

Defensive marketing's use of post-purchase telecommunications to create competitive advantages: a strategic analysis

D. Eric Boyd

Executive summary and implications for the practitioner

(Provided by Marketing Consultants for MCB University Press)

Today, the telephone ranks as one of the most significant technologies – not for its newness but for its ubiquity and usefulness. It is therefore not at all surprising that the phone is now at the core of marketing and sales tactics and now fills an additional and important strategic role.

Our attitude to the telephone has changed. In the past most people saw the phone as a purveyor of information rather than conversation. Indeed many older people are brief, almost curt on the phone, there is no time for pleasantries beyond the formality of introduction and the reason for the call is clear. Today, telephone operators like British Telecom spend millions persuading people to use the phone for a chat – “it’s good to talk”.

Linking this change in attitude – once described as the difference between using the telephone and speaking to someone – to what Eric Boyd calls defensive marketing provides us with some guidance for using the telephone in marketing. Sensitive telemarketing, especially in consumer promotions, is somewhat of an oxymoron – the two words seem, to those bombarded with timeshare and double glazing sales, quite contradictory. However, Mr Boyd shows us a different approach, one built on calls that are welcomed and constructive, based on customer service rather than sales and aimed to counter the poor image of telephone marketing and selling.

So what do we need to do?:

- *Think about when you are going to make the call – is there a customer at the other end, and will they talk?*
- *Think what the customer might be doing at the other end – rest assured they are not waiting for your call?*
- *Make any call relevant and purposeful – relevant to the customer and with an honest purpose expressed at the start.*
- *Keep the call short – you are intruding into their time, so tell them how long you will take.*

These, and other, simple and practical issues make a difference. Linked to Eric Boyd's ideas about defensive marketing these tactics provide a basis for telephone communication that gets away from the public concerns about intrusion and the untrustworthiness associated with telephone sales. So what are the activities best suited to the use of consumer telemarketing? Assuredly

"cold" selling is not one of these activities. Here are my thoughts separated into the two main types of telemarketing – outbound and inbound.

Outbound telemarketing

- (1) Customer retention and renewal. *Not just at the time of renewal but throughout the relationship general telemarketing can build better perceptions of service. Eric Boyd illustrates this well with his example from TheZenith Insurance.*
- (2) Dissipating cognitive dissonance (post-purchase satisfaction). *Much advertising intends to reassure people that they made the right purchase. Telemarketing could help by checking that no problems occurred and, if they have, looking to correct them.*
- (3) Market research. *Telephone surveys are commonly used, especially in business to business marketing research and both formal market research and the ongoing task of keeping abreast of customer opinion and reaction benefit from efficient telemarketing.*
- (4) Checking delivery and distribution systems. *The mail order company that phones up selected customers to check whether they have received goods ordered demonstrates that they care – and gets a good impression of their delivery system's performance. In more complicated distribution channels telemarketing can provide useful indications as to any problems within the chain.*

Inbound telemarketing

- (1) Customer care lines. *The use of free telephone lines to provide advice and product support is now fairly common. The knowledge that such a service exists helps defend a company's position by providing an additional reason not to switch to a competitor. Such lines also provide valuable customer feedback aiding marketing and product development.*
- (2) Complaints. *It has often been said that most people don't complain – they simply buy elsewhere. Making complaining easy doesn't eliminate this problem entirely but it does increase the opportunity to correct mistakes without losing customers.*
- (3) Information dissemination. *Modern telephone technology enables the provision of quite complicated information using automated systems – train timetables, business phone numbers and life insurance details are all areas where this has been done.*
- (4) Up-selling. *Telephone ordering provides firms with the opportunity to add extra sales. Computerized stock control systems cross referencing products make it possible to get added value through the sale of accessories and related products.*

These are broad categories but they demonstrate how the careful use of the telephone might rescue telemarketing from the worst excesses of the slick salesmen. Moreover, as telecommunications become the primary means of communication with more people on-line, installing fax machines and carrying mobile phones, the importance of the telephone in the marketing mix will grow. Marketers must understand the sensitivities of consumers in respect of telecommunications and look to developing not just codes of

practice but rules of etiquette acceptable to the overwhelming majority of people.

Eric Boyd describes telephone marketing as an essential tool in building relationships and retaining customers. In this he is right but marketers must think carefully about how they use the phone, must use it sparingly and must remember that more than any standard marketing tool the telephone intrudes into people's lives and has the potential to offend, irritate and upset. Any of these emotions runs counter to the objectives of defensive marketing.

Simon Cooke

Defensive marketing and customer satisfaction

Competitive advantages

Introduction

Marketers' use of telecommunications as a marketing tool conjures up very negative images in the minds of most consumers as a result of some telemarketing tactics aimed at defrauding and coercing customers. The issue of marketing's use of telecommunications as a marketing tool has even come under question in congressional hearings. The current spotlight on the negative ways in which some marketers use telecommunications does not reveal the entire picture. Many companies are employing telecommunications in ways which are extremely beneficial to themselves and their customers at the same time. Specifically, many marketers are using telecommunications in their defensive marketing campaigns where the emphasis is on creating satisfied customers as a means of competing in the marketplace.

Defensive marketing

Defensive marketing is unique from offensive marketing because of its concentration on customer satisfaction as a means of developing brand loyalty and competing against competitors within the marketplace. Traditional offensive marketing concentrates resources on identifying dissatisfied customers of competitors and inducing them to switch brands. In offensive marketing, success is measured by the number of new customers a company gains at the expense of competitors. In this type of marketing, the marketer's attention moves on to other potential customers once the purchase is made.

Many current uses of telecommunications fall into the offensive marketing category. Techniques such as cold-calling, automated calling, 1-900 numbers and other related direct marketing tactics are examples of how telecommunications technology is currently used in offensive marketing strategies. In its most extreme form, offensive marketing makes no regard for customer satisfaction. In some cases, this can lead to abuses such as fraud, coercion and invasion of consumer privacy.

Defensive marketing concentrates, however, on post-purchase activities aimed at satisfying the firm's existing customers. The marketing goal in a defensive marketing strategy is customer satisfaction, with the intention that satisfied customers will become brand loyal. The company then relies on customer brand loyalty as a means of inhibiting the ability of competitors to convince customers to switch brands. Hence, defensive marketing seeks to minimize brand switching through the creation of satisfied, brand loyal customers.

Defensive marketing is relatively new to marketing. The first research in the area appeared during the early 1980s in work by Hauser and Shugan (1983) and Hauser (1984). These early works primarily examined defensive marketing from a theoretical standpoint. On the heels of this early work in defensive marketing, many marketers have since incorporated defensive marketing tactics into their strategic efforts and are reaping many competitive advantages from their efforts.

Telecommunications and defensive marketing strategies

Telecommunications is an important means by which many marketers successfully deploy their defensive strategic efforts. Defensive marketing uses telecommunications as a strategic tool in many ways. Examples include

1-800 numbers, customer complaint telephone lines and customer service surveys. The emphasis in each use of telecommunications is to provide a means of communication between the customer and the firm after the purchase has occurred.

The communication between the customer and the firm benefits the customer in many ways. The existence of telecommunication technology provides the customer with an avenue for obtaining assistance in reporting and solving problems with a product or service. In addition, the communication avenue can serve as an information source for customers to learn about the product. The combination of these services provides the customer with a valuable service which provides benefits after the purchase takes place and the customer begins using the product or service.

The company benefits

The firm also benefits in a great number of ways. In fact, companies employing telecommunications in their defensive marketing campaigns are experiencing several competitive advantages which they are using successfully to compete in the marketplace. The following discussion highlights the benefits which many companies are creating through the incorporation of telecommunication into their defensive marketing strategies. In addition, the discussion examines issues of concern which marketing managers should keep in mind when considering a defensive marketing strategy using telecommunications.

Strategic advantages

Customer satisfaction

Customer satisfaction is a strong factor in developing brand loyal customers. Thus, the ability of a firm to impact customer satisfaction provides the firm with an opportunity to impact customer purchase choices in the future. A case in point is TheZenith Insurance Company which provides claims handling for work-related injuries. TheZenith conducted an internal survey of their policyholders to evaluate their performance in various customer service areas. A major finding of the study was that policyholder ratings in every customer service area were higher for those policyholders who had received a service contact during the previous policy period versus their counterparts who had not received a service contact during the same time period. The type of service contact was not found to be important. Instead, the presence of the contact was the major factor impacting customer service evaluations.

The effort to contact policyholders

TheZenith used the findings to implement a defensive marketing strategy whereby a customer service phone survey is made of all policyholders who do not experience a service contact through any other department in the company (e.g. claims, audit, safety and health) prior to the expiration of their current policy. TheZenith makes it company policy for a customer service representative to contact these policyholders. The customer service representative describes the various services provided by the company and answers any questions. Also, if the client wishes, the customer service representative meets with the client at the client's place of business to discuss any areas of concern in detail. The effort to contact policyholders provides TheZenith with an opportunity to impact customer service evaluations which can positively influence the purchase decision once the policy expires and the customer must choose to renew or place their business with another insurance carrier.

Building brand loyal customers

Cost-effective marketing

Every marketing manager must answer to the bottom-line. Defensive marketing strategies assist the manager through the cost-effectiveness which they bring to a marketing strategy. Defensive marketing accomplishes this through its emphasis on building brand loyal customers. Marketing to brand loyal customers is less expensive due to three primary factors (Davidow and Uttal, 1989). First, loyal customers buy instead of being sold. Marketing and sales costs are less as a result. Second, a firm's knowledge and understanding of loyal customers is greater because of the increased contact and opportunities for communication. The knowledge enables a firm to use resources more efficiently in marketing to loyal customers. It also places the firm in a much better position to react quickly and correctly if customers' needs change. Finally, loyal customers tend to buy more than new customers. As a result, defensive marketing's emphasis on building brand loyal customers provides an opportunity to increase the cost-effectiveness of marketing's efforts.

Walgreens is one company which has lowered marketing costs by employing telecommunications technology. The company provides a toll free number, 1-800-WALGREEN, to customers. Customers registered with the company can call the number for information such as whether a particular prescription drug is sold by Walgreens and where the closest store is located. Customers can even place an order over the phone requesting a prescription be delivered to their home. The major benefit for the customer is convenience and product information. Walgreens also benefits by being able to offer a marketing information tool tailored to the customer's need at a fraction of the cost involved if the company had to go through traditional advertising means.

Shorter product cycle times

Speed

Various factors such as shorter product cycle times, rampant product copying and greater competition in growth markets is increasing the need for speed in marketing. The constant communication with the customer which defensive marketing promotes provides the company with an opportunity to quicken their marketing efforts. This shows up most prevalently in new product development. Traditional product development is a long-term process involving a great deal of time as the process passes through the various stages of idea generation, idea screening, concept developing, financial analysis and market testing before it hits the shelf. Defensive marketing greatly reduces this process by bringing existing customers in to assist in the initial stages of the new product development process. Customers are looked to as a major source of new product ideas rather than focussing staff time generating new product ideas.

One company which has incorporated speed into their marketing efforts is Rubbermaid. The company can get a product to the shelves in as little as 20 weeks from the time the idea is conceived. One important way in which the company has accomplished this is by opening communication with existing customers. The company in fact invites customer feedback on new product ideas through a 1-800 number which it molds into each LittleTyke toy. The main purpose of molding the 1-800 number into the product is to encourage customer product evaluations and suggestions for new products.

The ideas received from the 1-800 numbers are relayed immediately to new product development teams which begin analyzing the information. The information greatly reduces staff time spent generating new product ideas. Thus, the customer input provides the company with the opportunity to speed

High customer satisfaction levels

up the product development process which enables the company to move the product more quickly to the market. The shortened production time allows the firm to capture higher profit margins due to the lack of direct competition in the short run.

Industry leadership

Inherent in an effective defensive marketing strategy is the development of high customer satisfaction levels. High customer satisfaction ratings result from delivering products of a superior quality and value to the customer. Once customers experience such products or services, the experience raises their expectations which the customer then uses in their evaluation of future purchase options. Companies which raise customer expectations become industry leaders because of their ability to produce products which meet the new, higher level of expectations. Competitors must follow suit or else encounter dissatisfied customers who eventually will switch to brands capable of meeting the new standards.

WordPerfect accomplished this type of industry leadership in the 1980s with their customer service hotlines. The company provided customers with a means of communicating with the company concerning problems and questions. At the time, few if any of WordPerfect's competitors provided such a service. The service helped deliver high customer satisfaction and brand loyalty to WordPerfect products. Today, following in the footsteps of WordPerfect, almost all software vendors provide customer support. Hence, defensive marketing allowed WordPerfect to create customer satisfaction and establish industry standards for competitors in the software industry during the 1980s and lasting into the 1990s.

Controlling costs

Strategic concerns

Focus

Defensive marketing can carry an expensive price tag and be less effective if the company tries to be all things to all people. A company should focus their defensive marketing efforts on those areas which will provide the highest return. This is especially true for firms using telecommunication technology in their defensive marketing efforts. For example, a company should not provide a 1-800 service for every type of customer service need imaginable. The cost of providing such an extensive use of 1-800 numbers will soon outrun the benefits. Instead, the company should investigate which services the customer will most benefit from through the use of a 1-800 number. Focussing on providing only those services of highest value to the customer through telecommunications will thus control costs while still providing customers with a valuable service.

Market maturity

The maturity of a market will also impact the effectiveness of defensive marketing using telecommunications technology. In fact, defensive marketing aimed at using telecommunications to resolve customer complaints has been found most effective the greater the number of competitors in the market (Fornell and Wernerfelt, 1988). Defensive marketing's concentration on building brand loyal customers reduces the pool of potential customers available to competitors. As such, it reduces competitors' opportunities in the market. Also, if competitors do in fact attempt to take satisfied customers from a competitor, the effort is very expensive and not effective due to the

high level of customer satisfaction the customers have toward their existing brand.

Importance to customer

Price is the only purchase criterion used by some consumers. Added customer services such as those provided through telecommunications technology are not important to these customers and do not impact their purchase behavior. As such, defensive marketing with its emphasis on enhancing the value and quality of the product through post-purchase service is ineffective and inefficient. A company faced with price-only sensitive customers should incorporate an offensive marketing strategy focussing on the price variable or attempt to differentiate the product and remove it from price competition.

Unmet expectations

Nothing destroys the trust of customers in a company quicker than unmet customer expectations. For instance, if an insurance company advertises a 1-800 number as a single source of information about all insurance areas, and then cannot deliver, customers will become dissatisfied and take their business elsewhere. A company employing a defensive marketing strategy should ensure it has the capacity to deliver on promises made to customers. This means having competent staff, a capable means for providing customer access and back-up systems as necessary. Only when a company possesses all needed resources should it employ a defensive marketing strategy. Otherwise it runs the risk of contributing towards customer dissatisfaction.

Active v. inert customers

Companies can fall into a sense of security if they fail to seek input from all customers and instead sit and wait for customers to contact them. Often, companies equate the relative level of complaints from customers as an indication of customer satisfaction (Chadwick, 1991). Studies show that 96 percent of unhappy customers never complain about unsatisfactory product experiences, but 90 percent or more of them do not buy again from the same supplier (Desatnick, 1992). A company must therefore seek customer input in addition to simply providing a means of telecommunication. Increasing the pool of calls to include those who may not have complained without the company's prompting will enhance the company's ability to glean valuable information from the communiqués. The more broad-based information will assist in highlighting areas in need of improvement

Managerial implications and recommendations

Once proper attention is paid to the applicable items of concern, marketing managers will find themselves poised to begin a defensive marketing campaign. Telecommunications can play a vital role in the strategy. It can provide a communication conduit for consumers in need of assistance or information. For the firm incorporating telecommunications into their defensive marketing efforts, telecommunications can provide the tool to reap many strategic advantages such as higher customer satisfaction levels, cost-effective marketing, and industry leadership.

The effectiveness with which many companies are employing a defensive marketing strategy using telecommunications also provides managers with several important implications concerning effective marketing strategies. First, the importance of communicating with the customer appeared in every strategic example discussed. The days when a company could ignore customer input are in the past. Today's successful firms listen to their

Must deliver on promises

Reaping strategic advantages

Simple technology

customers. In fact, the most successful companies explicitly promote customer input. Telecommunications provides a communication avenue through which a firm can learn invaluable information from customers such as new product ideas, customer expectations and customer satisfaction. The ability to access and use the information provides crucial competitive advantages to the firm willing to facilitate and listen to customer feedback.

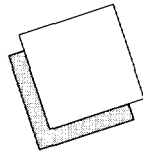
The ability of marketers to create the communication avenue using simple technology is another important implication from the discussion. The telephone was the primary technology used in each advantage discussed. Most, if not all, consumers have access to a telephone. The availability of the technology along with the simplicity of its use is a major reason so many companies are using the technology effectively to reap benefits for themselves and provide a valuable service to consumers. Hence, investment in a defensive marketing effort does not have to involve very technical equipment which often carries a high capital investment cost. Instead, the defensive strategy should concentrate on using simple technology which carries a lower price tag and is more user-friendly.

Finally, the discussion revealed that defensive marketing strategies provide a company with the opportunity to reap many advantages such as speed, customer satisfaction and cost-effective marketing. As such, marketers who are not currently employing a defensive marketing strategy should reconsider their marketing efforts. Marketers should seek a more balanced approach which seeks to ensure customers gained through offensive marketing tactics remain with the company in the future. In this way the company's efforts will begin to reap advantages such as cost-effectiveness and a more stable revenue base. An effective way of attacking the problem is through defensive marketing with its emphasis on the post-purchase activities of the customer. By combining a defensive strategy with an acceptable offensive strategy, the company will emerge with a more balanced and effective marketing approach.

References

- Chadwick, K. (1991), "Some caveats regarding the interpretation of data from 800 number callers", *The Journal of Consumer Marketing*, Fall, pp. 53-9.
- Davidow, W.H. and Uttal, B. (1989), *Total Customer Service*, Harper & Row, San Francisco, CA.
- Desatnick, R.L. (1992), *Managing to Keep the Customer*, Jossey-Bass, San Francisco, CA.
- Fornell, C. and Wernerfelt, B. (1988), "A model for customer complaint management", *Marketing Science*, Summer, pp. 287-97.
- Hauser, J.R. (1984), "Theory and application of defensive marketing", paper prepared for the Dean Symposium in Applied Economics, 13-14 September, Columbia University, New York, NY.
- Hauser, J.R. and Shugan, S.M. (1983), "Defensive marketing strategies", *Marketing Science*, Fall, pp. 319-60.

D. Eric Boyd is a lecturer in Consumer Behavior and Marketing Research at San Francisco State University. He is also Director of Market Research for Market trends, a marketing and research consultancy.



A new look at one-stop shopping: a TIMES model approach to matching store hours and shopper schedules

Carol Felker Kaufman and Paul M. Lane

Keywords Consumer marketing, Shopping, Shopping centres management

One-stop shopping has been identified as a major goal of many contemporary shoppers in today's society. One-stop shopping tends to imply that all of a shopper's needs can be filled in one step, all at one time, suggesting that the proper assortment in each store is a must, and a desirable mix of stores should be assembled at one convenient location. A recent study conducted for the International Council of Shopping Centers revealed that the concept of one-stop shopping is also related directly to the match of store hours with shopper schedules. Examines the hours and schedule matching aspect of one-stop shopping within a framework called the TIMES model, which considers specifically the relation between shoppers' resources and their choice of shopping centers. Presents the results of a study of perceived shopping-center problems and gives managerial recommendations for targeting consumers who seek one-stop shopping opportunities.

Defensive marketing's use of post-purchase telecommunications to create competitive advantages: a strategic analysis

D. Eric Boyd

Keywords Customer loyalty, Customer satisfaction, Telecommunications

Considers the impact of defensive marketing on a firm's competitive ability in the marketplace. Examines telecommunications as an important means through which many companies are creating several competitive advantages for themselves through a defensive marketing strategy. Defines defensive marketing in the context of its counterpart, offensive marketing. Discusses several competitive advantages resulting from defensive marketing and its use of telecommunications and provides case examples to support each identified competitive advantage. Examines several issues of concern which marketing managers should consider before undertaking a defensive marketing strategy using telecommunications technology. Highlights the importance of opening communication lines with the customer, using customer-friendly technology to facilitate customer-business communication, and the need for a balanced marketing strategy combining both defensive and offensive marketing strategies as major implications resulting from the discussion.

The general agreement on tariffs and trade (GATT): implications for consumer products marketing

Louis A. Tucci and James J. Tucker III

Keywords Consumer goods, GATT, Industry, Marketing

Provides marketers with both a broad-based and an industry-specific understanding of the marketing implications of GATT. First presents background information regarding GATT, followed by an overview of the key provisions of the agreement. Provides an analysis of a number of consumer product industries to help assess the potential industry-specific impact of GATT on the "offensive" and "defensive" marketing strategies which are described in the study.