Net Nurture: The CEO's Role in Customer Relationship Management 2000
James Cecil

MARKETING IN A DIGITAL WORLD

Mark Twain once said, "When you need a friend, it's too late to make one." In today's world, where customers have so many choices about where to spend their money, the main issue is making them feel safe with your company so they will come back again and again.

When they have a choice about where to spend theft money, customers invariably go back to the place where they have intentionally been made to feel special. Customers are not fickle if treated properly. You can have customers for life if you take good care of them.

The purpose of marketing is to identify the appropriate markets for your products and services and then open up a dialog with those markets. Thanks to technology, which has caused one of the most massive revolutions in history, all the old rules about marketing have become obsolete. We now live in the era of one-to-one relationship marketing. As CEO, you must take charge of the marketing function. You must own the job of "chief relationship officer." In today's world, customer relationship management is the most critical skill any business can have.

In his book, "Business at the Speed of Thought," Bill Gates used the analogy of a "digital nervous system" to describe where technology is taking business. In a digital world, bad news has to travel faster than good news. When a customer is mad at you, you need to know now, not later. A digital nervous system connects everyone in the business, so that each employee has immediate access to all the information he or she needs to serve the customer. A digital nervous system allows companies to solve problems much quicker and take much better care of customers.

Examples of digital nervous systems include:

Drugstore.com. makes filling medicine prescriptions easier than ever. You provide credit card number, medical information and prescription numbers and Drugstore.com sends your medicine by mail. But it doesn't just take a reactive approach to filling orders. It also proactively e-mails customers saying, "Your prescription supply is down to 10 days, would you like to renew?" When you reply with "yes," your refill arrives in the mail in two or three days. No longer do you have to stand in line at the pharmacy or wait on hold on the phone while some overworked pharmacist's attempts to find and fill your prescription.

Homegrocer.com allows you to order groceries online and have them delivered to your doorstep. They keep a history of your food purchases, make suggestions when you might be running low on certain foods, and let you reorder with one keystroke.

Federal Express lets you go online 24 hour a day to track the progress of your package delivery. They allow you to hook your digital nervous system to theirs.

Capturing the e-mail addresses of customers and prospects is becoming increasingly important. As Internet "span" gets increasingly out of control, people will stop giving theft e-mail addresses except to a very select few. Many people believe that in the future, the only permanent address we will have is our e-mail address. We will change phone numbers, zip codes and addresses many times, but we won't change our e-mail address. As a result, it will become more difficult to get e-mail addresses than phone numbers.

Even though we still do most business face to face, mouth-to-ear or by paper, you can't afford to ignore the fact that people are adopting the Internet as their preferred method of communication. And they're doing it faster than any other device in history. In less than five years, more than 50% of U.S. households have hooked up to the Internet. By contrast, it took AT&T 38 years to get phones in only eight percent of U.S. households. Don't assume your customers aren't using the Internet just because you don't. Once customers find out you don't use it, they label you an antique and mentally move you to the back of the pack.

THREE MARKETING BATTLES

Three recent "baffles" have forever changed the face of marketing:

1. The battle between mass advertising and one-to-one marketing.

One-to-one marketing has clearly replaced mass advertising as the dominant marketing strategy. "Dear Occupant" is no longer a viable method of opening a relationship with an affluent client. Sophisticated software first made it possible to stay in touch with customers without legions of administrative people, and e-mail reduced the cost of communication to almost nothing.

"Enterprise One-to-One" by Dr. Martha Rogers and Don Peppers explains the technology of one-to-one relationship marketing. It effectively illustrates how to use database technology to engage in one-to-one marketing with your customers.

2. The battle between interruption marketing and permission marketing.

Interruption marketing gets your attention, makes an offer and asks for the order. All advertising involves interruption marketing. Permission marketing first gets permission from the prospect to initiate the relationship. Permission marketing has won this battle.

"Permission Marketing" by Seth Godin may be the most important marketing book ever written.

Godin's Web site, www.permission.com., very clearly demonstrates the first concept of permission marketing. When you log onto the site, the first thing you see is "I would like your permission to give you the first four chapters of my book electronically, for free." All you have to do is provide your e-mail address and the site automatically sends you the first four chapters of the book. If you provide a little more information, you get a coupon for 10% off the book's list price at Amazon.com or Barnes and Noble.

The first rule in Internet marketing is to put security in the first paragraph on your Web site that you will not sell or give away information. Otherwise, people will not give you permission to start a relationship. Every contact has to earn permission for the next contact. Otherwise, people will block out your email forever.

In today's world, selling has to be one-to-one, not just a group. Asking permission is how you get the right to keep coming back to the customer until your position becomes top of mind. The goal is to get interested prospects to opt in to a dialog with you. Permission is a transient thing. It involves a radical culture change. Now that the U.S. has gotten affluent and intelligent, we no longer tolerate the mass processes that were used in the past to influence us.

Permission is the only way you will ever obtain influence with anyone. It is impossible to have influence on another person's mind without their explicit permission. The magic is knowing the right people to seek that permission from, getting the right to get that permission, and retaining permission long enough to create top of mind awareness with prospects and customers.

3. The battle between nurturing and indifference.

Most companies treat their customers with indifference. However, in today's world, customers won't tolerate indifference anymore, especially from entrepreneurial firms. Nurturing has clearly won the baffle.

The opposite of love is apathy. In terms of your relationship with customers, out of sight is out of mind. Every business must face the issue of customer relationship management. You can't escape building a database of your customers. Make sure your database can do two things:

- Do drip irrigation nurturing, which involves a series of high touch communications with customers using an admin person.

• Use the Internet to full advantage. As you communicate through the Internet and e-mail, capturing customer information has to be done digitally. You can't afford to rely on memory. When someone responds to an email, the information should be automatically cut and pasted into the customer's file. Your system should also electronically transfer information when people fill out online forms, and instantly respond when people request something from your Web site.

As more and more people use the Internet, the ability to keep customer data moving in and out of a database without having someone capture it and key it in will be increasingly critical.

Unlike any other software category, customer relationship management is truly a matter of the heart first. Human beings have an ability to be introspective and reflective. We also have a keen instinct about sincerity. We can detect it in writing, tone, expressions, physiology, use of grammar, and omissions. We can easily pick up insincerity. So client management has to be thought through as a mailer of the heart. If you don't really care about your customers, they will pick up on that quickly and go to someone else who does.

If you don't care about how the experience of working with you matters to your customers, don't do nurturing. Don't invest in software that makes it easy for you to communicate that you don't care. Think about the game "Mother, may I?" When customers can block your e-mail and have a choice about where to spend their money, they will invariably go back to that place where they were intentionally made to feel special. Permission marketing is all about respecting your customer. Then it's about attraction. Only with permission do you have the right to pursue the relationship.

Attraction is first about being appropriate. It means you are relevant in the customer's world and they feel relevant in yours. Then comes seduction. In the past, these words had no place in marketing. In a one-to-one world, where the customer is back in control of communications, when you can't barrage and harangue people with advertising because it costs too much, businesses that understand words like permission, attraction and seduction will go to the head of the class.

ULTIMATE NET VALUE

Identify your top 20 customers in order. Are they all "A" customers? If not, which ones are? "A" customers constitute the heart of your business. They give you about 80% of your revenue stream. If you do nothing else, at least take the time to nurture this critical constituency.

To determine the ultimate net value (UNV) of your A customers, ask questions like:

- In the first year, how much income is an A customer worth?

- How long does an A customer typically stay an A customer?
- How many A referrals do we get from A customers over their life cycle?
- Is each customer in a fast-growth or slow-growth mode?
- Was last year's volume trend up or down? A little or a lot? Were we surprised or did we know about it? What are the implications of that?

You have to know your top customers' UNVs because you can't afford to let the high UNV customers get away.

When customers are in fast-growth mode, they will typically make buying decisions within four to seven contacts. If they are in a slow-growth mode, they will make decisions within 14 to 20 contacts. If all your customers are in slow growth mode, find out how long that has been going on. Is the industry declining? Look at last year's volume and see which way the trend is headed.

How much did you spend last year solely for the purpose of telling customers, "I love you?" How much fertilizer are you putting on your crop of customers? Is it enough to warrant the harvest you hope it will give you?

Nurturing isn't just about giving away free stuff It has to do with all the activities that go into customer retention. Most companies agree that nurturing is the right thing to do, and many get started doing it. But it is very easy to shut it down when things get busy. Other priorities always seem to get in the way. That doesn't change the fact, however, that customers are being seduced by more and more competitors all the time. Web sites and e-mail make it easy to be interesting, useful, relevant, consistent, persistent and professional for almost no cost. But they also make you very vulnerable. Unless you have a day-to-day contracted relationship, customers can forget about you very quickly in the blizzard of information they receive.

Don't put together a prospecting plan until you have identified your top 20 customers and their IJNV, This is one of the most important exercises a company can do because it tells you who to target, seduce, cultivate and seek permission to nurture.

Every company should honor three MVPs on an annual basis:

- The person who caused the most cash to flow into the company.
- The service star, the one who best takes care of the customer.
- The person who most lives the vision, mission and values of the company

How much have you invested in these people in terms of salary and training? What is their predominant value to the company? What would it cost you to replace that person at their operating level?

Make a special point to thank and honor these people for their contributions to the company. Give them a small gift. It doesn't have to be lavish, just something to say thanks. One of the fastest growing industries today is small business head-hunting. Large companies like Microsoft, Sun Microsystems and Oracle have to get new employees from somewhere. Most of their new people come from small firms. If you don't make your best people feel special and feel loved, they will listen when those headhunters come calling.

DRIP IRRIGATION

One of the hardest things to do is position and differentiate a small company. Keeping the cash flow going requires that you accept customers you may not want. But if customers don't have a place to put you, they can't remember you. So you have to "be" something. It's easy to be something when you're big. It's not so easy when you're small.

One of the most important parts of marketing, and a great way to position and differentiate the company, is to articulate your unique selling proposition with an "elevator speech" — a 30-second synopsis of who you are, what you do and why it's different from everyone else. When done properly, the elevator speech motivates the right customers to say, "I think we need to talk more."

The book "Crossing the Chasm" by Jeffrey Moore offers a formula on how to write an effective 30-second synopsis of your business. Moore believes that most synopses fail because they start out wrong. When someone asks, "What do you do?" most elevator speeches start with "we." That throws prospects and customers into total chaos because it gives a lot of data without any context of who you serve. According to Moore, every elevator speech should start with the word "for" and then go on to describe the constituency you serve. Once you explain who you serve, then you can describe what you do and how you do it.

In reality, there is no such thing as an elevator speech for a company. Instead, you need to have an elevator speech for each individual client or customer. This makes your solution relevant on a one-to-one basis instead of frying to make it relevant to the whole world.

When farming for money, you don't randomly throw out seeds and see what comes up. First, you decide what to grow. Then you study the lifecycle of the crop you choose. What fertilizer works best? What is its life cycle? What pests can threaten the crop? Once you have learned about how to grow the crop, then you plant the seeds.

The first thing to recognize is that water is the critical element of all life. If you did nothing else to automate, you would put in some way to irrigate your crop on a regular, systematic basis. In business, that's what customer relationship management is all about — drip irrigation technology to take care of your crop of customers.

Drip irrigation can be used to nurture:

- Customers
- Prospects
- Referrals sources
- Centers of influence
- Employees
- Vendors/suppliers

At the very minimum, at least nurture your top 20 customers. Get the names of the one or two people in those companies you really should be in touch with and make a commitment to yourself not to let them forget about you. Make a commitment to put a process in place to "drip" something that is relevant, interesting and useful to them on a regular basis. With today's software, you can do that for only a few hundred dollars.

Drip irrigation tells the customer they are important. But you have to make sure whatever you send to the customer is useful and relevant. Otherwise you can turn disinterested recipients into people who actively dislike you. Also, give recipients plenty of opportunity to take themselves off your nurture list. Never send things to people who don't want to be irrigated. Above all, don't try to get tricky. Customers can detect insincerity from miles away. Remember that nurturing involves personalized, sincere, one-to-one communication with each customer.

Nurturing is an intention to dominate a position on another person's mind, with full integrity, utilizing permission as the philosophy. As long as your nurturing is relevant and useful, and as long as the customer extends permission to you, your job is to make sure that you facilitate the customer's need to know you. That requires a dialog, not a monologue.

Nurture involves more than just sending letters. It involves a science that tells prospects who know nothing about you:

- Who you think the customer is
- Who you think you are
- Where you think the prospect hurts
- What you think you can do to solve that pain
- What the next steps are in the process of getting to know you and do business with you

Nurture has to work on the prospect's schedule, not yours. Have the patience and tenacity to stay in touch with prospects until they tell you to stop.

Three rules of personalized nurture mail:
- Use first class stamps, no bulk rate mail.
- Never use mailing labels or windows because that screams "bulk mail!" The printed name and address must be exactly correct.
- Never advertise on the outside of the envelope. Anything that looks like advertising will

get thrown out without getting opened.

Nurturing involves a dialog whereby you send information to prospects and customers. Far more than direct mail, it is personalized, one-to-one communication. But don't pretend that it involves more than the customer agreeing to take information from you. You can't keep bombing them with high-pressure sales letters asking if they are ready to buy. Positioning yourself in the mind of the customer requires transmitting a series of stories about who you are, what you do and how you can help relieve their pain. The goal is to get prospects to the point that when they are ready to buy your particular product or service, they think of you first. That involves a long-term process, not just a sales letter looking for a deal.

The maximum number of customer contacts is nine times a year, including Christmas cards. In reality, Christmas cards are a waste of money. In most cases, they are insincere. They often don't even get to the person they were sent to. And they just get lost in all the other cards the person/company receives. Instead, send Thanksgiving cards. The card will probably get to the person you want it to go to, and it is an appropriate time for business people to express a feeling of gratitude and thanks for having a relationship of a business nature. A hand-signed letter thanking customers for their business is appropriate any time of year.

Space your nurture mailings six to eight weeks apart. Be very sensitive to your customers as to how often and how much is appropriate. When you talk to customers, ask how the process is going for them. Listen carefully to their responses. Be very sensitive because your customers take it as a relationship. If you come on too strong, you can damage the relationship. One-to-one marketing is far more delicate than mass marketing.

Always make more deposits than withdrawals. Feed many times but harvest once. It is okay to bring people up to date on your company, to offer special deals, or inform them of new products. Those are an acceptable part of a business relationship, but they can't be the only reason for the relationship. When you do that, it feels like you are just firing ads at them.

We live in a very cold, impersonal society. Human beings are desperate for someone to touch them. People need someone to acknowledge that they are alive and real, valued and appreciated and connected as human beings. That's what makes nurture so powerful but also so delicate. Don't approach it without putting a lot of thought into the process.

THE NURTURE PROCESS

The first step in the nurture process involves sending a "deposit," something of value to the prospect/customer. The second piece asks the customer "How are we doing?" This piece can include questions like, "What was it like to be our customer last year? Did you feel nurtured or abandoned?"

When your 20 most important customers get a letter from you saying how important they are and asking what it is like being a customer, it has an amazing impact. If you do it with a hand-signed, cover letter, more than 80 percent will answer it. More important, it will give you very rich feedback about what your business looks and feels like to your best customers, which tells you what it looks and feels like to your most important prospects. You also get an enormous amount of points because you did the gracious thing.

The third contact involves sending a gift. It doesn't have to be lavish or expensive, but something that will have value to the prospect/customer. Be wary of sending anything that could be interpreted as deceptive. Hand-sign the letter.

The fourth offer should contain an offer, something that the customer has to respond to in order to receive. When you send out a gift, such as a book, you don't know whether people read it. If you send a letter offering the book, the people who respond to the offer will probably read it. More important, it shows you those people are reading your nurture letters because they responded. It also shows you are relevant with the things you are offering and gives you continued permission to stay in touch. For these reasons, offers are usually more valuable than gifts.

People can't resist opening mail that has unidentified "lumpy stuff' inside it. But it can't be a gratuitous lumpy. If you trick people into opening the letter, they resent it, no matter what is inside. The lumpy stuff must have some tangible connection to the content of the piece. Be creative. Give people a little twist on what you are asking for. That gets them involved enough to at least consider your request instead of considering it as unadulterated junk mail. Never put advertising on your lumpy stuff.

Two laws of influence that impact the nurture process:

• The law of curiosity. You can't influence someone until you have their attention. Curiosity creates involvement. It stops the way people normally do things and cause them to get involved.

• The law of reciprocity. When you do something for someone else, they feel compelled to do something in return. People don't want to feel obligated or in debt to others.

Make a decision to run your company on a one-to-one relationship basis or stay with mass marketing. If you choose one-to-one you will have to use software technology. If you do anything more than nurture your top 20 customers, you will need some form of automated, systematic follow-up.

Successful companies focus on their A customers. They learn everything they can about them and then do everything possible to make them feel at home. Take your top 20 customers through a carefully-planned series of contacts that say "Thank you" and ask