

CRM and Corporate Communication

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1. CRM and Business Communication

'Once upon a time there was Above and Below the line': the time may have come to write an article with this title, to seriously examine the changes that have taken place in the theory and practice of Business Communication in recent years.

Yes, because although we may not have realised it yet, this discipline – the fourth P of the marketing mix that is so often over-acclaimed, but just as often dismissed without reason – has suffered what amounts to a *big bang* recently, becoming almost unrecognisable.

Or maybe we should say 'recalcitrant: to traditional classifications, to start with, but certainly to the old, narrow perimeters and boundaries.

And when has this break occurred?

It is always difficult to date the start of a revolution, even for the best prepared historians. It is easier to pinpoint the moment when the explosion or implosion became visible, rather than when the long fuse generating it was lit.

In our case, and we can admit it freely, it was the advent of Customer Relationship Management (CRM), the evolution in Direct Marketing, which was no longer limited to the perspective of operational Marketing, but a real business strategy.

The gradual spread of CRM has triggered a number of chain reactions that are changing both the DNA of business communication and the core competencies demanded of managers of businesses, agencies and consultancy companies to direct their processes.

But we should start at the beginning and try to understand the significant stages of the change and the impact it has had on methodologies, tools and the media.

2. Old Sayings and New Media

If you ask someone who has worked in marketing for at least twenty years to name the best-known sayings about communication, he will certainly quote two:

* Legrand Group, Vice President External Communication

'I am sure that I waste half of what I spend on advertising, but I don't know which half', which usually takes the 'top of mind' prize, followed immediately by *'Cutting advertising spending to cut costs during a crisis is like trying to stop time by stopping the hands of a clock'*.

Catchy phrases that are certainly not without a sound 'pedagogical' basis, but it is difficult to see why they persist in specialist literature today and are still the subject of often intense and documented comments.

We should ask ourselves what value they can still have, belonging as they do to a bygone age, which was certainly glorious but is just as certainly behind us now.

Of course we still honour this age, not least for the legendary figures that invented and even ennobled business communication, perhaps with the vitriolic irony of Jacques Seguela, who called his successful book *Don't tell my mother I work in an advertising agency - she thinks I play piano in a brothel!*

But that world was ruled by a view of the trade that is a long way from today's far more complex theory.

It was a carefree universe (for the people who knew it) where business communication was basically limited to advertising and where a good campaign and common sense scheduling made it fairly easy to hit the target of exposing the chosen core target to the message.

The task of the communicator ended there and the results arrived, provided all the rest of the marketing mix worked.

If an outstanding figure – like Seguela, mentioned earlier, or David Ogilvy or Bill Bernbach, to mention only a few – was at the helm of this creativity, and the spenders' pockets were fairly deep, the result was a campaign that went well beyond its original goals and entered daily life, even influencing popular customs and culture, and becoming the subject of sociological dissertations and university theses.

In a similar scenario, why worry about 50% of spending thrown out with the bathwater?

The result – in terms of sales and market share – justified the means, even those that were wasted.

Nor did people ask too many question when the market was sluggish or sales did not get off the ground because of mistakes in the product, the price or the channel: the motto was to hold your nose and carry on spending.

Or risk a longer crisis or who knew what worse outcome, as the gurus said.

We could be talking about Prehistoric times, but we are not: the *Sunset Boulevard* only began in the 1990s, and even today there are authoritative figures who refer to a transformation crisis that is normal for advertising, and a mere process of adjustment, one that will not significantly change the established picture we are accustomed to.

We do not believe it.

On the contrary, we are convinced that we are in the full flow of a revolution that is radically changing the face of marketing and therefore of business communication (in all its nuances), and we are picking up strong signals from all sides.

We are not yet in a position to redraw the picture with a clear, definite vision, but we can certainly feel its overpowering force.

So we will consider the pieces of the new mosaic, without claiming to reduce them to units, starting from the beginning, i.e. the birth of relationship marketing.

3. From Direct Marketing to CRM

The official birthdate is 1983, when L.L. Berry submitted an article entitled 'Relationship Marketing' to an anthology published by the American Marketing Association.

Today we can describe it as a milestone in the evolution of Direct Marketing, but at the time it did not attract much attention outside of academic circles, and had practically no impact on the business world.

This was not surprising, since Berry's article proposed a view that opposed the traditional marketing view, which triumphed in the Eighties. This identified advertising as the acme of corporate communication methodologies, relegating all other methods to an area known as 'Below the Line'.

From the viewpoint of classic marketing – which developed on the basis of American experience in the field of fast moving consumer goods – it is no surprise that Direct Marketing was considered a sort of minor discipline, tactical and not strategic, but this was the context in which the first considerations emerged on the importance of investing in the long term and in the 'relationship ladder of customer loyalty', in other words the various stages in the development of a lasting and successful relationship with a customer.

These elements were developed in the works of Gummesson¹ and Grönroos² and finally Christopher, Payne and Ballantyne³ - all of whom acknowledged Berry's pioneering ideas to various degrees – who published the first book dedicated entirely to the new philosophy in 1991.

What are the main features of the new 'long-term' approach of relationship marketing that distinguish it from transactional marketing?

One, basically: the focus on the customer, on the individual customer, rather than on a mass target, even if the latter is segmented according to socio-demographic and psychological variables (see Figure 1).

The result is the focus on value – the customer value or 'lifetime' value, and the value perceived by the customer – and on profiling, based on the measurement and evaluation of the developing relationship between the customer and the brand.

Figure 1 *Comparing Marketing*

Transactional	Relationship
Focused on individual sales	Focused on customer loyalty
Discontinuous contacts with customers	Continuous contacts with customers
Focus on the product	Focus on customer value
Little emphasis on customer service	Huge emphasis on customer service
Limited commitment to meeting customer expectations	Maximum commitment to meeting customer expectations
Communication based on classic advertising and above/below the line dualism	Multimedia and multiplatform relationship communication connected to the CRM system

At macro level, the reasons for this change are simple: the gradual saturation of demand and supply in almost every market and the excessive cost of acquiring new customers (summing the cost of selling, marketing and communications).

In fact, as Martha Rogers underlines:

□ *‘In category after category, in market after market, companies are wrestling with the fact that their products and services are simply in over-supply. What’s the only thing in short supply these days? Customers. Customers are difficult to find and hard to keep’⁴.*

The logical outcome is the need to concentrate on acquired customer to gain maximum ‘share of wallet’ (the amount of the purchases of a single customer that target a single brand) and profitability.

□ *‘To remain competitive – Ms Rogers continues – you must figure out how to keep your customers longer, grow them into bigger customers, make them more profitable and serve them more efficiently’⁵.*

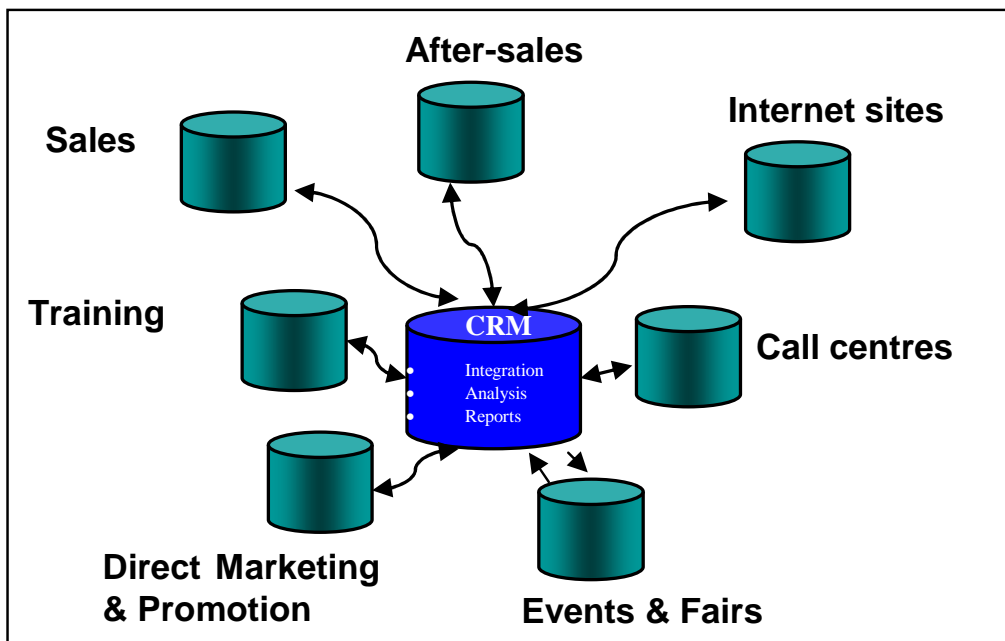
The only way to achieve these results is to faithfully map and record all the opportunities for contact and not just a part of them. Which is why a new methodology will emerge in the varied panorama of direct marketing or relationship marketing: Customer Relationship Management (CRM). It will graft a strong technological component into the stock of the discipline defined first by Bob Stone and then by Berry.

In order to track, take on board, analyse and manage all interaction between customers and the brand – triggered by sales, communication, after-sales service, call centres and training programmes – updating the profiles in real time (see

Figure 2) and making extraction and crossover reports available on the basis of various parameters, it is essential to use the powerful software that has only become accessible to all companies in the last few years.

We can therefore state that CRM is not a technology, but a new market-oriented strategy at the service of marketing, communication and sales. On the other hand, it has only been able to spread with the help of Information and Communications Technology, because it would otherwise be impossible to collect and manage the huge mountain of data from all channels of the brand-customer relationship.

Figure 2: Customer Profiling: the Flows



We should also point out that the spread of the Internet has given a very strong impulse to the development of the new brand strategy focused on the customer and on relationships. It has provided a new high-speed interactive channel with the customer that is open 24 hours a day, supporting all communication with tracking, interaction and response – in a word, measurement – that were initially only a feature of direct marketing, and even then limited to a few types of activity.

But are these innovations bringing about changes in the consolidated hierarchies of marketing communication methodologies, or are they still marginal phenomena?

4. For whom the Bell tolls

□ *‘Maurice Levy, chairman and CEO of Publicis Groupe even wonders if a creative agency like Saatchi should continue to manage a client's branding efforts. Perhaps the digital specialists should do it, he says. [...] He warns: ‘It is no longer necessarily the creative agency dictating what's best for the client’.*

This statement, issued last December to Business Week, is particularly damning because it comes from the CEO of one of the ‘four sisters’ – together with WPP, Interpublic and Omnicom – that dominate the world market of business communication, and have expanded not so much as a result of Stock Exchange listing but thanks to the lavish agency commissions paid by customers and the media, particularly for TV commercials.

In practice it constitutes the dethroning of advertising in favour of direct marketing on the web, pronounced with cold determination by a top manager who undoubtedly has an excellent vantage point from which to grasp macro trends in the field.

□ *Indirect confirmation comes from Sergio Amato, Marketing & Business Developer Director of the Doxa Research Institute (Espansione, November 2007): ‘The now obsolete model of advertising seen as entertainment to capture attention has taken a serious blow. Increasingly often, content, both editorial and commercial, obeys ‘on demand’ and ‘peer to peer’ logics, in other words, it is the end user who chooses what to see and what to exchange or share with other users’.*

Acknowledgement of the fact that we are in the middle of a process of change emerges clearly from these statements: it has not reached its peak yet, but is certainly at an advanced stage.

Traditional forms of advertising communication began to decline a few years ago, a fact borne out by the figures for investment in Italy contained in the annual report ‘Il Futuro della Pubblicità’ (The Future of Advertising) published by UPA (Utenti Pubblicitari Associati) (see Figure 3), which compared commercial TV to other classic media, and by Italy’s position as a follower, and certainly not a leader, of the global communications industry.

One fact emerges clearly from these figures: advertising in classic media now accounts for just 44.2% of the total, and this lever is by no means the most interesting in a future perspective, judging by growth rates, which are huge for the Internet, on the other hand (30.8% forecast for 2008) even allowing for the fact that they start from a low level.

What is more, still according to the UPA research, in Italy, below-the-line activities (a term that should have been scrapped years ago because it no longer has any real reference, but unfortunately is still used extensively) will account for 55.8% of the total investment in communication in 2008, with interesting growth in the areas of direct marketing and promotion (see Figure 4), although the latter is seriously penalised by a tax system that has no equal in the rest of the world.

Figure 3: Total Spending on Commercial Communication

	2005	2006
Daily papers	1625	1662
Periodicals and magazines	1225	1280
Trade press	170	170
Total press	3021	3112
Television	4916	4999
Radio	555	567
Cinema	75	68
Outdoor	750	777
Total investment in classic media	9317	9522
Production costs	790	802
Total investment in classic area	10107	10325
Direct response	2271	2311
Promotion	3937	4050
Public relations	1842	1927
Sponsorship	1369	1409
Total investment in communication initiatives	9419	9709
Internet	131	194
Total investment gross of duplication	19637	20228
Investment calculated more than once	2190	2253
Overall total investment	17467	17975

Source: UPA – Il futuro della pubblicità, March 2006

□ *‘The mainstream is relationship marketing’ the UPA research underlines – ‘which now highlights innovative and transverse forms: events, guerrilla, viral and ambient communication’.*

It is confirmation of a clear, irreversible trend to invest in marketing and communication activities (above all direct marketing and promotion), which entail repeated interaction between company and customer, and no longer just a one-way bombardment with a decidedly ‘Pavlovian’ approach to influence purchasing behaviour.

Very briefly, traditional marketing as seen by Kotler – stuffed full of military terms, and recently increasingly aggressive in terms of the space and time occupied and the messages – is giving way to a new, more sophisticated, systematic and multimedia approach, which aims to create a long-term relationship, to enrich it and to let it mature, finally assigning an active role to the customer, who is no longer seen as an immobile ‘couch potato’ to be conditioned.

Figure 4: Growth Rate by Type of Investment

	2005	2006
Nominal	%	%
Dailies	2.5	2.3
Periodicals and magazines	4.4	4.4
Trade press	-0.6	0.0
Total press	3.1	3.0
Television	3.3	1.7
Radio	0.9	2.2
Cinema	-8.5	-9.3
Outdoor	1.9	3.6
Total investment in classic media	2.8	2.2
Production costs	1.7	1.5
Total investment in classic area	2.8	2.2
Direct response	1.9	1.9
Promotion	2.5	3.1
Public relations	7.0	4.6
Sponsorship	3.1	3.1
Total investment in communication initiatives	19.1	48.1
Internet	131	194
Total investment gross of duplication	3.1	2.9
Investment calculated more than once	1.9	2.9
Overall total investment	3.2	2.9

Source: UPA – Il futuro della pubblicità, March 2006.

5. Contents and Convergence of Communication

In the last two years, the consumer has been transformed from a passive recipient to a genuine producer of culture, making the social networks literally take off on the Internet, first and foremost the well-known YouTube and Second Life, but also MySpace and Facebook.

□ *In this regard it is interesting to see how the UPA research photographs the 'New Consumer' whom companies must come to terms with: 'more critical, distracted or hostile, saturated, full and difficult to motivate, disloyal, a chameleon, mobile, migrant, multitasking, more active, interactive, participative, at times a producer of information, torn between low cost and premium offers, unclassifiable'.*

And if the business models by which these fixed, daily meeting points of millions of people will one day generate profit are still not clear, it is a given that Brands can no longer disregard them if they wish to keep alive their relationship with their customers of today and tomorrow.

The phenomenon we are talking about is convergence, which translates essentially into two phenomena:

- a) in a technological context, in the new interoperational, multifunction electronic devices: mobile phones that also take photographs, connect to the Internet to send email or to access sites, play MP3 files and videos, PDAs that perform the same operations and also manage appointments, videogame consoles that also function online and so on;
- b) in the cultural sphere, in the unlimited spread of digitalised contents and the possibility for non-professional users to manipulate and enrich them with personal input (User Generated Contents).

In other words, on one hand, several technologies (and therefore functions) that converge in a single electronic instrument, and on the other, several instruments and technologies that converge on the same contents.

To understand what it is all about, we only have to think of the so-called 'Brand Franchises' of the culture industry, the most globalised of which today is without doubt *Harry Potter*.

Under this 'umbrella brand' we find a series of books and blockbuster films, but also videogames, musical CDs, video DVDs, websites, hundreds of merchandising products and a theme park currently under construction.

This 'official' range is backed up by other items created by fans with no commercial aims, who go online, with cell phones and all the electronic devices able to do so, and use blogs and social networks to exchange music, podcasts, videos and even serials, all inspired by JK Rowling's books.

What does it mean?

That is simple: brand communication (*Harry Potter* in this case) is no longer the exclusive property of the experts who are responsible for it.

Customers appropriate it in various ways. They still guarantee the legitimate owner a huge income and contribution margins with repeated purchases (first the book, then the film, then perhaps the videogame, and so on). But they also contribute actively to the perpetuation and construction of the identity of the brand itself, with self-produced items or even only by promoting it among their own circle of acquaintances. The latter may number in the thousands, if we consider the discussion forums, community portals and social networking sites that are springing up all over the Internet.

Each loyal customer, who has a lasting relationship with the brand and in some way personalises his experience on the basis of his own tastes, interests and inclinations, can thus become not only someone who decides purchases but also someone who potentially influences them.

The desire to maximise contacts with customers, to repeat them in time and to capitalise on this relationship is gradually becoming the norm for many companies, thanks to the development of IT and ITC, new communication tools and media, and social evolutions.

The multiplication of the possibilities of accessing the media without limits of space or time, or continuity, theoretically allows customers to indefinitely prolong their brand experience, and businesses to reinforce this loyalty with a wide range of articles and offers, ideas and instruments that foster creativity and exchange.

□ *As Bernard Cova explained, the time has probably come for businesses 'to imagine tribal marketing that does not try to establish a personal link with the customer so much as to maintain the link between customers, helping them to share their passions thanks to a product or a service that has a linking value, and which expresses the capacity to create, develop or perpetuate the relationship with the acquired clientele' (Tribal Marketing, 2005).*

6. The Dawn of the Revolution

Without unreservedly sharing the position of scholars like Henry Jenkins, Director of the Comparative Media Studies Programme at MIT in Boston, who maintains in no uncertain terms the coming destruction of commercial television by the new digital platforms, and therefore of classic advertising by the new forms of relationship marketing, there can be no doubt that business communication must rethink itself in the light of the latest changes, following new guidelines, such as:

- a) definitive end of the old 'Above / Below the Line' dualism;
- b) review of the concepts of marketing mix and communication mix;
- c) focus on the customer;
- d) end of the traditional demographic and socio-psychological classification;
- e) measurement of the results of communication;
- f) tracking of vertical customer-brand interaction;
- g) monitoring of horizontal interaction between customers.

In practice we need to come to terms with the impact of CRM, and of the convergence and various forms of Web Community and Social Networking, in both a purely business-to-business and a business-to-consumer environment.

The relationship revolution is certainly still at its dawn, but it demands a redefinition of traditional marketing and communication mixes.

In this sense, 2006 could be remembered as the year of the turnaround, even in symbolic terms: in fact, according to the *Mediascope* study published by the European Interactive Advertising Association, in no less than 8 European countries out of the 10 monitored, young people aged between 16 and 24 spend more hours on the Internet than in front of the TV (see Figure 5).

The media system is being reconfigured in the consumer's list of priorities: it is time that marketing professionals, in companies and agencies, and scholars came to terms with it and took action as a consequence, in strategic analysis and investment decisions.

Figure 5: Young People Aged 16-24 – Media Consumption

Country	Online time	TV time
UNITED KINGDOM	14.7	15.7
FRANCE	15.3	12.5
GERMANY	13.8	13.5
ITALY	14.5	14.4
SPAIN	14.6	12.0
NETHERLANDS	14.2	11.3
BELGIUM	15.1	11.3
DENMARK	14.7	15.7
SWEDEN	18.5	15.3
NORWAY	16.8	13.6

Source: EIAA – European Interactive Advertising Association, 2006.

Web Resources

crmassociation.org

www.the-dma.org/index.php

www.upa.it

www.eiaa.net

Notes

¹ Gummesson E., The New Marketing – Developing Long-Term Interactive Relationship, Long Range Planning, 20, n. 4, August, 1987, pp.10-20.

² Gronroos C., Marketing Redefined, Management Decision, 28, n.8, 1990, pp.5-9.

³ Christopher, Payne, Ballantyne, Relationship Marketing, Butterworth-Heinemann, Oxford, 1991.

⁴ see Peppers D., Rogers M., Return on Customer: Creating Maximum Value for Your Scarcest Resources, Random House, New York, 2005, p. 9.

⁵ see Peppers D., Rogers M., Return on Customer: Creating Maximum Value for Your Scarcest Resources, Random House, New York, 2005, p. 9.