



The Bottom Line

Helping Direct and Interactive Marketers Succeed.



Five Questions: *Ernan Roman* *On Opt-In Marketing*

According to Ernan Roman, president of his own direct-marketing firm, marketing today is defined by opt-out legislation. The message is, we marketers are bereft of innovation, so we've put the burden on our customers. We're going to hammer them until they either buy or opt-out. No wonder the response rates for "preference" lists like the National Do Not Call Registry are skyrocketing, while response rates from customers are falling, Roman says.

Opt-in Marketing by Ernan Roman and Scott Hornstein changes this paradigm by breathing innovation into the marketing process. This book introduces the Consensual Marketing Opt-In ProcessSM (CMO), one of the most powerful methodologies ever developed for engaging your customers in unprecedented levels of dialogue and information sharing.

Bottom Line recently caught up with Roman to discuss CMO.

1. What is the Consensual Marketing Opt-In Process (CMO)?

The Consensual Marketing Opt-In Process, or CMO, re-examines how we value a customer and how we engage with the customer. This requires a focus on customer retention and lifetime value, versus just short-term sales.

CMO stimulates customers to participate in a dialogue where they define their unique needs, requirements and preferences, populating their personal profile with their information needs, timing requirements, contact information, and media preference and aversion issues.

In exchange for this unprecedented customer information, the marketer must provide value per the customer's requirements. This consensual relationship extends over time and provides both parties with uniquely rich in-depth information.

2. How is this different than Permission Marketing?

Philip Kotler, S. C. Johnson Distinguished Professor of International Marketing at

the J. L. Kellogg School of Management wrote: "Permission marketing simply says you can reach me, I am letting you reach me. However, I am not supplying you with information about myself, what kind of products I'm interested in, how you should communicate with me and so on. Consensual Marketing is a richer process – real business process innovation, consistent with the view of great marketing which is to really meet customers' needs and satisfy them and not harass them or manipulate them"

In other words, CMO builds upon Permission Marketing in the following ways:

- CMO covers all media. In practice, Permission Marketing is applied primarily to the "e" medium.
- The incentive offered is value, not just a subscription to a newsletter in exchange for the e-mail address and "value" as the customer defines it. It is that delivery of value over time that creates the competitive advantage.
- This is a closer relationship, defined per the customer's terms.
- The burden is on the marketer to provide the ongoing value and nurture the relationship.

3. How is this different than Customer Relationship Management?

The Consensual Marketing Opt-In Process takes customer engagement to the next level. It builds upon CRM's foundation of strong technological tools by focusing on:

- Integration from the top of the corporation to the bottom, aligning goals, funding, departments, compensation and channels of communication per the requirements of a Consensual engagement.
- Empowerment of a cross-functional, fully integrated organization to bring the planning to fruition.
- Implementing an effective, repeatable go-to-market process focusing on precision integration of multiple media.

4. What are the advantages to marketers?

Opt-out lists put the burden on the customer. The message is that marketers have the right to send you anything they want, at any time, until you say stop. CMO puts the burden on the marketer. If marketers wish to attract and keep customers, they must learn their needs and requirements, and deliver value over time.

Granted, Consensual Marketing is not for everyone. If your goods or services are true commodities and compete solely on the basis of price, there may be other go-to-market strategies you want to consider.

If, however, yours are value-added goods or services that do not or should not compete on the basis of price alone, there are few strategies that will be more effective in increasing profitability – immediately and over the long term. This methodology responds to the rapidly rising tide of consumer dissatisfaction by changing the basic paradigm of direct marketing: from unsolicited communications that are interruptive and perhaps annoying, to solicited messages that arrive with the expectation of value.

The Consensual Marketing Opt-In Process provides both immediate and long-term value to the customer. Short term, customers begin to receive more relevant and useful communications. Overtime, marketers have the ability to provide increasingly focused and targeted exchanges of information that will raise each customer's satisfaction and lifetime value.

CMO presents a better way of marketing that is far less wasteful, makes more money achieving substantial immediate and long-term incremental revenue, and solidifies relationships with customers so they stay longer and buy more.

5. What are the results?

With Consensual Marketing programs:

- Hewlett Packard has seen marketing waste cut by 50 percent or more. Moreover, program results have improved three-fold or more. In very controlled programs response rates have been 30 percent.
- IBM has accomplished two Consensual implementations. The first is the IBM Focus 1:1 program, which generated \$594 million over the control group. Results include:
 - 80 percent increase in sales versus the control group.
 - 841 percent increase in qualified response.
 - 82 percent conversion from responses to qualified leads.
 - 6 point increase in customer satisfaction.
 - 75 percent reduction in marketing waste.
- The second is IBM's Software Premier Club, which built on the learnings of Focus 1:1, and has generated \$310 million in incremental revenue.

Ernan Roman is President of Ernan Roman Direct Marketing (ERDM), which is a marketing consulting firm specializing in the Consensual Marketing Opt-In Process and Integrated Direct Marketing. Their newest book, *Opt-In Marketing: Increase Sales Exponentially with Consensual Marketing*, was published in June, 2004.

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