentation, it is difficult to move from Sample A outperformed Sample B... to real explanation...

Much of our marketing innovation is born from the inherent barriers built into the sales process. There are two main avenues to the market: traditional distribution or direct response. In distribution, the manufacturer sells to the wholesaler who sells to the

retailer. The retailer carefully tracks the merchandise that sells, but rarely connects more than a few percent of the customers with their purchases. Few except the attentive sales clerk understand anything about the ultimate customer.

Direct mail, TV, etc. claim much greater customer insight. They must ship merchandise into a home or business, so customer address and product purchase are initially connected. If orders are matched to a customer file, then a customer history appears. This however builds far less than a complete customer profile. "Direct" marketing is actually one of the least interactive selling methods. There are no conversations with clerks asking questions or negotiating offers. Customers are reduced to order forms and tightly scripted phone order entry.

To illuminate the darkness, neighborhood and household demographics are appended to purchase history. In spite of all this information, it is still less than clear why customers buy what they do. Survey data is added to a small percentage of the customers, but cost prohibits it from being used across the bulk of the customers. Even the most sophisticated mailers use little more than recency of purchase to determine their most likely responders.

Marketing information is therefore limited by both traditional and direct distribution. The prospects for greatly improving this information are also poor. Retail is far removed from manufacturing and will continue to be so. Manufacturers are reluctant to jeopardize existing wholesale distribution by going direct to consumers. Retailers are blinded by both cash transactions and VISA/MasterCard. Only those who have proprietary credit cards can see who's buying what. Direct, on the other hand, cannot afford to gather truly individual information. Far from being "relationship" marketers, they are in most cases, "junk mailers." The economies of scale are such that few direct marketers are bursting with profit. It will always be more expensive to print, mail and ship individually than it is to mass market and transport full trucks to retail or other. Direct is not therefore in a position to first ask the customer if they would like the new version of the catalog...

instead they mail and hope.

Electronic communication offers the prospect of cutting through this knot. The Internet offers both an unprecedented reduction in cost and the opportunity for the customer to contribute as much information as THEY feel is important. Once access fees are paid, E-mail is virtually free, in both directions! This means that customers could literally be asked about their interests and preferences BEFORE any real selling information is delivered to them. Two step campaigns attempt to generate information requests by mass media then convert those leads to sales through additional literature, phone or field sales contact. It is notoriously difficult to execute cost effectively two step campaigns simply because of the cost. With E-mail, this problem is overcome, the cost is not the problem. It remains to be seen whether we can be as effective in converting leads to sales in a paper-less environment.

Marketing as Conversation

The E-mail connects directly to my desk. If I am corresponding with someone who has similar connection, messages are exchanged almost immediately. Of course, most of us have to check our E-mail (just like walking to the mailbox). Not everyone has gotten in the habit of checking even weekly much less daily, so E-mail is not yet a panacea. Nevertheless, the economics of the interaction are so inexpensive, they force us to rethink the entire process of marketing.

If I can send reminders, surveys and even promotions at no cost, the economies of scale all fall away. I no longer need to send the whole catalog, just the items the customer is interested in. I no longer need to bank on one broad mailing, I can send little notes on a frequent basis. Just the fact that my company information is available 24 hours a day on my Web site can change the way my customer thinks about me. Sure, phone centers are open all night, but you need the catalog in hand to really have any idea of what you want. The TSR's are not trained to sell you, just to add minor advise

to the extensive photos and copy already provided. Those who do not realize the power of this thought need not read further.

Perhaps more frightening is the fact that each of these communications can be tracked and cataloged by customer and prospect. If anyone thought computers would simplify our lives, think again. We will produce data in unimagined proportions. Mountains and mountains of customer and market data.

The process of marketing is moving into the hands of the customer. It is also moving more and more into the sphere of what has traditionally been called Direct Marketing. This area has contributed more data and more broad based customer information. Remember, the Direct marketers built their mountain in the age of snail mail, where even a post card cost more than \$.25 in materials. They built it when catalogs could cost \$5.00 or more. In spite of the costs, they have been making money, acquiring customers and building massive databases.

If the trend continues, then the marketing brass ring will go to those who can decipher the mountains of data and use it to their advantage. Even package goods companies are attempting to get in touch with their customers with 800#'s and Web sites. More and more retailers are capable of POP data acquisition. The mountain is growing.

As marketing professionals you must be concerned both with the emerging trends and those who are pioneering their way through data. Though many marketers have access to some quantitative data, it is the database marketers who are forging new techniques which wrestle customer insights from mountains of data.

In this changing marketplace, we are building the International Society for Strategic Marketing. Though its name does not include the words "Direct" or "Database" our Senior Fellows and our specific content will emphasize this direction. We have both chosen the direction and omitted the

words because we believe that all marketing will move away from the mass market and into the individual market. If all marketing becomes “Direct” then the term will move out of fashion, though its content will be pervasive.

Conclusion

If you are not electronically plugged in, you cannot see this article. If you have read this far, then you are at least moderately aware of the rapid changes this will bring to marketing. You must begin thinking about how you might positively change your customer perceptions if you could talk to them on a regular basis. If you were forced to talk to the same customer every week, what would you say?

The trite slogans would lose their punch after the first few meetings. Do you have anything worthwhile to say that would persuade a customer to share their feelings about life, success or your product?

Assuming you could actually build a customer relationship, could you handle, track and decipher the unending stream of data this correspondence would generate? You must begin learning the emerging tools of the trade, NOW before the waters start to crest! Our goal in the ISSM is to help you scale the cliffs before they grow any higher... and we also expect to learn from your attempts. Congratulations on your interest. We look forward to walking together into the very near future.