

**CREATING INNOVATIVE CUSTOMER INTERCEPT THROUGH DIRECT MAIL
CD/ROM CAMPAIGN FOR AN ENTREPRENEURIAL SMALL FIRM**

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ABSTRACT

The principal purpose of this study was to provide a synopsis of innovative CRM concepts that can assist a small entrepreneurial design firm develop a process to effectively communicate with its customers through a CD-ROM direct mail campaign. We discuss using multiple communication channels, building loyalty, establishing customer retention tactics and changing service offers to forge better client relationships for this commercial design firm. A synopsis of the learning curve associated with the development of the CD-ROM direct mail campaign is given in context of developing the visual presentation, coordinating the technical programming, and designing the packaging for this novel customer intercept technique.

Key words: Customer Relationship Management, Marketing and Entrepreneurship, CD-ROM direct mail campaign, Entrepreneurial Small Firm

INTRODUCTION

Customer Relationship Management (CRM) are buzz words that question how the firm fosters a '360-degree review' of the customer lifecycle? After reviewing the literature on CRM, one may ask what is really *new* about CRM marketing tactics. Thus, the goal of this study is to provide a synopsis of innovative CRM concepts that can assist a small entrepreneurial firm, Pertzsch Design, develop a process to effectively communicate with its customer through a direct-to-client CD-ROM mail campaign.

Currently, the entrepreneur faces a major marketing problem, how to effectively 'mine' new business opportunities through innovative customer relationship management? Pertzsch Design has grown to the point where the owner has hired assistants to perform the 'downstream' tasks of computer-aided design and basic design. The majority of the firm's business comes from 'word-of-mouth' through previous clients and working as a sub-contractor for a small

number of architect firms. Thus, the owner needs to refocus her talent to soliciting future work through providing an exceptional customer experience to these clients.

A pragmatic model of the CRM process for this small business in the service sector was used to analyze the firm's situation (Chaudhry 2007). Overall, in order to implement the CRM tactics, the firm must develop multiple communication channels, build customer loyalty, assess customer retention, and change service offerings to implement this proposed process. The key empirical focus of this study was to create a CD-ROM direct mail campaign similar to Volvo's recent "For Life" campaign to its dealer network. Pertzsch Design thrives on its image and portfolio of creative projects. Thus, a direct mail CD-ROM campaign design was developed and mailed to a customer-base of existing and prospective clients in December 2007.

SELLING THE INVISIBLE

A manager in the service sector must assess the art of 'selling the invisible.' To illustrate this concept, Harry Beckwith's book, *Selling the Invisible* is an invaluable resource for any manager in the service business. Huling (2004) clarifies the point by stating, "professionals' services are invisible products . . . lawyers, doctors, and accountants tend to think clients are buying their expertise. However, most prospects for such complex services can't evaluate expertise. They can't tell if a tax return is accurate, a diagnosis is perceptive or an insurance policy appropriate—but they do know if their relationship with you is good, if their phone calls are returned, and if they feel valued. If we're selling a service, we're selling a relationship and an experience." The current literature is replete with various concepts of Customer Relationship Management (CRM) techniques to further develop customer loyalty. Several of the articles focus on the information technology (IT) tools, such as *NetSuite* and *Business Contact Manager*. However, these software tools were not be feasible Pertzsch Design due to both the cost of an IT

system and the small size of its customer base. Thus, this study explored whether a small entrepreneurial business, such as Pertzsch Design, can develop an effective CRM strategy through an alternate tool, a CD-ROM direct mailing, to sustain and cultivate a better rapport with its current and prospective clients.

USING A PRAGMATIC MODEL OF THE CRM PROCESS

After twelve years of experience working for various commercial architect firms, Kate Pertzsch started a company in interior design five years ago in LaCrosse, Wisconsin. Pertzsch Design (www.pertzschdesign.com) primarily focuses on commercial design projects in the states of Wisconsin and Minnesota. The entrepreneur's portfolio includes distinct projects in health care, education, salon & day spas, churches, retail and corporate offices. (A sample of completed projects can be viewed at www.pertzschdesign.com) The entrepreneur also has experience working for several years in the residential side of the design business. In fact, the work with affluent clients in this niche market has spillover effects for the commercial side of the business (and vice-versa) through word-of-mouth advertising and/or the client simply owns the business and requests work done on his/her home. Figures 1 and 2 represent two design projects that the firm completed for an orthodontist office and hair salon.

FIGURE 1. ORTHODONTIST OFFICE



FIGURE 2. HAIR SALON

Currently the firm faces a major marketing problem, how to effectively ‘mine’ new business opportunities through innovative customer relationship management? The company’s business has grown to the point where the entrepreneur has hired staff to perform the ‘downstream’ tasks of computer-aided design and basic design. The majority of the firm’s business comes from cultivating new projects from previous clients, working as a sub-contractor for a small number of architect firms in the area, and referrals from past clients and/or reputable builders in this geographic area. Thus, to grow the firm, the owner must refocus her talent to soliciting future work through providing an exceptional customer experience to these clients. Figure 3 portrays a CRM model developed by Chaudhry (2007) for small entrepreneurial firms in the service sector. We used this model to establish multiple communication channels; build further customer loyalty, maintain customer retention tactics that will lead to the possible change of service offerings to each client.

FIGURE 3. PROCESS OF CUSTOMER RELATIONSHIP MANAGEMENT


Source: Chaudhry, P. “Developing a Process to Enhance Customer Relationship Management for Small Entrepreneurial Businesses in the Service Sector,” *Journal of Research in Marketing and Entrepreneurship*, 2007, Volume 9.

ESTABLISHING MULTIPLE COMMUNICATION CHANNELS

The value of using CRM software for Pertzsch Design was debated; however, one questions the validity of using CRM software for small entrepreneurial firms, since there is a budget constraint for this type of service. The firm currently has three employees, less than fifty clients, and a budget of \$2,000 to fund the CRM initiative. Thus, the researchers’ had to investigate a more cost-effective plan using CRM techniques through a brainstorming session with the owner regarding feasible communication channels. Of course, one of the company’s most important channels is informal through face-to-face meetings and teleconferences with clients. However, the owner agreed to perform a CD-ROM direct mail campaign to both her current and prospective clients. This method was selected due to the novelty of the concept and the approach

'fit' the image of the design firm—perceived to be leading-edge in terms of its portfolio of services.

James Meyers (2003) provides some insight into switching the client from traditional media to an electronic format as, “(W)hatever option you choose, your publications will be more successful if they integrate traditional offline print with the latest online media, and if they deliver original relevant editorial across multiple mediums. Using both print and electronic media, you can push your readers online and pull them back to print to ensure that you reach the widest possible audience.”

The key objective of this unique customer intercept was to access the client by way of implementing a direct mail campaign with a CD-ROM that illustrates a strong visual content of Pertzsch Design's recent projects and connects the client to a web survey. This type of CRM campaign was successfully used for Volvo to reach its fleet managers in the company's “For Life” promise. The main goal of the campaign was to provide leads for the company's dealer network. A recent article in *Precision Marketing* (2005) describes the innovative campaign that was well-received by its recipients as, “The outer of the pack carries the strapline: 'Finding the right company cars can be tough. So here's a set of keys.' The pack opens to reveal images of the 'control' and 'escape' computer keys, and features the line: 'The only keys you need to unlock Volvo for business.' The campaign will see 20,000 mail packs sent out over an eight-month period, with 130,000 inserts and press ads appearing in trade publications throughout the year. The mail pack includes a CD-ROM with footage of the Volvo range, information on the Volvo Safety Centre, service offers and links to relevant websites.”

DESIGNING THE CD-ROM DIRECT MAIL CAMPAIGN

Developing an effective CD-ROM direct mail campaign highlighting a portfolio of distinct

design projects was completed using the infrastructure at the researchers' university in terms of programming a PowerPoint slide show of the company's portfolio, securing copyright approval and adding music to the slide show for auditory effect, designing a web survey, and printing the packaging for the CD-ROM. The actual programming of the CD-ROM and questionnaire development required over one year to complete. In December 2007, Pertzsch Design sent 250 CD-ROMs to both current and prospective clients to create awareness of the firm's portfolio of projects, to reinforce its visibility with existing and prospective clients, and to collect data by way of a web survey.

The development of a PowerPoint presentation took several months to complete due to programming the CD-ROM in terms of reducing its file size, keeping the length of interaction with the respondent at a minimal level, and ensuring the 'internet readiness' of the respondent's computer through a mail insert. Once the client receives the CD-ROM in the mail, he/she must be able to insert the CD-ROM into his/her computer and effortlessly watch the PowerPoint presentation and answer the web survey (a web link is imbedded in the CD-ROM presentation) within 6-8 minutes. Why 6-8 minutes? Based on the professional opinion of various market researchers, the time taken for the respondent to view the PowerPoint presentation and answer the web survey should be less than ten minutes. Jeffrey Graham of ClickZ states that, "(Q)uestionnaires should be like a good poem. Include everything that needs to be there and nothing that doesn't. Brevity is a golden virtue, especially on the Internet where everyone has the attention span of a modern three-year-old" (Graham, 2007, ¶8). Thus, in terms of programming the CD-ROM, the difficulties that were faced by the researchers in terms of implementation include:

1. **Reducing the File Size of the PowerPoint Presentation:** The presentation includes many photos of the design projects of the firm. However, each photo

significantly increases the file size of the PowerPoint file and a trade-off had to be made between the clarity of the photos (i.e., size of the jpeg) and the size of the PowerPoint file on the CD-ROM.

2. **Securing Copyright Clearance for Music on the CD-ROM:** The issue of copyright protection of music was not overlooked and due to the limited budget of the project, a local musician was approached to secure his copyright clearance for the use of his jazz music in the PowerPoint presentation. Time was also spent on matching the right type of music to the presentation in terms of tempo, mood, and ultimately fitting the 'image' of the visual presentation.
3. **Developing the Internet Questionnaire:** The questionnaire was first written and pre-tested in a Word document using several participants. After the pre-test, a new questionnaire was developed in HTML format and placed on the web and pre-tested again. Thus, a web link at the end of the PowerPoint presentation automatically loads the internet survey at the end of the visual presentation on the CD-ROM.
4. **Programming and 'Burning' the Final Version of the CD-ROM:** The technical support at the university required a couple of months to program the CD-ROM to automatically upload both the PowerPoint presentation and web survey. A local multimedia firm was used to 'burn' the CD-ROM for the mail campaign.
5. **Designing the Packaging for the CD-ROM:** A novel marketing concept requires unique packaging to entice the customer to open and load the CD-ROM. In addition, package inserts had to be designed to educate the consumer to make sure that the internet connection was 'live' so the CD-ROM moves effortlessly from the PowerPoint presentation to the internet survey.

The learning curve associated with programming the CD-ROM was immense and the researchers' would like to caution that this type of work was very time consuming and required support from technicians to program the visual presentation on the CD-ROM, a web consultant to transfer the survey from a Word document to HTML format using Microsoft FrontPage, and a marketing consultant to design the packaging and final version of the PowerPoint presentation.

BUILDING CUSTOMER LOYALTY

It seems that despite the explosion of reward-based programs, the key is still providing the 'customer experience' to differentiate the product or service. Reinartz and Kumar (2002) debate

that companies need to find a better way to link its customer loyalty to profits. In *Harvard Business Review* the researchers' state that, "we discovered little or no evidence to suggest that customers who purchase steadily from a company over time are necessarily cheaper to serve, less price sensitive, or particularly effective at bringing in new business" (Reinartz and Kumar 2002, p. 87).

Compton (March 2005) reports in *Customer Relationship Management* that, "(B)etween the explosion of miles-based programs and the expensive telecommunications customer-acquisition wars of the 1990s, loyalty programs providing incentives in exchange for business have been under the microscope for at least a decade. Loyalty programs have been seen as an attractive alternative, or perhaps simply a necessary evil, during a time when perceived product superiority is difficult to achieve and maintain." Harvey Thomson, in his book, *Who Stole My Customer?* questions the validity of these reward schemes and cautions managers to focus that the key of effectively competing for loyalty is ensuring the *quality* of the customer experience, not the *quantity* of customer rewards.

Claude Johnson (August 2005) reiterates the dangers of complacency with current loyalty schemes by addressing the fact that many firms get too content with the loyalty 'card' and suggests that the four main pitfalls of inadequate CRM are:

1. **Complacency in customer acquisition** . Thinking today's acquisition is satisfactory and will sustain itself. Wrong. Employee turnover in the stores requires continuous attention to blips in acquisition. Even good store personnel will slack off if they are not monitored. The good ones should be given acknowledgement and the bad ones will need corrective action.
2. **Assumption that "the card" and "points or equivalent monetary rewards" is enough** to sustain enough customer retention to make the program worthwhile. Your competitors are communicating to their customers (who are also your customers) on a very regular basis. One of the best programs I am working with communicates with their customers about every month. Each communication has to be relevant and cannot

always offer 10% off all inventories. Different messages, different channels, different medium, and relevant to the customer and his or her past purchases.

3. **Assumption that you got the program right and it will remain so.** The program must change as competition changes and as the environment changes. Who would have thought a few years ago that loyalty programs would be sending the rewards statements out via email...Or reminders via email...Or reminders via voice messaging?
4. **Building a single channel loyalty program** when your customer buys via multiple channels. If they buy from any channel, the customer should be rewarded from all channels. Specials can occur in a particular channel just like you have departmental specials, but if the promotion can be multi-channel, make it so.

One of the key competitive advantages of Pertzsch Design is its ability to cultivate a loyal client—many of the company’s projects represent multiple sub-contracting alliances with builders and/or a local architect firm in this geographic area. However, the firm has not developed any type of reward program to further cultivate this relationship. The firm cannot offer any type of monetary reward to solidify this relationship, such as a 5% reduction in fees, due to its current financial constraints. However, the firm will need to focus more on the *invisible* aspects of its service business by redefining the *customer experience*. For example, Barrier (1997) provides several pragmatic and relatively low-cost recommendations for ‘ties that bind’ a small business owner to his/her consumer through using informal communication channels, such as mystery shoppers; offering free ‘stop by’ visits to the firm, such as an open house; remembering the weight of ‘small kindnesses’, such as a thank you for referral of business; and effectively implementing technology, such as not using a database to supplant the need to keep up with personal face-to-face contact to foster trust and affinity to the firm. Pertzsch Design implemented one of Barrier’s (1997) recommendations by giving an open house event to celebrate its new location that was attended by existing and prospective clients.

MAINTAINING CUSTOMER RETENTION

Currently, the owner of Pertzsch Design has struggled with how to effectively ‘mine’ *new* business opportunities? This leads to a bias of focusing on either new or existing clients, so there has been little, if any, thought given to why did I lose that customer? Barrier (1997) provides insight on customer retention by suggesting analyzing the customers that the business has lost and/or alienated. He suggests:

1. **Talk to the customers you lose.** Analyzing why you have lost a customer? Is your front office cordial to clients?
2. **Reward our best customers—but choose the rewards carefully.** Using rewards that provide ‘intrinsic value’ to the customer; creating that feeling of being a ‘valued customer’ without alienating less-frequent clients.
3. **Respect for your front line employees.** Implementing empowerment techniques will all employees to create a stakeholder interest in the firm. This ‘ownership’ will trickle down to the client.
4. **Never try to win loyalty through price alone.** Understanding that your price should be ‘in the ballpark’ but that another attribute, such as personalized service, is worth the additional cost.
5. **Absorb temporary costs to preserve a long-term bond.** Deciding the benefit of appeasing a customers needs versus losing him for future business.
6. **If you don’t want a long term relationship with a customer, don’t pretend that you do.** Offering genuinely sincere customer service that is incorporated into your company’s mission and vision.

Rhey and Gyra (2001) provide a framework for a small business in terms of analyzing its customer satisfaction, customer needs and new product (service) development, and customer retention. Table 1 lists these questions below.

TABLE 1. QUESTIONS FOR SMALL BUSINESS STUDY

Customer Satisfaction
How do you measure customer satisfaction?
How do you determine what are the important factors for a customer to buy from you?
What level of detail do you use in determining customer satisfaction?
Is satisfaction measurement a regular activity, or do you measure primarily when complaints are high?
In planning the acquisition of customer feedback information, do you obtain input from your managers on what type of information they need?
Is customer feedback information disseminated to your managers and work force in a way that stimulates action?
Do you ask customers if they would buy from you again?
What obstacles prevent you from doing thorough customer satisfaction measurement?
Customer Needs and New Product Development
What role does customer feedback play in new product development?
Do you document customer feedback, that is, use focus groups, assign salespeople to obtain feedback or use other methods to obtain feedback?
Can you point to examples of changes you have made in a product or service as a result of customer feedback?
What obstacles prevent you from obtaining thorough customer feedback?
Customer Retention
Do you follow up on lost customers to determine reasons for the customer defections? If yes, do you document and create a database and then generalize on the learning?
Do you measure the customer retention rate?
Is there a benchmark in your industry for customer retention rate?
How do you use information on lost customers to make changes in the product, service or other aspect of customer interactions?
Do you have a policy for recapturing lost customers?
What obstacles prevent you from obtaining thorough information on lost customers?

This table will serve as a framework to formalize a customer retention plan for Pertzsch Design. A cost-effective means of receiving client feedback is required for the firm. However, as mentioned previously, the researchers' went beyond the conventional customer satisfaction survey to solicit feedback by way of a CD-ROM direct mail campaign.

CHANGING SERVICE OFFERS

An analysis of Pertzsch Design's service offerings based on the feedback garnered from the CD-ROM direct mail campaign is currently being analyzed. Thus, it is premature to speculate at this point as to what aspects of the service business need to be altered at this stage of the case study. However, Reinhardt's and Kumar's (2002) framework may help us categorize the firm's current clients and select a loyalty strategy based on the profitability and long-term relationship of the customer. As shown in Table 2, this study identified four distinct types of customer categories: butterflies, true friends, strangers, and barnacles.

TABLE 2. CHOOSING A LOYALTY STRATEGY

High Profitability	<p>Butterflies</p> <ul style="list-style-type: none"> • Good fit between company's offerings and customers' needs • High profit potential <p>Actions:</p> <ul style="list-style-type: none"> • Aim to achieve transactional satisfaction, not attitudinal loyalty • Milk the accounts only as long as they are active • Key challenge is to cease investing soon enough 	<p>True Friends</p> <ul style="list-style-type: none"> • Good fit between company's offerings and customer's needs • Highest profit potential <p>Actions:</p> <ul style="list-style-type: none"> • Communication consistently but not too often • Build both attitudinal and behavioral loyalty • Delight these customers to nurture, defend, and retain them
Low Profitability	<p>Strangers</p> <ul style="list-style-type: none"> • Little fit between company's offerings and customers' needs • Lowest profit potential <p>Actions:</p> <ul style="list-style-type: none"> • Make no investment in these relationships • Make profit on every transaction 	<p>Barnacles</p> <ul style="list-style-type: none"> • Limited fit between company offerings and customers' needs • Low profit potential <p>Actions:</p> <ul style="list-style-type: none"> • Measure both the size and share of wallet • If share of wallet is low, focus on up- and cross-selling • If size of wallet is small, impose strict cost controls
	Short-term customers	Long-term customers

Source: Reinhardt, Werner and Kumar, V., "The Mismanagement of Customer Loyalty," Harvard Business Review, July 2002, p. 93.

This typology of distinct types of customers may prove to be useful in determining what

types of actions should be implemented towards the firm's various customers. For example, how can Pertzsch Design avoid 'overkill' with nurturing its relationship with 'true friends'?

CONCLUSION

This study provides a general outline of techniques for an entrepreneurial small firm to use in the development of its CRM process. Overall, the study provides key recommendations on various aspects of the process in term of using multiple communication channels, cultivating more brand loyalty, and assessing customer retention tactics. The research in this study develops a visual and interactive direct mail campaign by way of CD-ROM. One of the overriding constraints of developing the CRM process for Pertzsch Design was a marketing budget of \$2,000. However, after reviewing some of the CRM alternatives, an entrepreneur can make great strides with even this limited budget. The CD-ROM direct mail campaign was launched in December 2007. We are currently analyzing the data and cannot offer any generalizations about whether this CRM tool was effective? Whether the model accurately depicts the CRM process? These are research questions that will be addressed in a future study.

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