

The Art of Conversation:

Dialogue Marketing and the Business-to-Business Relationship

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Think of the last time you needed to buy a new car or an expensive major appliance. If you relied on previous experience or suggestions from others, your task was easy. But if you weren't planning the purchase and needed a little convincing, or if you had no idea what you wanted to buy or from whom to buy it, the process was considerably more daunting. You probably made a mental list of the brand names you knew, looked at advertisements, perhaps did some research on the Internet. After narrowing the field, you may have studied brochures and *Consumer Reports* to determine which products had the features and quality you were seeking. After again narrowing your choices, you may have visited a store or talked to a salesperson, looked for a good deal, and decided on product options. Finally, you negotiated a price and made a purchase. You may have spent months in the process, and it probably didn't end with the sale. A conscientious retailer may have followed up with information on new product features, reminders for service, and inquiries on your level of satisfaction. Marketers like to call this the „buying process.“ It's complex and can demand a great deal of effort on the part of the consumer.

As a marketer, imagine that you could minimize both the consumer's effort and your own – creating demand and sales leads in a coordinated fashion, while simultaneously enhancing customer loyalty and increasing positive word of mouth. This is the principle behind dialogue marketing – a structured program of ongoing, two-way communication. A number of companies are undertaking these programs to establish and sustain productive relationships with clients. With a high capacity for generating broad-based interest, creating sales opportunities, and sustaining ongoing relationships, dialogue-marketing programs are fast becoming the centerpiece of many firms' broad marketing efforts. They can be especially effective in business-to-business settings or for marketing high-priced „discretionary“ consumer goods, where relationships need time to develop and potential clients take great care in selecting providers.

According to Lysle Wickersham, CEO of Wickersham Hunt Schwantner, an integrated advertising agency in Boston, „Dialogue is a key component of integrated communications today. It works on a number of levels. First, it's self-teaching and therefore improves with each successive interaction. Next, it allows consumers to control the process based on their particular informational needs. Perhaps most significantly, it's efficient, because the consumer initiates part of the interaction. This initiative is, of course, what the marketers are looking for – consumers who are willing to qualify their interest, and in doing so, help the marketers invest their best efforts in their best, most qualified prospects.“

But dialogue programs are by nature highly ambitious and require tremendous focus, process and information management skills, internal collaboration, and cost-control discipline. In this article, we outline the general framework for developing a dialogue marketing program and suggest 10 guiding principles for implementing such programs successfully.

The Purchase Funnel – A Hierarchy of Effects

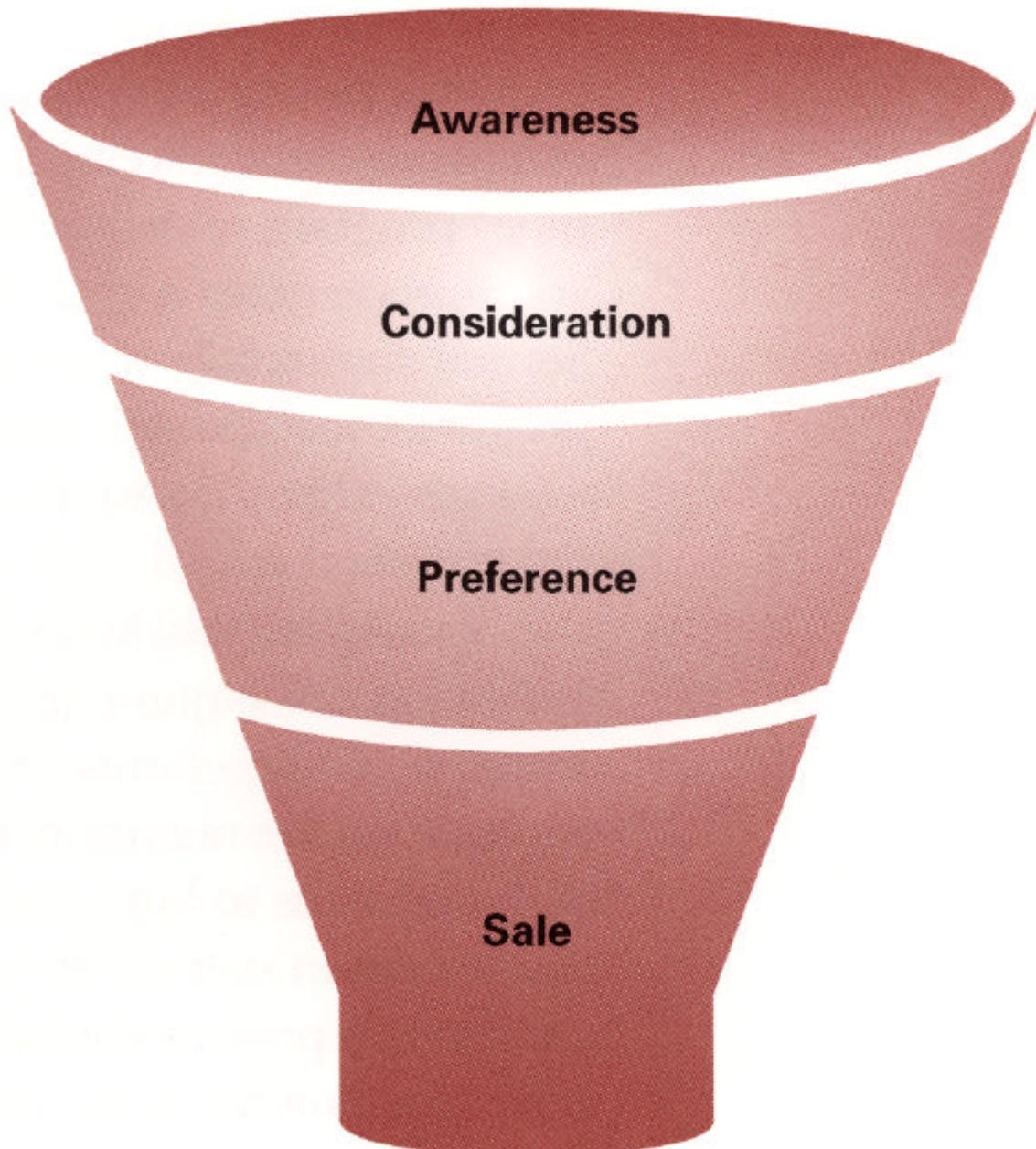
Dialogue marketing works because it is based on a simple principle of human nature: people tend to interact with those they already know and trust. It rests on a core concept known as the „hierarchy of effects“ (a.k.a., the „purchase funnel“), which describes the process a targeted client undergoes – from first developing a general awareness of a company's capabilities, to understanding the specific benefits the firm can offer, to choosing to become a customer, to finally remaining a client and making referrals (Exhibit 1). As potential clients pass through the various levels of the hierarchy, they experience brand momentum, gain deeper knowledge of the firm, and develop attitudes and opinions about its products or services – while the firm, in turn, learns more about the specific needs of its prospects. Eventually, several prospects will establish a preference for the firm's products or services, and some will buy them. After the sale, the program continues, strengthening the company/client relationship by contributing to its „shared history“ and complementing service or product delivery.

An effective dialogue-marketing program sets specific communication objectives at each level of the relationship, as well as processes for identifying the best opportunities for further communication. An appropriate analogy is a course in school. Rather than dumping a weighty stack of materials in a student's lap on the first day of class, a professor spreads out the information over time, gradually increasing its complexity and building on previous lessons. With dialogue marketing, every piece of the curriculum should build on past communications, spark collaborative dialogue, and elicit feedback, which the marketer can then address with a new communication strategy, program, or tactic. This „communication loop“ – a sequential „send/ receive/send“ series of events and meetings that always requests, and requires, customer feedback and input – should continually generate information to perpetuate the dialogue. The key is for the marketer to analyze responses

promptly and follow up appropriately on concerns and requests. Importantly, the communication loop allows the marketer to customize every message, so that each communication addresses a prospect's expressed needs. Thus the company never bores the prospect with information he or she doesn't want or already understands.

Exhibit 1

The Purchase Funnel: A Hierarchy of Effects



The Dialogue-Marketing Curriculum

While the curriculum for dialogue marketing can comprise the entire range of marketing approaches, companies must develop a sustained, aligned, „just-in-time“ program to deliver these various vehicles at the appropriate times and to the appropriate individuals. Several automobile manufacturers have instituted such programs successfully, with a process as follows. First, through various media, they advertise a model, prompting prospects to call a toll-free number or visit a Web site, thereby establishing awareness of the model. Following this inquiry, they send appropriate collateral material and brochures on specific models, as well as a questionnaire regarding the prospect's specific needs and intentions to buy – to funnel prospects into the consideration stage. If the prospect replies, the companies then present the customer with a personalized offer

based on his or her expressed preferences – incorporating, for instance, offers for a test drive, a lifetime warranty, or a rebate. In addition, the manufacturer might notify a local dealer to contact the prospect personally and provide tailored incentives. And if after all this attention, the buyer consummates the relationship with a purchase, the dialogue continues with exclusive offers and loyalty programs to make the customer feel good about it. Although it requires an extensive commitment throughout the process, dialogue marketing can create customers that last a lifetime. By using the power of information technology, such programs can create the kind of intimate customer relationships reminiscent of small-town enterprises and „home-grown“ businesses.

As Wickersham sees it, the Internet will be the primary catalyst for expanding the dialogue process. „Dialogue is available to anyone with a phone. But consumers tend to view this medium as intimidating and intrusive. Web-based dialogue frees the consumer from the sales pressure usually associated with telemarketing and allows consumers a level of control in the information-gathering process. The penetration of on-line services throughout the world will govern how widespread the dialogue process will become.“

Although dialogue marketing is not a „one-size-fits-all“ approach, companies do not need to produce new material for each interaction, especially in the early phases. Using an internal knowledge network to modify each campaign as needed, companies can provide specific responses to client needs, keeping in mind the nature and stage of each relationship.

„You could argue that the marketing community delivers an overabundance of messaging, forcing consumers to edit out the noise from the information they think is important,“ says Wickersham. „But a message taken out of context is subject to misinterpretation. In a dialogue you can provide consumers with information in context, addressing concerns or issues as they arise.“

Effective programs monitor and track each account’s or prospect’s interests and concerns, evaluate their relevance, and identify appropriate responses for nurturing the account in alignment with the company’s strategic goals. Of course, at the core of any good dialogue marketing program is a database. A database can help determine, track, and influence the progress of a client’s awareness of the company. A sophisticated database also has predictive modeling capabilities that can enhance the effectiveness of such programs and assess the risk of individual marketing tactics. A company can use information generated by its marketing database to expand the firm’s collective knowledge of its clients and prospects. This learning, in turn, enhances the firm’s ability to address each client’s interests and needs.

Although every dialogue marketing program is different – reflecting the product or service, objectives of the program, creativity of staff, and budget – the principles of building such programs are the same. The process starts with awareness and moves through consideration and preference to sales (see Exhibit 2).

Awareness. At the awareness level, the firm aims to establish recognition of its products and services among a targeted client base. This targeted base should be segmented into separate tracks for prospects that have some familiarity with the firm and those who do not. Any marketing medium can be used, but should reflect the degree to which a mass appeal or targeted approach is appropriate. The goal is to get members of the target audience to „raise their hands“ and identify themselves as potentially interested in the firm’s products or services.

Wickersham points out, „Awareness is a marketer’s goal, not necessarily a consumer’s requirement. What consumers take away at the awareness level is an image about a brand. If that impression is negative or, as is more often the case, neutral, the opportunity for dialogue is slim. We believe you can’t interact in a vacuum.

Each phase and component of communication must build the brand. Otherwise, the process will likely terminate.“

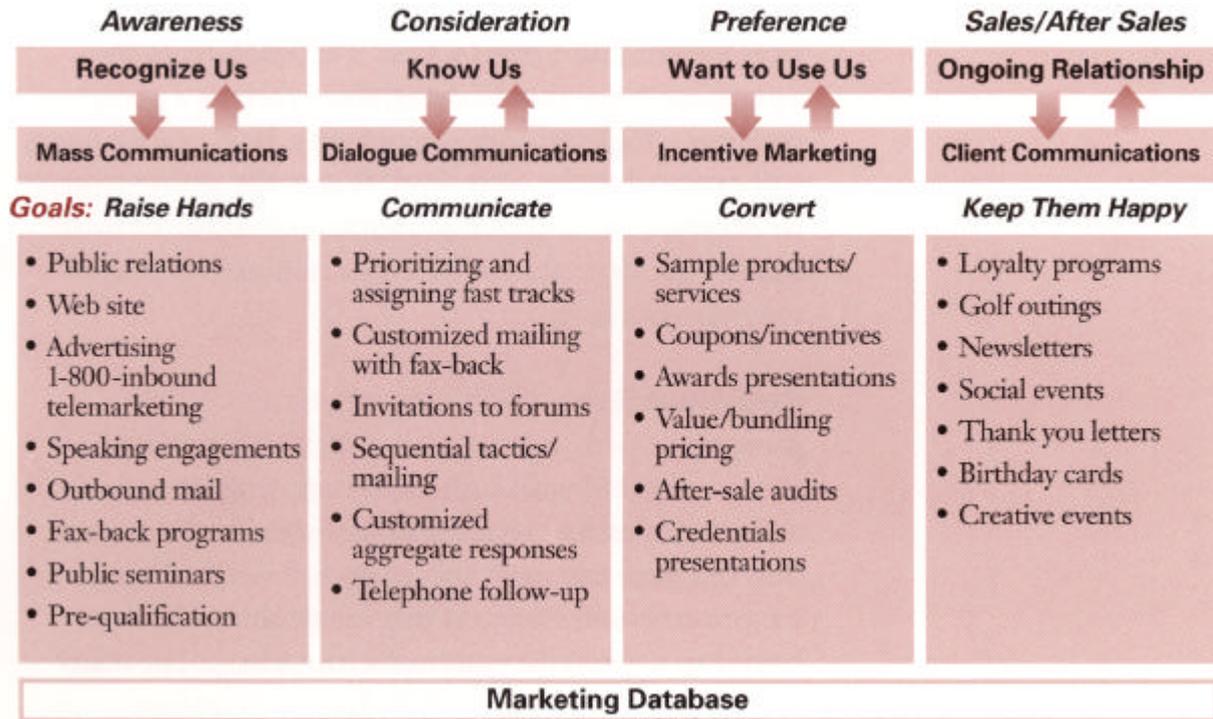
Rather than barraging prospective customers with brochures or other general corporate information, it’s best to look for more interactive ways to „break the ice.“ For instance, a company might at this stage use a fax-back survey (along with a tailored cover letter briefly introducing the firm, its credentials, and capabilities) to capture information about prospective customers’ activities and interests. Or it might send a questionnaire on prospective customers’ „top five concerns,“ topics of interest, or depictions of critical issues facing their industry. Many mass-consumer companies are masters at „getting a foot in the door“ with such techniques. Korean car manufacturer Daewoo, for instance, once invited people to send in their worst horror stories about dealing with the motor trade. The top 100 respondents won a Daewoo car to „test drive“ for a year, and the company procured a sizable database of prospective clients.

„The concept behind any dialogue has to be focused on increasing the consumer’s sense of comfort or value,“ says Wickersham. „If you offer incentives on brands people don’t accept or know, you aren’t offering anything. But if your offer underscores a key value of your proposed relationship, an incentive can work wonders.“ For Winstar Telecommunications, for instance, Wickersham’s firm offered busy small-business owners and managers tickets to a major league baseball game or dinner for two in exchange for agreeing to meet with Winstar representatives. (Winstar sells business telecommunications services.) „There was no catch, just an

acknowledgment that Winstar knew the business owners' time was valuable and that, if they were going to take the time to sit down with Winstar, then Winstar would try to reward the investment in an informal, yet personal way. It worked well, eliciting a double-digit response in the world's most competitive industry."

Exhibit 2

The Four Stages of Dialogue Marketing



A number of companies are using their Web sites to begin this initial dialogue by providing on-line discussion forums and e-mail access. Feedback from the awareness stage should determine whether a prospect presents a high-priority opportunity. If so, the dialogue will proceed to the next level. If not, the dialogue may be dropped or, depending on the probability of future opportunities, may continue at a minimal awareness-maintenance level.

Consideration. Once a firm determines that a prospect's needs are consistent with its capabilities, it should respond with a series of high-impact materials and programs that spark dialogue specifically around how the firm can meet the prospect's needs. Using a more customized marketing curriculum, the firm begins to tighten the communications loop. For many service firms, the goal of this phase is to initiate face-to-face meetings that can convert prospects into specific leads. Follow-up calls, telemarketing, customized letters, and reminders are all part of this stage.

At times, prospects will express numerous concerns in their various replies. Rather than overwhelming the prospect by responding to all of these at once, restraint is in order. Companies have found that in many cases, it is better to nurture the dialogue, develop rapport, and demonstrate over time that they are listening and responding to concerns.

Preference. At the preference stage, the firm's dialogue should become extremely precise and direct – demonstrating that it has heard the prospect's needs and can provide specific solutions to meet them that are better than those offered by the competition.

Whereas at the awareness and consideration phases, you can „broadcast“ communications to a larger audience, the later phases require a highly tailored, one-on-one approach. At this point, the seller should have detailed knowledge of the prospect, including knowledge of how and where the prospect might use a product, the prospect's feelings toward the company, and what it will take to make the sale. Then, using this knowledge (sometimes on a case-by-case basis), the marketer can use incentive marketing approaches to get the buyer to act

– through coupons or sales-incentives in mass-retail business segments, or warranties, guarantees, or special trial periods in service or discretionary product markets.

Many technology companies, especially direct-order PC vendors, use dialogue not only to determine preference but to consummate the sale. „In fact, many marketers in these industries believe you can't sell a product without some level of interactive dialogue,“ says Wickersham. „Car buying has always been about dialogue – a dialogue that takes place at the showroom in a face-to-face environment. Today, we can move that process forward in venues other than the point-of-sale.“

Sale/After Sales. In this last stage of the relationship, the seller aims to solidify the sale, establish customer loyalty, generate future sales and referrals, and develop friendly, long-term relationships. To maintain and deepen client relationships, high-level company personnel should make the effort to ensure that individuals at client organizations understand they are important and valued. Special treatment works best. Events – dinners, musical performances, golf tournaments, award nominations, and the like – can play an essential role. Of course, the budget for such programs should reflect the relative importance of each client to the firm. While perhaps seeming expensive, loyalty programs can be not only cost-effective but strategically essential, and many studies have shown that it is often more cost-effective to cultivate existing relationships than to establish new ones.

The credit-card, long-distance telephone, and airline industries certainly adhere to this belief, with new loyalty programs emerging in these industries all the time. American Express, for example, recently launched its Custom Extras program, which rewards its customers on the basis of their personal spending patterns while using their AmEx card. For instance, a person who spends a certain amount at a clothing store might receive a gift certificate for that store. With award points tallied on the monthly bill (the only direct-mail piece with a 100 percent readership rate!) „we've turned the monthly bill into a marketing statement,“ says Bruce Grieve, Vice President, Global Rewards. Chrysler Corporation has wowed its customers with „Camp Jeep,“ an annual event for Jeep owners that includes an off-road expedition, live entertainment, and talks with engineers. Camp Jeep attendees are, of course, asked to fill out questionnaires, further augmenting Chrysler's database.

The „Ten Commandments“ of Dialogue Marketing

1. *Develop a clear statement of your objectives in terms of the Hierarchy of Effects.* Distinguish, for instance, the relative significance of raising awareness versus converting sales in a particular region or market segment, and synchronize these efforts accordingly.
2. *Allow consumers to select their points of entry.* Let those who know your company bypass basic corporate information through modular accessible messaging. For instance, throughout their catalogues and Web sites, PC direct marketers create integrated messages conveying the brand, the value of the channel, and what customers can expect from their companies, while also allowing knowledgeable consumers to quickly bypass this information and conduct transactions.
3. *Create a knowledge-loop mechanism and process to gather information about your prospects and create appropriate return responses.* Think of creative ways to get your targets to respond and share information about themselves.
4. *Be patient!* Communicate frequently with an open inventory of messages over an extended period. Build brand appeal until the prospect is ready to initiate a dialogue.
5. *Demonstrate the value and benefit associated with interacting* so that consumers will want to interact.
6. *Maintain contact with customers and clients.* A surprising number of marketers simply forget about communicating with customers after converting the sale. Current users of services and products often represent the largest opportunity for new business and cross-selling. Give them special treatment, communicate with them often, „surprise“ them with good news and information, and make them feel that their business is important to your company.
7. *Calculate the steps, timing, and order of your communications to move prospects sequentially through the dialogue framework.* Then let customers enter the sequence in a place that they find comfortable and appropriate.
8. *Segment your prospects, customize your responses, and adapt tactics and programs based on the knowledge you gain from prospects.* Although such advice may seem obvious, many companies fail to properly segment their prospects when executing their programs, and so send imprecise signals to prospects.
9. *Invest in your marketing database!* It will take significant time and thought to design and implement a database with the comprehensive capabilities needed for a dialogue marketing program. Since the database will be at the heart of the dialogue marketing process and all sequential actions, it must be not only predictive and dynamic, but also easy to use. Use predictive and statistical tools to test new approaches on sample audiences and to experiment with new ways to talk to them.

10. *Finally, be creative.* Have fun! Try bold ideas and programs on small samples. If they work, expand them for larger audiences. Always be thinking of new ways to communicate with your prospects and clients.

„For Bose Corporation (a leading U.S. audio equipment manufacturer), we go to venues where their customers are likely to be,“ says Wickersham. „College campuses, for example, are a great place to find young people interested in sound. For telecommunications buyers in small companies, we go directly to their buildings to deliver breakfast and newspapers, if that’s what it takes.“ Keep on the lookout for fresh ideas from outside your industry and from direct-marketing conferences and seminars – there’s always more to learn.

When beginning a dialogue marketing program, it’s usually best to start small and get a feel for how such programs work. Eventually, however, dialogue marketing tends to involve staff from many parts of the organization – including marketing, production and innovation management, information management, brand management, and sales development, as well as the retail and distribution field-force. The broad participation encouraged by dialogue marketing can significantly increase communication within the firm – if the program is properly designed and integrated within the company’s regular business processes. Most importantly, a dialogue marketing program can contribute to the bottom line – by reducing sales-cycle times, enlarging and informing prospect pools, and increasing customer loyalty, satisfaction, and referrals.

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