

9.6 Interacting with Your Customers

LEARNING OBJECTIVES

1. Explain how companies manage customer relationships.
2. Describe social media marketing and identify its advantages and disadvantages.

Customer-Relationship Management

Customers are the most important asset that any business has. Without enough good customers, no company can survive, and to survive, a firm must not only attract new customers but, perhaps more importantly, also hold on to its current customers. Why? Because repeat customers are more profitable. It's estimated that it costs as much as six times more to attract and sell to a new customer than to an existing one. Randall B. Bean, "We're Not There Yet," *Direct Marketing Business Intelligence*, September 30, 1999, http://directmag.com/mag/marketing_not_yet/index.html (accessed October 13, 2011). Repeat customers also tend to spend more, and they're much more likely to recommend you to other people.

Retaining customers is the purpose of **customer-relationship management**—a marketing strategy that focuses on using information about current customers to nurture and maintain strong relationships with them. The underlying theory is fairly basic: to keep customers happy, you treat them well, give them what they want, listen to them, reward them with discounts and other loyalty incentives, and deal effectively with their complaints.

Take Caesars Entertainment Corporation (formerly Harrah's Entertainment), which operates more than fifty casinos under several brands, including Caesars, Harrah's, Bally's, and Horseshoe. Each year, it sponsors the World Series of Poker with a top prize of \$9 million. Caesars gains some brand recognition when the twenty-two-hour event is televised on ESPN, but the real benefit derives from the information cards filled out by the seven thousand entrants who put up \$10,000 for a chance to walk away with \$9 million. Data from these cards is fed into Caesars database, and almost immediately every entrant starts getting special attention, including party invitations, free entertainment tickets, and room discounts. The program is all part of Harrah's strategy for targeting serious gamers and recognizing them as its best customers. "Two Remain at World Series of Poker," *ESPN Poker*, November 7, 2010, <http://sports.espn.go.com/espn/poker/news/story?id=5776591&source=ESPNHeadlines> (accessed October 22, 2011); Stephane Fitch, "Stacking the Deck: Harrah's Wants Your Money," *Forbes*, July 5, 2004, <http://www.forbes.com/business/forbes/2004/0705/132.html> (accessed May 21, 2006).

Sheraton Hotels uses a softer approach to entice return customers. Sensing that its resorts needed both a new look and a new strategy for attracting repeat customers, Sheraton launched its "Year of the Bed" campaign: in addition to replacing all its old beds with luxurious new mattresses and coverings, it issued a "service promise guarantee"—a policy that any guest who's dissatisfied with his or her Sheraton stay will be compensated. The program also calls for a customer-satisfaction survey and discount

offers, both designed to keep the hotel chain in touch with its customers. “Sheraton Hotels Lure Travelers with the Promise of a Good Night’s Sleep in New \$12 Million Television and Print Ad Campaign,” Hotel News Resource, http://www.hotelnewsresource.com/article10706Sheraton_Hotels_Lure_Travelers_with_the_Promise_of_a_Good_Night_s_Sleep_in_New_Million_Television_and_Print_Ad_Campaign.html (accessed October 22, 2011).

Another advantage of keeping in touch with customers is the opportunity to offer them additional products. Amazon.com is a master at this strategy. When you make your first purchase at Amazon.com, you’re also making a lifelong “friend”—one who will suggest (based on what you’ve bought before) other things that you might like to buy. Because Amazon.com continually updates its data on your preferences, the company gets better at making suggestions. Now that the Internet firm has expanded past books, Amazon.com can draw on its huge database to promote a vast range of products, and shopping for a variety of products at Amazon.com appeals to people who value time above all else.

Permission versus Interruption Marketing

Underlying Amazon.com’s success in communicating with customers is the fact that customers have given the company permission to contact them. Companies that ask for customers’ cooperation engage in **permission marketing**. Seth Godin, *Permission Marketing: Turning Strangers into Friends, and Friends into Customers* (New York: Simon & Schuster, 1999), 40–52. The big advantage is focusing on an audience of people who have already shown an interest in what they have to offer. Compare this approach with **mass marketing**—the practice of sending out messages to a vast audience of anonymous people. If you advertise on TV, you’re hoping that people will listen, even though you’re interrupting them; that’s why some marketers call such standard approaches **interruption marketing**. Anthony Bianco, “The Vanishing Mass Market,” *Business Week*, July 12, 2004, 61–68. Remember, however, that permission marketing isn’t free. Because winning and keeping customers means giving them incentives, Caesars lets high rollers sleep and eat free (or at a deep discount), Norwegian Cruise Line gives members of its past guest program, Latitudes, discounts on sailings, priority check-in, and members-only cocktail parties. Customer-relations management and permission marketing have actually been around for a long time. But recent advances in technology, especially the Internet, now allow companies to practice these approaches in more cost-effective ways.

Social Media Marketing

In the last five years, the popularity of **social media marketing** has exploded. Most likely you already know what social media is—you use it every day when you connect to Facebook, Twitter, LinkedIn, YouTube, or any number of other online sites that allow you to communicate with others, network, and bookmark and share your opinions, ideas, photos, and videos. So what is social media marketing? Quite simply social media marketing is the practice of including social media as part of a company’s marketing program.

Why do businesses use social media marketing? Before responding, ask yourself these questions: How much time do I spend watching TV? When I watch TV, do I sit through the ads? Do I read the newspaper? What about magazines—when was the last time I sat for hours reading a magazine, including the ads? How do I spend my spare time? Now, put

yourself in the place of Annie Young-Scriver, global chief marketing officer of Starbucks. Does it make sense for her to spend millions of dollars to place an ad for Starbucks on TV or in a newspaper or magazine? Or should she instead spend the money on social media marketing initiatives that have a high probability of connecting to Starbucks's market?

For companies like Starbucks, the answer is clear. The days of trying to reach customers through ads on TV, in newspapers, or in magazines are over. Most television watchers skip over commercials (or avoid the ads by using TiVo), and few Starbucks's customers read newspapers or magazines, and even if they do, they don't focus on the ads. Social media marketing provides a number of advantages to companies, including enabling them to:

Devon G. Artis, "Advantages of Social Media Marketing," *Ezine Articles*, <http://ezinearticles.com/?Advantages-of-Social-Media-Marketing&id=6111206> (accessed October 27, 2011); Susan Ward, "Social Media Marketing," *About.com*, <http://sbinfocanada.about.com/od/socialmedia/g/socmedmarketing.htm> (accessed October 11, 2011); Laura Lake, "Social Media Marketing— Is It Right for your Business?," *About.com*, <http://marketing.about.com/od/internetmarketing/a/socialmediaforyourbiz.htm> (accessed October 27, 2011).

- create brand awareness;
- connect with customers and potential customers by engaging them in two-way communication;
- build brand loyalty by providing opportunities for a targeted audience to participate in company-sponsored activities, such as a contest;
- offer and publicize incentives, such as special discounts or coupons, which increase sales;
- gather feedback and ideas on how to improve products and marketing initiatives;
- allow customers to interact with each other and spread the word about a company's products or marketing initiatives; and
- take advantage of low-cost marketing opportunities by being active on free social sites, such as Facebook.

To get a flavor of the power of social media marketing, let's look at social media campaigns of two leaders in this field: PepsiCo (Mountain Dew) and Starbucks. Zachary Sniderman, "5 Winning Social Media Campaigns to Learn From," *Mashable Business*, September 14, 2010, <http://mashable.com/2010/09/14/social-media-campaigns/> (accessed October 21, 2011).

Mountain Dew (PepsiCo)

When PepsiCo announced it wouldn't show a television commercial during the 2010 Super Bowl game, it came as a surprise (probably a pleasant one to its competitor, Coca-Cola, who had already signed on to show several Super Bowl commercials). What PepsiCo planned to do instead was invest \$20 million into social media marketing campaigns. One of PepsiCo's most successful social media initiatives was to extend the DEWmocracy campaign, which two years earlier, resulted in the launch of product—Voltage—created by Mountain Dew fans. DEWmocracy 2 was a yearlong marketing campaign designed to create another Mountain Dew drink. The campaign was rolled out nationally in seven stages and engaged a number of social media outlets, including an online community of enthusiastic fans of Mountain Dew, Twitter, USTREAM (a live video streaming website), a 12secondTV.com video contest, and a dedicated YouTube channel. Matthew Yeomans, "Mountain Dew's Ongoing Dewmocracy—Ripping Up the

Book on Campaigns," SMI, January 29, 2010, <http://socialmediainfluence.com/2010/01/29/mountain-dews-ongoing-dewmocracy-ripping-up-the-book-on-campaigns/> (accessed October 28, 2011); Jennifer Cirillo, "DEWmocracy 2 Continues to Buzz," *Beverage World*, http://www.beverageworld.com/index.php?option=com_content&view=article&id=37525&catid=34 (accessed October 28, 2011). According to Mountain Dew's director of marketing, the goal of the campaign was "to engage in a direct dialogue with our consumers. And through this dialogue really start what we like to call a social movement in order to create this innovation." Jennifer Cirillo, "DEWmocracy 2 Continues to Buzz," *Beverage World*, http://www.beverageworld.com/index.php?option=com_content&view=article&id=37525&catid=34 (accessed October 28, 2011). The flavors created through fan input are Whiteout (a citrus flavor that is white), Typhoon (a punch flavor), and Distortion (a hint of lime). All three flavors were launched in the spring of 2010, and it was up to the fans to select the best flavor, which would become a permanent member of Mountain Dew's offerings. And the winner was Whiteout. "The Winner," DEWmocracy, <http://www.dewmocracy.com> (accessed October 28, 2011) In addition to using fans to select the best flavors, the campaign used forums and live chats to allow fans to create the packaging, graphics, and social marketing for the products using viral videos, Twitter, and professional commercials. Jennifer Cirillo, "DEWmocracy 2 Continues to Buzz," *Beverage World*, http://www.beverageworld.com/index.php?option=com_content&view=article&id=37525&catid=34 (accessed October 28, 2011).

Speaking of professional commercials, all you Super Bowl fans and followers of Super Bowl ads will be glad to hear that PepsiCo reversed its position, and its ads were showcased in the 2011 Super Bowl. It was likely a little jealous of its competitor, Coca-Cola, who was very effective at combining its Super Bowl ads with a social media campaign. Facebook fans who went online and donated \$1 to the Boys & Girls Club of America received an image of a Coca-Cola bottle to post on their Facebook page and a twenty-second sneak preview of one of Coca-Cola's Super Bowl ads. "Coca-Cola Virtual Gifts Trigger Peek at Super Bowl Ads," *Promo*, February 4, 2010, <http://promomagazine.com/viralmarketing/news/cocacola-virtual-gifts-0204/> (accessed October 28, 2011).

Starbucks

One of most enthusiastic users of social media marketing is Starbucks. Let's look at a few of their recent promotions: discount for "Foursquare" mayors, free coffee on Tax Day via Twitter's promoted tweets, and a free pastry day promoted through Twitter and Facebook. Zachary Sniderman, "5 Winning Social Media Campaigns to Learn From," *Mashable Business*, September 14, 2010, <http://mashable.com/2010/09/14/social-media-campaigns/> (accessed October 21, 2011).

Discount for "Foursquare" Mayors of Starbucks

This promotion was a joint effort of Foursquare and Starbucks. Foursquare is a mobile social network, and in addition to the handy "friend finder" feature, you can use it to find new and interesting places around your neighborhood to do whatever you and your friends like to do. It even rewards you for doing business with sponsor companies, such as Starbucks. The individual with the most "check in's" at a particular Starbucks holds the title of mayor. For a period of time, the mayor of each store got \$1 off a Frappuccino. Those who used Foursquare were particularly excited about Starbucks's nationwide

mayor rewards program because it brought attention to the marketing possibilities of the location-sharing app. Jennifer Van Grove, "Mayors of Starbucks Now Get Discounts Nationwide with Foursquare," *Mashable Business*, May 17, 2010, <http://mashable.com/2010/05/17/starbucks-foursquare-mayor-specials/> (accessed October 28, 2011)

Free Coffee on Tax Day (via Twitter's Promoted Tweets)

Starbucks was not the only company to give away freebies on Tax Day, April 15, 2010. Lots of others did. Jennifer Van Grove, "Celebrate Tax Day with Free Stuff", *Mashable Business*, April 15, 2010, <http://mashable.com/2010/04/15/tax-day-2010-freebies/> (accessed October 28, 2011). For example, Cinnabon gave away free cupcake bites, Dairy Queen gave free mini blizzards, and Maggie Moo's offered a free slice of their new Maggie Moo ice cream pizza. But it was the only company to spread the message of their giveaway on the then-new Twitter's Promoted Tweets platform (which went into operation on April 13, 2010). Promoted Tweets are Twitter's means of making money by selling sponsored links to companies. Amir Efrati, "How Twitter's Ads Work", *Wall Street Journal*, July 28, 2011, <http://blogs.wsj.com/digits/2011/07/28/how-twitters-ads-work/> (accessed October 28, 2011). Keeping with Twitter's 140 characters per tweet rule, Starbucks's Promoted Tweet read, "On 4/15 bring a reusable tumbler and we'll fill it with brewed coffee for free. Let's all switch from paper cups." The tweet also linked to a page that detailed Starbucks's environmental initiatives. Dianna Dilworth, "Twitter Debuts Promoted Tweets; Virgin America, Starbucks among First To Use Service," *Direct Marketing News*, April 13, 2010, <http://www.dmnews.com/twitter-debuts-promoted-tweets-virgin-america-starbucks-among-first-to-use-service/article/167885/> (accessed October 28, 2011).

Free Pastry Day (Promoted through Twitter and Facebook)

Starbucks's "free pastry day" was promoted on Facebook and Twitter. "Starbucks Free Pastry Day: July 21, 2009," Starbucks's Facebook Event Page, <http://www.facebook.com/event.php?eid=111190617889> (accessed October 28, 2011). As the word spread from person to person in digital form, the wave of social media activity drove more than a million people to Starbucks's stores around the country in search of free food. Jennifer Van Grove, "Starbucks Used Social Media to Get One Million to Stores in One Day," *Mashable*, June 08, 2010, <http://mashable.com/author/jennifer-van-grove/> (accessed October 28, 2011)

As word of the freebie offering spread, Starbucks became the star of Twitter, with about 1 percent of total tweets commenting on the brand. That's almost ten times the number of mentions on an average day. It performed equally well on Facebook's event page where almost 600,000 people joined their friends and signed up as "attendees." This is not surprising given that Starbucks is the most popular brand on Facebook and the first to reach the 10-million fan mark. Mark Walsh, "Starbucks Tops 10 Million Facebook Fans," *Marketing Daily*, Jul 14, 2010, <http://www.mediapost.com/publications/article/132008/> (accessed October 28, 2011).

How did Starbucks achieve this notoriety on Facebook? According to social media marketing experts, Starbucks earned this notoriety by making social media a central part of its marketing mix, distributing special offers, discounts, and coupons to Facebook users and placing ads on Facebook to drive traffic to its page. As explained by the CEO of Buddy Media, which oversees the brand's social media efforts, "Starbucks has provided Facebook users a reason to become a fan." Adam Ostrow, "Starbucks Free Pastry Day: A

Social Media Triple Shot," *Mashable Social Media*, July 21, 2009, <http://mashable.com/2009/07/21/starbucks-free-pastry-day/> (accessed October 28, 2011).

Social Media Marketing Challenges

The main challenge of social media marketing is that it can be very time consuming. It takes determination and resources to succeed. Small companies often lack the staff to initiate and manage social media marketing campaigns. Susan Ward, "Social Media Marketing," *About.com*, <http://sbinfocanada.about.com/od/socialmedia/g/socmedmarketing.htm> (accessed October 25, 2011). Even large companies can find the management of media marketing initiatives overwhelming. A recent study of 1,700 chief marketing officers indicates that many are overwhelmed by the sheer volume of customer data available on social sites, such as Facebook and Twitter. Georgina Prodhan, "Marketers Struggle to Harness Social Media—Survey," *Reuters*, October 11, 2011, <http://www.reuters.com/article/2011/10/11/socialmedia-ibm-idUSL5E7LA3JO20111011> (accessed October 28, 2011). This is not surprising given that Facebook has more than eight hundred million active users, and two hundred million tweets are sent each day. The marketing officers recognize the potential value of this data but are not capable of using it. A chief marketing officer in the survey described the situation as follows: "The perfect solution is to serve each consumer individually. The problem? There are 7 billion of them." Georgina Prodhan, "Marketers Struggle to Harness Social Media—Survey," *Reuters*, October 11, 2011, <http://www.reuters.com/article/2011/10/11/socialmedia-ibm-idUSL5E7LA3JO20111011> (accessed October 28, 2011). In spite of these limitations, 82 percent of those surveyed plan to increase their use of social media marketing over the next 3 to 5 years. To understand what real-time information is telling them, companies will use analytics software, which is capable of analyzing unstructured data. This software is being developed by technology companies, such as IBM, and advertising agencies.

The bottom line: what is clear is that marketing, and particularly advertising, has changed forever. As Simon Pestrige, Nike's global director of marketing for Greater China, said about Nike's marketing strategy, "Simon Pestrige From Nike Makes Future Advertising Sound Simple," *Ronnestam.com*, March 19, 2010, <http://www.ronnestam.com/simon-pestrige-from-nike-make-future-advertising-sound-simple/> (accessed October 28, 2011). "We don't do advertising any more. We just do cool stuff...but that's just the way it is. Advertising is all about achieving awareness, and we no longer need awareness. We need to become part of people's lives and digital allows us to do that."

KEY TAKEAWAYS

- Because customers are vital to a business, successful companies practice **customer-relationship management**—retaining good customers by keeping information on current customers, to foster and maintain strong ongoing relationships.
- Companies that ask customers if they can contact them are engaged in **permission marketing**.
- **Mass marketing** is the practice of sending out messages to a vast audience of anonymous people.
- TV advertising is a form of **interruption marketing** that interrupts people to get their attention (with the hope they will listen to the ad).

- **Social media marketing** is the practice of including social media as part of a company's marketing program.
- Advantages of social media marketing include the following:
 - Create brand awareness
 - Engage customers and potential customers in two-way conversations
 - Build brand loyalty
 - Offer and publicize incentives
 - Gather feedback on products and marketing initiatives
 - Have customers spread the word about products and marketing initiatives
 - Use low-cost marketing opportunities
- A challenge of social media marketing is that it can be very time consuming to stay in touch with your customers and potential customers.

EXERCISES

1. (AACSB) Analysis

If you ran an airline, how would you practice CRM? How would you get permission to market your product to customers? What information would you collect on them? What incentives would you offer them to continue flying with you? What advantages can you gain through effective CRM?

2. One of the most successful social media marketing campaigns was for Old Spice. Procter & Gamble enlisted former NFL wide receiver Isaiah Mustafa to star in a number of videos pointing out to women that their men could be as fantastic as he is if only they wore Old Spice aftershave. Review the following articles, watch the videos embedded in the articles, and answer the listed questions.

- Brenna Ehrlich, "The Old Spice Social Media Campaign by the Numbers, Mashable Business," *Mashable*, July 15, 2010, <http://mashable.com/2010/07/15/old-spice-stats/>
- Samuel Axon, "Top 10 Funniest Old Spice Guy Videos," *Mashable Business*, <http://mashable.com/2010/07/18/old-spice-guy-videos/> (accessed October 27, 2011).]
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- Describe the campaign and identify the goal of the campaign.
- How was this campaign different from anything done in the past?
- Did you like the videos? Why or why not?
- Would you buy Old Spice products? Why or why not?