

Chapter 8:

TOTAL RELATIONSHIP MANAGEMENT and CUSTOMER SERVICE

Marketing, Pat wrote early in the 80s, *is* pr. But while marketing is product-specific or service-specific, public relations is broader. Ultimately he showed that total relationship management – truly understanding the needs, desires and concerns of all stakeholders – and building solid relationships with them based on trust, incorporates marketing back into public relations where it belongs.

“Remember the goal: creating a *relationship* that builds *loyalty* to your products, services, ideas and issues positions, and your organization.”

– Pat Jackson, May 3, 1993

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MARKETING, WHICH IS PUBLIC RELATIONS PHILOSOPHY IN NEW CLOTHES,
IS AN OPPORTUNITY FOR PRACTITIONERS, NOT A THREAT;
BUT MARKETING TURFERS CAN HARM ORGANIZATIONS THEY INFECT

Is marketing a threat to public relations? No ... & yes. Marketing as a philosophy, a management & operational method, is not only no threat. Reviewing its theoretical base & history reveals it is public relations -- or at least an offspring of it. But the new marketing hotshots who are out to grab as much turf as they can get away with may be dangerous. Some considerations:

1. Marketing is a new field. Texts on the subject say the concept arose in the mid-50s. By the most conservative view, public relations -- known by that name, not the predecessor terms -- predates marketing by half a century.

2. The marketing concept is pure public relations. Author Philip Kotler calls it "a consumer needs orientation ... aimed at generating consumer satisfaction as the key to satisfying organizational goals" (his emphases). Compare definitions of public relations, including those in use before the 50s. Public relations begat the idea of marketing. Both espouse the same management philosophy.

3. Marketing texts cover basic pr theory. Kotler's Marketing for Nonprofit Organizations presents as its 2nd chapter the concept of publics. Other books do, too. His 3rd chapter is titled "The Responsive Organization." Rom Markin's Marketing Strategy & Management recites diffusion process, communication models, consumer behavior, research techniques & many other standard underpinnings of pr practice. So do most other texts.

4. But the marketers want to subsume pr. American Management Association's marketing mgmt course covers "marketing communications -- advertising, PR, sales promotion & packaging." Crain Books issues a news release (on a publicity text written by a journalist with no pr background!) that begins, "Today, public relations is considered an integral part of the marketing function." McCarthy's text, Basic Marketing, now in its 6th edition, doesn't mention public relations. Kotler terms pr "primarily a communications tool to advance the marketing objectives of the organization" (our emphases).

This quotation from F.D. Roosevelt heads chapter 2 of Kotler's text:

"There is no group in America that can withstand the force of an aroused public opinion."

5. How should pr practitioners approach marketing? a) American Society for Hospital Public Relations appointed a task force, which concluded tying into the marketing fad can gain visibility & support for public relations -- since no marketing or other effort can succeed in organizations with poor relationships. b) Avoid

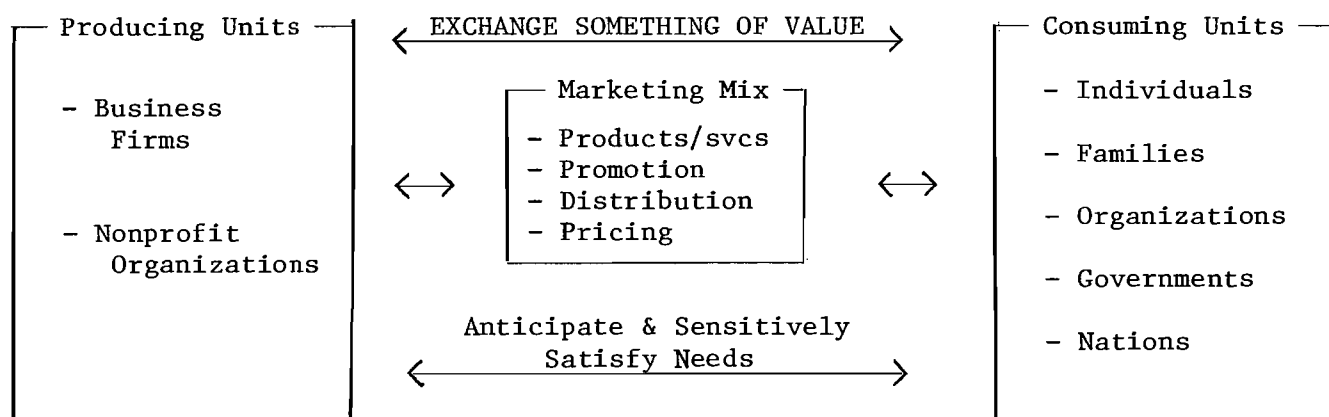
the turf wars, advise senior counselors. Show that pr is marketing. Remember that, like all buzzwords, this one will have limited life span. c) Carefully position pr as perpetual, always with us & all-encompassing. Marketing turf wars generally claim they have the new gospel, a panacea. Org'ns that buy this pitch can hurt themselves.

d) Despite the similarities, keep in mind that marketing is ultimately product-specific or service-specific. Public relations is so much broader a discipline. e) Become a marketer yourself. It's easy, because you

already own its philosophy & practice it daily. But don't let marketing semantics bury you. Express the marketing/public relations philosophy in pr as well as marketing terms.

Interestingly, American Marketing Association told pr it has no standard definition of the subject. Neither does Marketing Science Institute (Cambridge, Mass.). But Neil Holbert, mgr adv'g research & special projects, Philip Morris, feels "Marketing is everything that happens from the time a product or service is conceived until it is sold, and then on to post-sales, service & maintenance."

THE MODERN MARKETING PROCESS -- OR IS IT PR?



-- from Marketing Strategy & Management
by Rom Markin (Wiley, 1982)

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COKE'S LATEST INNOVATIVE RESEARCH SHOWS CONSUMERS NOT WELL INFORMED
BUT THAT MANAGERS CONTINUE TO ASSUME THEY ARE; WHIRLPOOL FINDS
78% OF CONSUMERS MORE DEMANDING NOW THAN A FEW YEARS AGO

The advantages of providing consumer information is widely touted by the profession. Now there's research to give it solid standing with non-pr management, too. Coca-Cola has teamed up with US Office of Consumer Affairs and the Council of Better Business Bureaus to spread the findings of its research -- "there are quantifiable benefits to organizations that offer consumer information to their customers."

Coca-Cola's study, conducted by TARP (Technical Assistance Research Program, Wash DC), surveyed 1,000 consumers who received a generic booklet produced by C-C on the value of complaining. 1) 50% of those polled showed an increase in confidence in the company because of this educational program. Increased confidence not only increases sales -- 2) 15% said they would buy the company's products more often -- but also 3) helps your organization keep consumers' allegiance during times of crises or misunderstandings. 4) 19% of those who hadn't tried a particular service offered by the company said they would now consider trying it.

Report offers these basic suggestions for conducting consumer info activities:

1. Establish a sound customer relations policy which is understood & practiced by employees at all levels. It should spell out specifically how, when, where & by whom complaints or questions are to be handled.
2. Communicate this policy to your customers -- e.g., posted signs, leaflets, account statement stuffers, in regular advertising program.
3. Provide useful facts about your products/services or offer tips on saving money.

According to the research, the biz community is largely unaware of consumer information's importance. Reason is that many biz execs assume the average customer understands the functions, products & services of the organization. Fact is, they don't. "The average person knows very little about the marketplace or how it operates. Numerous studies confirm that many consumers lack information about such issues as personal finance, taxes, investments & contracts -- they are vaguely aware of the terminology but not fully aware of how the mechanics work in the real world," explains research summary, "Investing In Consumer Information."

4. Establish good working relationships with local consumer protection agencies so they'll know how your organization operates and whom to contact if they receive an inquiry or complaint.

5. Give customers an opportunity to see how your organization works. Provide demonstrations, offer seminars, conduct organizational tours.

6. Work with local community agencies to set up consumer fairs

at shopping malls or recreational centers.

7. Work with schools or professional educational ass'ns to develop classroom materials.

(More information from Consumer Info Ctr of Coca-Cola, P.O. Drawer 1734, Atlanta, 30301; 1-800/438-2653)

Whirlpool Researches
Consumer Attitudes, Too

Titled "America's Search for Quality: The Whirlpool Report on Consumers in the 80s," study 1) tests popular assumptions about American consumers by asking them what they believe, how they function, how they've changed, what info sources they value most; 2) identifies how age, income, education level affect buying habits; 3) illuminates prevailing attitudes toward manufacturers, service organizations & public service providers. Some findings:

1. 85% say they are satisfied with manufactured goods. This is given added credence by the finding that 78% say they are more demanding now than a few years ago.

2. While 8 of 10 Americans are satisfied with services, only 47% say services have improved in recent years; 36%, stayed the same; 17%, deteriorated.

3. Most important characteristics of salespeople are: courtesy, 99%; knowledge about products, 72%; recognizable by name tag or clothing, 58%; knowledgeable about competing brands, 45%; knowledgeable about other dep'ts in the store, 39%; immediately available to give assistance, 37%.

4. 68% say gov't should be more involved in regulating product quality.

5. 60% are concerned about the environmental impact of products they purchase. In addition, significant minorities make a point of being aware of the public policy positions of the manufacturers of the products they buy. 26% are always or usually concerned about a manufacturer's record with its employees, unions & local community. 35% are occasionally concerned. 42% are at least occasionally concerned about a manufacturer's support of religious, cul-

Which source of information is the most trustworthy? (978 respondents)

<u>Source</u>	<u>%</u>
Friend	23
Relative	15
Consumer reporter	14
Better Business Bureau	11
Newspaper articles	8
Advertising	6
Magazine articles	5
TV shows	5
Salesperson	4
Yellow pages	4
Gov't consumer agency	3
Manufacturer's spokesperson	1
Radio shows	1
	<u>100%</u>

tural, charitable or political activities. (Copy of Whirlpool's study from them at 2000 U.S. 33 North, Benton Harbor, Mich. 49022)

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RESEARCH REVEALS CUSTOMER RELATIONS ESSENTIAL TO THE BOTTOM LINE,
BUT SOME EXECS UNCONVINCED; PROBLEMS EVOLVE AROUND
EXPECTATIONS VS. DELIVERY, LACK OF RESEARCH, EMPLOYEE TRAINING

Customers have a set of expectations in every transaction with an organization -- whether it involves a purchase, repair, complaint, bill, service, inquiry. These may or may not be reasonable. In either case, when they are unmet, a public relations failing occurs.

Most organizations base product/service specifications & performance standards on a little market research and a lot of exec perceptions of what the customer expects. Neither guarantees customer retention. Some examples of unmet expectations include: 1) product design fails to account for how the customer will use & abuse the product; 2) services don't emphasize what is most important to customers; 3) marketing creates false expectations; 4) company takes actions assuming customers will understand and accept them.

The cost of creating false or unfulfilled expectations is high. Each complaint indicates unmet expectations. Worse yet, most people don't complain. They switch to a competitor -- and tell their friends. A landmark survey for Coca Cola (see p. 11/9/81) found when consumers' complaints are not satisfied, they tell a median of 9-10 people about their negative experience.

The solution, according to an emerging body of research, is to 1) measure customer expectations and determine what is really important to them. 2) Identify the level of product performance that will satisfy the most customers. 3) Determine the market implications of not meeting expectations. Concludes a Technical Assistance Research Programs (TARP) working paper: "Companies work very hard to develop good products & services and to attract new customers. During product delivery, however, the customer's real needs are forgotten. Marketing falls in love with its own 'hype,' and operations implements standards which are easy to conceptualize, measure & fulfill. Unfortunately, customers are more interested in their needs, and their unfulfilled expectations translate into lost revenue and higher after-sale costs."

CONSUMER INFO NEEDS

Despite consumers' high interest in product information (55% are extremely interested, 39% fairly interested), they don't feel their needs are being met. Here's how they rate the product-info performance of 7 industries:

Industry	Exc.	Good	Fair	Poor	DK
Appliances	6%	46%	34%	10%	4%
Food/Beverages	6	44	35	14	1
Clothing	6	43	34	14	4
Rx Drugs	7	33	35	21	4
American Autos	2	26	36	31	4
Insurance	4	22	31	37	6
Chemical	2	20	32	34	12

-- "The Information Challenge" (copy of survey from GE, Consumer Products Sector, Fairfield, Ct. 06431)

Consumer affairs departments, set up to advocate customers' needs & expectations to management, emerged in the 70s. Today, however, many are faltering, being phased out, or don't have the needed impact, finds study by John Goodman & Ronald Stampfl. Single biggest obstacle is exec concern, "how does this contribute to the bottom line?" Answer Goodman & Stampfl: "Bottom line contributions include a) retaining customers who would otherwise be lost, b) obtaining new profitable customers and c) improving word of mouth communication & corporate image which leads to d) new customers, e) less regulatory pressure & f) reduced expense."

5 Core Functions
Of Consumer Affairs

Study identifies: 1. Complaint Handling. TARP's functional framework specifies 19 complaint-handling functions which broaden its impact on the organization as a whole -- statistical reporting, policy analysis, input to policy, incentives, training.

2. Consumer Education and Product Information. Supports customer satisfaction by helping consumers form realistic expectations as to what benefits the product/service will deliver.

3. Issue Anticipation. A strategic function which identifies long-range problems & opportunities, and develops strategies to defuse problems and take advantage of the opportunities. Function includes acting as an advisor/consultant to upper & line management.

4. Employee Training. Must include the development of formal guidance materials and training programs, on-the-job training, and employee incentive, appraisal and recognition activities. All employees must understand that their individual and corporate success in the marketplace is directly related to customer satisfaction. Whatever their job title, they must see the linkages between what they do, what consumers expect of the product being sold, and how well the product performs the function it was designed and marketed to do. Implies an organizational & employee commitment to consumer rights.

— PREFERRED SOURCES OF INFO —

<u>Source</u>	<u>Considered "Very Valuable"</u>
Toll-free 800 numbers	69%
Do-it-yourself repair manuals	57%
Call from manufacturer 6 months after purchase	49%
Pre-paid, pre-addressed postcards for questions	38%
Information clinics in communities	31%
Traveling consumer information van	31%

-- GE's "The Information Challenge"

5. Research. Provides empirical data on the marketplace to support the other 4 functions. Policymaking operates in a vacuum unless someone collects data on customer expectations, behavior, needs, market actions and product performance in use. Consumer affairs must have the inhouse capacity to conduct at least preliminary "quick & dirty" research. This will be sufficient to justify (if necessary) more sophisticated studies.

Contact TARP, 706 7th St, SE, Wash DC 20003; 202/544-6312 for copies of studies: 1) Consumer Complaint Handling in America, 2) The Bottom Line Implications of Unmet Consumer Expectations, and 3) The Consumer Affairs Department: Expanding Its Functions and Identifying Its Bottom Line Contributions.

OPPORTUNITY 1985: BRING RIGOR OF PROCESS MANAGEMENT TO BUILDING PUBLIC RELATIONSHIPS BY CREATING AN EASILY-APPLIED AND SIMPLE-TO-EXPLAIN CONCEPTUAL FRAMEWORK

As the new spirit of total competition deepens, the primary response in most areas of endeavor has been the "marketing revolution." For public relations this has generally been positive, with its theme that the three most important publics are "customers, customers and customers." Yet even as organizations trim and shape themselves to meet their customers' needs and values, two old problems surface:

- 1) how to discipline and motivate the organization so it
- 2) makes them regular, repeat, loyal customers.

Once the legitimate but somewhat simplistic appeal of marketing wears off, managements everywhere find themselves once again facing the need, the essentiality of building **long-term public relationships** – not only with customers but other key publics. Marketing, alas, with all its basic lessons and strengths, is not a panacea. A more holistic model is needed, one that 1) takes all elements of modern organizational life into account, b) allows stability through the stresses of constant change in product/service, environment, demographics, lifestyle, c) provides for the **process management of public relationships**.

MODEL OF THE SUCCESSFUL ORGANIZATION

Begins with, and invests much energy in, a

1. DEFINITIVE MISSION STATEMENT (Values)

- The distilled essence of the organization's reason for being
- Implies its USP, positioning, goals, policies

This is carried out by

2. CORPORATE CULTURE (Shared Values)

- Demonstrated by role models, heroes
- Reinforced by rituals, stories
- The source of teamwork, morale, productivity

This in turn lets the organization speak with One Clear Voice to penetrate the changing and competitive environment by building

3. POSITIVE PUBLIC RELATIONSHIPS (Expressed Values)

- More than marketing or communication
- The source of loyalty, credibility, trust

Over time this creates

4. REPUTATION (Understood Values)

- Generates latent readiness to like, accept, trust, believe
- A serendipitous, self-powering force that lies at the core of all human interface
- Epitomized in the old Squibb motto, "The priceless ingredient of every product is the honor and integrity of its maker."

Process management means standardized methods – a process. It implies carrying through to closure, to finishing, i.e. completing the process since the “product” is valueless without it. In a foundry, for example, castings must be polished. In accounting, figures must be audited. Public relations must be evaluated and give evidence it caused some outcome. The irony is that by institutionalizing the process, practitioners are free to concentrate on outcomes, not process.

ABOUT THIS MODEL

1. It offers an orderly **process**.
2. Is **value-centered**. Critical since if an organization doesn't broadcast (and act on) its values, people will fill the vacuum by ascribing values for it – probably unflattering ones.
3. Describes **any organization** regardless of age, product or service, etc.
4. Focuses on the organization itself – a group of people working together over time – **regardless of changes** in product or service, management or ownership, environment.

USEFUL TECHNIQUES

To find out realistically where your organization stands in relation to the model, do a simple comparison.

1. From internal documents, make a list of what the organization stands for.
2. Then conduct some research to discover what the organization is known for among key constituents.
3. Compare the two and you have both an agenda for the public relations department and a mandate for management.

5. Emphasizes basics: constant attention to interaction and communication in order to **build relationships**.

For practitioners, it provides badly needed priorities and division of labor. Note that the **internal audience is the top priority public**. . . for until members of the organization share its values and are trained to speak about them in unison – and behave accordingly – external relations remain fragile, subject to contradiction. What a waste to spend large budgets telling people how caring you are, only to have them find out differently from contact with your switchboard or sales department – or from an employee gossiping at a cocktail party. While this may always remain a challenge given the vagaries of human nature, an instilled corporate culture at the least provides a proactive defense.

Critics of this kind of model usually suggest it won't work in large organizational settings. Yet even there most interaction is one-on-one: a supervisor to a worker, a clerk to a customer, and so on. Further, examples of the model working successfully are all around us. Consider the Japanese style with its rituals of morning exercises and company songs aimed at creating a value-intensive culture, which works toward meeting the needs of customers. And – truthfully – how many organizations large or small really have taken the time to create definitive mission statements that are understood and looked to for guidance in daily operations? (See pr 2/14/83 for Johnson & Johnson's reliance on its credo during the Tylenol crisis.)

This model provides a macro view of how organizations function – and how to keep them healthy. Next step is to determine public relations' role in operations.

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SPENDING TO KEEP CUSTOMERS MAKES SENSE RIGHT ON THE BOTTOM LINE; THIS MEANS BUILDING RELATIONSHIPS INSTEAD OF JUST HARD SELLING

If one customer is lost daily who spends \$5 per week, a company would lose about \$94,900 annually, says Customer Service Institute (Silver Spring, Md.). It costs time times as much to attract new customers as to keep existing ones. This is where public relations can make its biggest impact on sales.

CUSTOMER SATISFACTION

...is the acknowledged key, a technique practitioners can bring to organizations. One effective way is to have senior management define what they feel it is. Then ask each department as a group to define it. Then survey customers to see if the definitions mesh. Resulting sensitivity leads to programs to **deliver** customer satisfaction. There are many to choose from. One cardinal rule enlivens each:

To achieve customer satisfaction means attaining employee satisfaction.
Dissatisfied workers simply cannot satisfy customers for long.

QUALITY CIRCLES

Used by many organizations (service/retail, hospitals, banking, insurance, et al). Beneficially involves employees when tangible results are tracked. "One organization did a survey of key customers, asking if they had noticed a difference in service. Of those that said yes, 58% said improved customer service has led to more sales," explains Jeff Dewar in Quality Circle Institute's newsletter, *The Facilitator* (Red Bluff, Calif.).

HOW MUCH MORE DOES IT COST TO CREATE A NEW CUSTOMER COMPARED TO KEEPING AN EXISTING ONE?

Some facts from the classic study by Technical Assistance Research Programs for the White House Office on Consumer Affairs:

- Only 4 of 100 dissatisfied customers will complain.
- For every complainer there are 24 with the same complaint who never say anything.
- 13% of dissatisfied customers will tell 20 people about it.
- 90% of unsatisfied customers do not repurchase from the offending company, compared to 54-70% who remain loyal when complaints are satisfactorily handled.
- Complainers are more likely than non-complainers to do business with the organization again.

Gallop poll of senior execs at 615 companies ranked service quality as first of eight factors in corporate success (by more than 48%).

LATEST TECHNIQUES

Total quality control (TQC) is a shared responsibility where everyone helps maintain the quality of the processes and products

for which they are responsible. **Quality function deployment (QFD)** is an integral part of the planning process. "Why the product or service is being developed, how it will be produced, what materials will be needed, what significant issues should be anticipated, how it will be marketed, distributed and serviced are determined before the product or service is delivered. And these issues are not overlooked during the development phases," explains John Newcomb, quality/productivity consultant (Swampscott, Mass.).

"In Japanese companies, the "Customer's Voice" provides the impetus for all of the activities of the organization. In the US, it is the manager's voice, the engineer's voice or the financial planner's voice that is often the driving force."

"VOICE OF THE CUSTOMER"

QFD develops a communications network so the customer is **heard**. Newcomb gives this example: "When auto manufacturers in the US want to introduce a new product or product line they place their cars in busy locations such as airports and shopping centers. The cars are protected from the public by ropes and secured with locks and alarms. In Japan, the auto manufacturers also place their products in busy places but they are not locked or separated from the public. Management and workers from the auto manufacturer place themselves nearby. They are dressed in clothing that does not distinguish them in any way. They record both good and bad comments and conversations about the product. This becomes a source of intelligence which is developed into data that are used in the decisionmaking process about this and all subsequent products."

ADVANTAGES OF QFD

Once employees are trained and new tools introduced, benefits include: 1) It's forever. 2) The product and its utility are determined by customer requirements. These points are not lost or misinterpreted during the development process. 3) Marketing strategies, USP are clearly understood throughout the development process. The market is well defined. 4) Everything needed to ensure the appropriate output is understood, from concept to customer. 5) Engineering and other changes are minimized due to systemic planning and execution. Customers' needs are met.

"There are a small number of organizations who practice QFD and fewer who teach it in the US. We believe it is only a matter of time when it will be practiced extensively." Results are startling. Toyota Autobody has reduced start-up cost of new products by 61%.

"The continued existence of business depends on the day-to-day mobilization of every ounce of intelligence. New relationships with direct and indirect labor groups, labor unions, suppliers, customers, the public and even with competitors must be developed by those in positions of responsibility. Arms-length relationships are not sufficient; partnerships are required." – Newcomb quoting Mr. Matsushita, chairman, Matsushita Group

MANAGING FOR QUALITY

QFD is most effective when its objectives match the long and short range objectives of the organization. "Guiding Principles must be developed and practiced by all to ensure that the objectives are met. When this is accomplished, good, clear and recognizable next steps will move the organization toward its objectives," says Newcomb. "Our ability to compete is dependent on the quality of our goods and services. The quality of our goods and services is dependent on the quality of

the leadership of the enterprise.” Yet despite all the books, articles and management rhetoric, North American organizations are slow to adopt these methods – now so well proven in Europe and Asia. This is a leadership opportunity for public relations.

WHICH CUSTOMER SATISFACTION / QUALITY CONTROL MODEL FITS YOUR ORGANIZATION?

1. **Classical Quality Control.** Takes place **after** production of product or rendering of service. Depends on specifications, standardized processes. Workers trained to do **only** as told (“leave brains at home”). Byword is quantity. Minimal customer recognition. Quality depends on inspectors who only have to know whether to accept, reject, repair or scrap. More rejections means add more inspectors.
 - Little or no focus on customer satisfaction.

2. **Total Quality Control.** Takes place **during** production allowing correction, adjustment, in-process inspection. Requires management support and commitment, job training. “Customer” becomes more than the end-user; it’s whoever represents the next step in the process, i.e. the CEO’s “customers” are the vice presidents, the supervisor’s “customers” are those in the department, etc. Responsibility for quality is shared by **all**; requires teambuilding.
 - Improved customer satisfaction.

3. **Quality Function Deployment.** Quality becomes part of planning process **before** product manufacture or service delivery. Customer desires, as seen in market and other trends, drives design – rather than engineering or finance. Key is planning, anticipating. Management must create shared vision of future with short- and long-term goals. Individuals align personal goals with organizational objectives resulting in innovation, creativity.
 - New customer sensitivity.

THE THREE ARENAS OF PRACTICE: HOW PUBLIC RELATIONS SERVES AND ADDS VALUE

SALES SUPPORT	PUBLIC POLICY	ORGANIZATIONAL EFFECTIVENESS
<p>Functions: customer relations sell products/services/ memberships publicity and promotion other marketing support fundraising support</p> <p>Goals: sales and profits, dollars raised, adequate funding, brand preference, market share</p> <p>Clients: departments of sales, marketing, development, admissions, member services</p> <p>Collaborators: same as clients</p>	<p>Functions: Constituency relations, issue anticipation and tracking crisis management damage control lobbying/government relations community relations social responsibility contributions volunteer programs</p> <p>Goals: maintain a hospitable environment and a cadre of active supporters</p> <p>Clients: CEO, Board</p> <p>Collaborators: law, strategic planning departments</p>	<p>Functions: Employee and retiree relations recruitment shareholder relations financial relations member relations alumni relations supplier relations industry relations</p> <p>Goals: Teamwork, One Clear Voice, motivation, productivity, loyalty, morale, understanding, cost-effectiveness, support</p> <p>Clients: CEO, CFO, COO, alumni/membership director</p> <p>Collaborators: human resources department, corporate secretary, alumni/membership department</p>

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- Public relations is a **staff**, not a line function: therefore it is a **consulting and service** position that is always responsible to **clients**. Confusion arises when pr tasks become a "product," e.g. a magazine in a membership organization.
 - This is an **outcomes model**; any of the techniques or processes of public relations can be used in each of the arenas, e.g. publications, events, publicity, speeches, one-on-one, et al.
 - By nature public relations is **non-linear, a seamless web**. Anything done in one arena affects the other arenas. Over-promising in sales support may bring a public policy response; lack of organizational effectiveness will affect sales; etc.
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First of the Year Issue:

**IN NEW DECADE OF PERSONALIZED RELATIONSHIPS AND COMMUNICATION, CHANGES IN TECHNIQUES, STRATEGIES AND PRACTITIONER ATTITUDES ARE PREDICTABLE:
HOW TO REACH THOUSANDS OR MILLIONS PERSONALLY?**

The Nineties, for public relations practitioners, may well be shaped by two prior occurrences:

- **decline of mass markets and mass media**, which had dominated since WWII, into a continuing fractionation of publics; this means targeting smaller and narrower groups;
- **sense of empowerment** felt by more and more individuals, or at least a firm desire to have a voice in decisions that affect them; which means appealing to them personally, not just to some socioeconomic grouping they are assumed to be part of.

The prime example on a macro scale is events in the Eastern Bloc nations. Even in stern dictatorships like Rumania's, when public consent goes, nothing can withstand it. Note the risk people were willing to take, once consent turned in another direction. These spectacular events demonstrate three principles of emerging pr of the 90s:

1. In any organization or social grouping (but especially one ruled by fear), **80-90% of the members only give passive consent**. They are followers. Decision leadership is taken by 10-20%. They must find either consensus or a clear majority, though they may debate and disagree so long as it doesn't upset the larger group. Once the passive consent of the masses is eroded, however, anything is possible.
2. **Mass media had no role** in the Eastern uprisings – in fact, they were on the other side. One may argue that their media aren't trusted – but then, are outs?
3. What spread the revolution was **personal contact – face-to-face communication and relationship building**. Diffusion research, concentric circles theory and others show how this personalized distribution of new ideas passes from the opinion leaders to the followers, until passive consent ends.

As one scholar of the field puts it: "PR no longer means Public Relations, in the sense of reaching mass publics. PR now means Personal Relations – or at least Personalized Relationships.

ADVANTAGES OF PERSONALIZED PUBLIC RELATIONS

The Achilles' Heel of mass communication has always been that appeals, which turn some people on, turn others off. There's no way to keep the second group from seeing the message – so every communication amounts to two steps forward and one back (or, heaven forbid, vice versa).

The way to be sure the majority of the audience is turned on is to conduct research. But the profession's aversion to it – or is it just to spending money on it? – is illustrated by the appearance just last year of the first two book-length treatises on pr research.

And personalized appeals, however delivered, can be aimed more directly at those known to want to receive and act on them. They start quietly behind the scenes – just as the opinion changers in the Eastern Bloc had to do. By the time they go public, a critical mass of believers, purchasers, voters or whatever has been shaped.

Personalized pr still requires research – but many of its techniques combine action with data gathering, a double punch.

ALSO WIDENS PR'S ROLE

Applying public relations skills at the small group and individual level alters the realm of practice. **All relationships acted out in a public setting** now become the realm, whether this means organization-to-customers, CEO-to-opinion leaders, department-to-department or individual-to-individual.

An immediate benefit – once one acquires the techniques to pull it off – is ability to intervene between, say, two warring executives. So often these personal battles do immense harm to organizations. Among other damage, they hurt pr efforts or even keep them from going forward. If we view the field as dealing with these situations – because they involve **relationships** and are acted out in **public**, albeit between individuals – pr makes an immense contribution.

SUMMARY OF PERSONALIZED PUBLIC RELATIONS TECHNIQUES

1. **Opinion leader theory** is primary, since clearly the individuals to concentrate on should be those who can influence others. Five types of influencers have been identified, with clout in this order:
 - a. **Role Models** – act out the behaviors you seek;
 - b. **Opinion Leaders** – are trusted to set the patterns;
 - c. **Power Leaders** – can reward and punish so no one wants to cross them, though they're rarely really trusted;
 - d. **Cheerleaders** – create results we didn't know were possible;
 - e. **Celebrities** – provide instant awareness for ideas.
2. **Opinion Leader Lists** are arguably more powerful than ubiquitous media lists. Computer sorting/reporting files make it possible to gather immense amounts of relevant data about all five types of key players in any public. Sociometric studies, or plain old street research, identifies the OLs; trial and error plus work experience corrects and updates the lists.

3. **Networking Charts** are an immediate outcome of OL lists. Once you know who interacts with whom, who's related to whom, and other influence and flow-of-idea factors, you begin to truly understand how public opinion is formed. Leading work here is being done by college fundraisers, as well as some issue practitioners.
4. **Organization Development (OD)** has been touted in these pages before as an obvious addition to pr techniques. Basically, it facilitates interventions between individuals and among groups, both inside the organization and with external publics. Its prime tactic is to surface what people are truly feeling, to eliminate the facades and play-acting that impede relationships and communication. It also builds teams, aids participative decisions, facilitates tough meetings and much more. A mother lode of new value-added for pr.

STRATEGIES THAT EMPLOY PERSONALIZED TECHNIQUES

- A. **Good Old Employee Relations** – under a wider new guise of internal relations we hope, but certainly not in its narrow form of employee communications. Relationships among everyone in the “family” are now the most vital – for many reasons:
 - Productivity, competitiveness and other “musts” of the 90s depend on effectiveness and participative working relationships.
 - Loyalty has been battered as overpaid executives get benefits even when they fail (e.g., golden parachutes) while everyone else gets fired – as even *Fortune* now admits
 - Hierarchical management is passé, pushing decisions down the organization and “flattening” are everywhere . . . but superb internal relationships are the grease that makes them go.
 - External publics, it is now seen, can be most effectively reached by “the family.” Employees, retirees and their circles of influence are a powerful medium of persuasion and communication.
 - You can't achieve customer satisfaction if the organization exhibits worker dissatisfaction, at any level.
- B. **Organizational Community Relations or PR Teams** send workers and allies into the community, marketplace or legislature to perform effective peer-to-peer activities that practitioners and executives simply haven't the standing with those publics to pull off. School pr teams have proven especially effective. Teachers, bus drivers, custodians, perhaps some parents or businesspeople, become the outreach arm of a school – leaving the distant, impersonal school district out of it. They gain support for programs, win bond issues, attract volunteers into the classroom as helpers – whatever is needed.

Coors Brewing Co. shows **how well this applies to corporations**. Its VICE (Volunteers In Community Service) squad of employees was so successful that retirees demanded their own group, ADVICE). That added such synergy that people with no connection to the company asked for a team to be formed for them! When beer sales need a push, PULL teams move into a community to persuade people to try the brand. All volunteer effort – and everyone loves it: company,

participants, community, retailers and distributors, consumers. Find an impersonal pr activity to beat that.

- C. **Customer Satisfaction Programs** begin with an OD research method. Insiders are asked to model what a satisfied customer looks like, how they feel and think, etc. If it stopped here, the seed would be set for sensitivity to customer needs and desires. But there's more: a customer sample is then asked to create the same model, and they are compared. From this "gap" emerges new behavior patterns to lead to "100% customer satisfaction" – as decided participatively by the work group. It may be small advances, like answering all calls and letters the day of receipt; or major changes in policy. Thus the work group manages its own response to this critical competitive factor.

A second phase is redefining the customer. This is particularly useful to escape hierarchical structure. Each former "boss" becomes the servant of his/her former "employees" – they now become the "customers." The CEO's customers are the division presidents or exec vps, their customers are the vps or group directors, the supervisors' customers are their work forces, etc. The theme is: one doesn't give orders to or mistrust one's customers, one serves them and helps them meet their needs. External customers are the ultimate beneficiaries.

THERE'S SO MUCH MORE

Among techniques, add lobbying, door-to-door community contact, house meetings, neighborhood networks, open houses, service club/community organization spirals, training – to select a few. Among strategies, add constituency relations programs, baseline surveys with regular updates, user groups, CEO breakfasts – and on and on.

The point is: today, people demand participation. Or at least to be spoken to personally (in fact or perception). Few respond to messages for the masses.

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BRAND LOYALTY DECLINE CAUSES NEWS MEDIA AND AD AGENCY SLUMP, HEALTHCARE AND EDUCATION DROP PRODUCT MARKETING APPROACH; NEW CONSUMER PSYCHE AT WORK ALSO MEANS NEW PR STRATEGIES

The tyranny of the hotshot marketer and arrogant brand manager may be ending. In consumer products, birthplace of brands, the talk is about erosion of loyalty, brand switching and the rise of housebrands. New management at American Hospital Association reportedly dislikes the "M" word. Schools, colleges and others lured by the marketing fad are seeing things differently.

Product publicity faces a problem/opportunity – it could go either way – but **broader-based pr strategies** now have a chance to demonstrate both their worth *and* the shallowness of dealing with publics only in terms of what can be gotten from them. That may not have been marketing's intent over the last decade – but too often it has been the reality. Indicators:

BRANDS SUPPORT ADVERTISING WHICH SUPPORTS MEDIA – OUCH!

The oft-noted decline in ad volume and effectiveness arises largely from manufacturers unwilling/unable to support brands with big bucks campaigns. The toll on media is seen everywhere: rumors only two tv nets will be around perhaps as soon as next year, cuts in editorial staff in all media, cancellation of local tv programming. For publicists, the news hole is smaller and fewer reporters are available.

A perceptive *Forbes* summary of the situation (9/16/91) quotes research showing **ad effectiveness has fallen 30%** among consumers in 10 years. Marketing strategist John Trout says the couponing replacing ads further erodes brand loyalty by showing the product is a commodity – with little difference between brands. And it stimulates brand switching.

GREED IS THE CAUSE; CAN CONCERN FOR CONSUMERS REBUILD BRANDS?

Forbes details how greedy marketers through the 80s raised prices steeply even while raw material costs were stable or falling. Now consumers are saying "enough." But something larger is at play –

and may provide an opening for pr. One consultant's studies find people are **tired of homogeneity, of sameness**. Now they want to be different from everyone else, so seek specialty products – a trend building for years in gourmet foods, local beers, B&Bs vs. hotels, etc.

This mandates two requirements: 1) like brands, these new entities must develop a personality, but it can be consumer-centered rather than manipulative marketing, offer real rather than perceived differences; 2) as green marketing illustrates, linking purchases of goods and services to social values pays off. PR strategy is at its forte in both these arenas.

HOSPITALS MOVING FROM MARKETING TO RELATIONSHIP BUILDING

Bill Ferretti of Medstar Communications finds them adopting the fundraising model, which is **longterm** and requires

“cultivating” donors. The marketing model aims for **instant** success. H&K healthcare practice director Jack Hardy notes that all an institution has is trust; selling healthcare like soup or soap can only damage trust. They and other panelists at American Society for Healthcare Marketing and PR’s annual conference last month kept talking about the importance of building caring, personalized relationships.

ONE RESPONSE NOT TO TRY . . .

Constant pr-basher Joanne Lipmann, ad reporter for the Wall Street Journal, her complete misunder-

standing still intact, recently touted the case of Electronic Arts, a video game maker. As if it were news, she told how the company’s dpr had developed “a system that equates press coverage with advertising time and space, actually assigning a dollar value to mentions in the press.” This dpr was having trouble meeting her current quota, she noted.

The same column – which continually labels publicity as public relations – cited a questionable study by press researchers Delahaye Group (Hampton Falls, NH) that supposedly showed the cost of “public relations” [read publicity] is up because placements are down. Its 30 clients were mentioned [note] on average in 878 articles in ’90, down 36% from 1,371 in ’89. Somehow this worked out to \$763 for each mention vs. \$585 the year earlier. What’s missed completely is that, cost notwithstanding, this one-way communication technique, like the advertising some would use it to replace, is of greatly declining value in today’s personalized, overcommunicated era.

As this demonstrates, some will still try to force all of public *relations* into the single mode of media work for marketing support. And Doug Newsom, Texas Christian pr prof, reports the Q&A at a recent Texas meeting was dominated by the battle for turf between pr and marketing. Trend exploiters, however, have ample evidence a window of opportunity is opening.

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WHAT WORKS MAY NOT BE INTEGRATED MARKETING COMMUNICATIONS (IMC) AS MUCH AS TOTAL RELATIONSHIP MANAGEMENT (TRM)

IMC assumes customers exist in a vacuum. TRM understands employees are also customers, both may be shareholders, persons in all three groups may be public officials or community opinion leaders, customers are also voters, etc. Multi-dimensional folks see products and services in context of the whole environment. In contrast, IMC as currently discussed is a rehashing of the quest to make all *sales* messages uniform, no matter how delivered.

IMC IS GOOD FOR ITS PIECE OF THE PIE, BUT IT IS NOT THE WHOLE PIE

done their damndest for years to make it appear to be all there is. If IMC remains one-way, propagandistic, a contributor to overcommunication, it is a step backward – especially for strategic pr practitioners. Probably also for marketing pr, since it will predictably be dominated still by advertising and marketing with their manipulative, linear models.

If that's what IMC is, it's just too narrow an approach, an attempt to resuscitate dying mass communications strategy. More overcommunication!

PR'S ESSENTIAL ROLE IS CREATING A HOSPITABLE ENVIRONMENT FOR SALES

But – if the whole panoply of skills were to be united to integrate and coordinate **management of relationships with key publics**, recognizing the several hats worn by most in those publics, that would be progress. Employees and community are key today, whether they ever buy anything or not. So are policymakers. IMC overlooks them – but TRM cannot. Remember the Three Arenas of PR: 1) Sales, 2) Public Policy, 3) The Organizational Family.

A problem is that advertising, marketing and direct response pros only know their piece; and have

If in doubt, check out the **supermarket of the future**. Shopping carts hold tv screens, the shelves talk to you, there's no escape from promotional messages. Or how about **place-based media** – in the doctor's office, the checkout line, or airport. Channel One takes commercials into school classrooms. Now there's McDTV: even while eating at McDonald's you cannot escape some product being hyped. **Telemarketing** attempts to be "personal"...but how do you react to calls in the middle of dinner?

The technocrats in IMC itself have shown that personalized communications are what work now. The 800-number and similar feedback systems add two-way personalization. What marketing guru Phil Kotler calls "wrap-around marketing" – which isn't all marketing – is vital: preselling, selling, postselling. **In short, building a relationship.**

CASES SHOW RELATIONSHIP-BUILDING AND TWO-WAY COMMUNICATION ARE THE THRUST

1. **Telephone democracy – where people talk back.** Peter Huber of the Manhattan Institute writes in July *Forbes*: “The telephone, the medium of two-way communication, is far more honest than television, the medium of one-way broadcast. Letting people get their own word in now and again is annoying if you’re accustomed to holding the floor yourself, but in most circles outside Washington it is also considered common courtesy. In the age of telephone democracy our politicians are going to grow more polite. Their voices are going to grow smaller, and their ears bigger.”
2. **Newspapers and other media should focus on new ways to develop relationships within communities** – the true force behind the information age, Michael Schrage, from MIT Sloan School’s Center for Coordination Science, told International Newspaper Marketing Association’s annual meeting. “Forget data and information, bit and bytes and high bandwidth semiconductor lasers that can pulse a million Encyclopedias Britannicas down a fiber optic pipe in a twinkling of a nanosecond. New technologies. . .are really about the essence of being human – things like relationships, community, how we communicate with each other. . . . When it comes to media, the importance of information is really subordinate to the importance of community.”
3. **Relationship banking. . .and now even Bloomingdales will be friendly.** After the ’87 “correction” on Wall Street, earning customer trust through long-term relationships is the theme. Opening a new store outside NYC, Bloomingdales – famous for the disdain and even rudeness of its clerks – coached salespeople “not only to be civilized to customers but to nurture relationships with them.” Management calls this “making the shift from a *merchandising* store to a *marketing* one.”

HOW ONE FIRM PRACTICES IMC

Integrated marketing communications isn’t new for Rumrill-Hoyt (Rochester, NY). “For the last 10 years we’ve been honing our approach. We’ve grown from having a couple people working on integrated accounts to over 20 full-time professionals,” Gale Johnson, dpr, told *prr*. He is director of integrated services for this full service firm. “We develop our communications program off a common strategy no matter what our communicating discipline is. That’s a big part of how we integrate.”

Firm is organized to facilitate this approach. Accounts are served by a team with people from advertising, pr and marketing. There is one team leader – the account director. S/he reports to Johnson and the director of client services. “It works because everybody’s responsibilities are clearly defined. *As pr director*, I have two responsibilities: 1) quality control – the pr product; 2) personnel – getting the right person on the right job, hiring, firing and evaluating pr people. Then there are *two areas on the account side*: 1) presenting one-stop shopping for the client; 2) making sure programs are integrated, and that each part of a program enhances and compliments the others so the sum has the greatest possible impact.”

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“We develop our communications program off a common strategy no matter what our communicating discipline is. That’s a big part of how we integrate.”

Joining this full service firm, Johnson found “what advertising agencies consider collateral, pr firms consider pr – brochures, video tapes, etc. So it was natural for me to head pr and the collateral group as well.”

DO EXTERNAL PUBLICS CARE ABOUT INTERNAL PROGRAMS?

A large paper supplier has this banner on the front of its building:

National Paper Company
1993 goals
"Total Quality Commitment"
Making Customer Satisfaction the #1 Priority

While this makes the message a reminder to employees as they come to work, or go in and out during work hours, has this any meaning for external publics – customers, prospects who have not been dealing with the company, vendors, neighbors, public officials?

Individual situations will vary, but here's a quick forcefield analysis:

FACILITATING FACTORS

1. Since quality and customer satisfaction programs are in vogue, it shows the company is "with it";
2. Anyone not familiar with these programs would still be likely to react positively to an organization that goes public with this message;
3. Boldly announcing the message in this location means the company has to be committed – remember customers go through those doors, too.

OPPOSING FACTORS

1. Unless every employee is well indoctrinated and has bought into these programs, there's a risk of raising expectations that cannot be met;
2. Therefore, the banners are not prudent to **kick off** a customer satisfaction or quality campaign, but as a **culmination**;
3. Those whose own workplaces have made a mess of such programs will probably be turned off (but then, every message turns some on and others off).

Unless some major factors have been overlooked, on balance it appears there is value in going public with internal campaigns.

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"LOYALTY" STRATEGY LETS PR SAVE DATABASE MARKETING

While advertising, coupons, discounts and other worn-out lures are declining, the combination of targeted tracking databases and either direct mail or telemarketing is being praised as the savior of sales. So-called DBM may in fact be the death knell of pursuing customers against their will.

The predictable result in marketers' hands will be to steal precious hours of busy people's time with yet more junk mail, more intrusive evening phone interruptions. Mail takes time simply to *handle*, even if you don't open it. These unwanted intrusions doom DBM to failure and the creation of bad relationships.

PR THINKING TO THE RESCUE

The difference between marketing and pr is that marketing single-mindedly courts "sales," while pr establishes a broadly hospitable environment in which sales are possible. Applying pr's relationship strategy, DBM can become a **dialogue between organization and top customers or key opinion leaders**. It works like this:

1. **Mail is used primarily**, particularly to "open the conversation." Phone may be okay later for time-constrained contact – e.g. during an issue debate – after the relationship has jelled.
2. **Initial letter, personally signed by the CEO** or other important individual, sets the tone – stating the organization's sincere interest in relating to the person (or family) by hearing their views, sharing information and policies, seeking participation in decisions.
3. **A combination of interactions follows** (and not too closely together):

<ul style="list-style-type: none"> • questionnaires to get input • new product data, helpful hints on how to use the service, etc. • info about community relations projects, seeking guidance or inviting involvement • perhaps a chatty, friendly letter from the CEO about management ideas or even 	<ul style="list-style-type: none"> • how tough it is today to manage successfully, or any topic • position papers on issues, inviting constructive criticism or advice • coupons or special sales • invitations to events, perhaps very selective ones especially for targeted opinion leaders or key customers
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In short, a variety – as business friends or those who share concern about a community would interact when they see each other around town.

PEOPLE TODAY WANT TO BE SERVED, NOT SOLD

To be effective, the dialogue's theme cannot be

"we want your dollars." A clothing manufacturer or retailer, for instance, might send a letter noting how hard it is to find good tailoring detail now – enclosing a booklet "put together by our buyers" that shows what to look for. This would be a welcomed service...but would probably also lead to sales. Every organization has helpful service info to offer.

Too many discounts, special sales or other push-marketing can be fatal. Value added marketing is the guide (pr 2/8).

- ¶ **Remember the goal:** creating a *relationship* that builds *loyalty* to your products, services, ideas and issues positions, and your organization.
-

TOTAL RELATIONSHIP MANAGEMENT: A SEAMLESS ONE CLEAR VOICE SYSTEM

As it becomes clear that public relations activity cannot be successfully Balkanized into community relations, public affairs, marketing support and other "separated" entities, the search is on for integrating methods.

- **Integrated marketing communications** is mainly a coordination of 1-way messages unlikely to meet the challenges of publics demanding personal, service-oriented, face-to-face exchanges. Worse, it appears to be more about bailing out a failing but still arrogant ad agency industry – by usurping pr techniques – than about helping clients.
- **Integrated communications** turns out to be the same as IMC but employing a euphemism to satisfy pr complaints that IMC leaves out too much – e.g., internal communications, community relations, etc.
- **Coordinated work teams and in-house pr firms** come closer to bringing together all necessary functions. This is achieved through a body of generalists able to achieve synergy by doing whatever is needed, "beyond the boxes." But the learning curve to change a glut of narrow specialists to capable generalists is a problem widely reported.

So, what might a single...coordinated...truly integrated...total pr program look like, then? One able to deliver One Clear Voice presentation, using techniques that fit the 90s' environment, achieving the synergy a "right-sized" pr operation must have in an era of dwindling resources?

A PROPOSED DESIGN FOR TOTAL RELATIONSHIP MANAGEMENT (TRM)

1. Start with **community relations** (pr 7/19/93).
2. Link to it the natural fit of **social responsibility, philanthropy** or whatever you call it including volunteers, in-kind or expert assistance, contributions. These two have the same goals but are artificially separated in most structures (pr 10/26/92).
3. Tie in **employee relations**, since volunteer and ambassador programs are among its key components now, but often run by community relations or another unit (pr 1/25/93 and 5/10/93).
4. Include **public affairs/government relations**, since ambassador and more organized grassroots/opinion leader systems like constituency relations are the most powerful tools available here – yet may be run by community relations or some other unit (pr 5/19/86 and 3/2/92).
5. Add **marketing pr** since both relationship marketing and database marketing – today's hot programs – use the previously enumerated tactics (pr 5/3/93 and 9/26/88).
6. In corporations, include **investor relations** since effective relationships with the local and national communities, demonstrated social responsibility, sound employee relations, ability to participate

meaningfully in public policy debates and snappy marketing support are the main ingredients analysts and investors look for – because *they are the road to profitability*.

7. In NPOs, include **fundraising** since all of the above create the climate for contributions.

THE NET RESULT IS ENERGY INTO OUTCOMES

In other words, reengineer pr to eliminate departments and boxes. Emphasize instead programming and strategy – what we do and why we do it.

- A. **As an example**, take a simple ambassador program. Regardless of who has responsibility, it impacts a) relationships with the employees who man it, b) communities and opinion leaders targeted by it, c) the outcome of issues the organization is concerned with, d) markets for its products/services, etc. etc. etc.
- B. **The same applies** to targeted speakers bureaus, membership networks, strategic philanthropy, focused publications – just about every program that works in today’s environment.
- C. The energy ought to go into perfectly and energetically mounting a collection of integrated programs that will synergistically meet all these objectives – not into turfing, duplication, unnecessary consultation and “coordination” and the other bureaucratic time wasters. They can be eliminated to **“get the work out of the system.”**
- D. More importantly, looking holistically at programming allows focus on achieving **behavioral goals**, through personalized relationship building.
- E. Opinion leaders targeted and feedback generated by each program can go into **a single database** – an inclusive networking resource *and* the most timely, trustworthy and **actionable research** imaginable.
- F. **Research supports** the seamless, reinforcing nature of this approach (which the pr issues cited in this article refer to, in part).

HOW THEN TO ORGANIZE AND DIVIDE THE WORKLOAD?

Does TRM demand work teams of generalists?
A collection of specialists who begin by cross-training each other? Is it better to have loosely

defined departments that focus on interpreting these encompassing, synergistic programs to designated publics; or to one of the three arenas (sales support, public policy, organizational effectiveness)?

Is a better approach to organize around the programs themselves, with each program team responsible for its impact on all affected publics? These are the unanswered questions, but the direction seems to be right on.

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August 15, 1994

“LEAN AND MEAN” OR “DELIGHTING CUSTOMERS”: WHICH IS IT?

CEOs love to describe how the layoffs and other easy-for-them moves will result in a “lean and mean” organization.

- Do customers want to be served by *mean* people?
- Was Shakespeare right when he warned against “Yond Cassius has a *lean* and hungry look?”

ONLY SEMANTICS AND SYMBOLISM?

– especially big, “admired” ones – succeed in spite of themselves due to sales and financial momentum. Or at least in spite of their managements. But as recent history shows, chickens come home to roost; make your own list of once successful giants gone or now troubled.

- What are customers, employees and communities to surmise when RIFs are a source of managerial pride – “toughness.” Tough on **whom**?
- What effect on the credibility of the business-financial establishment does it have when Wall Street **cheers** mass layoffs by sending up the price of the stock (pr 6/27)? Money for investors, family tragedy for many of those fired. Could the right leader rise in moral indignation and inflict retribution on such an anti-social, profits-ahead-of-people attitude? The auto industry said it couldn’t happen when Ralph Nader came along. . . .

WHAT’S WRONG WITH BEING FOR PEOPLE?

All their customers are. Even their shareholders and Wall Street analysts are. If anyone has an interest in opposing this anti-people philosophy it is pr pros – whose very existence depends on a system based on *consent of the people*.

Is there a connection between some executives’ anti-people actions and the fact 87% of business school students admit to having cheated on tests or papers – the highest percentage of any discipline, according to *Lingua Franca*, an academic magazine.

Fact is RIFs and firings are a managerial **defeat** – showing managers aren’t capable of **increasing revenues**, only the easy and cowardly move of cutting expenses. Direly needed: managers whose specialty is selling, real marketing, designing products with competitive appeal. Working on the income side of the ledger, not just the lazy person’s expense side.

STATISTICS SHOW PRIMACY OF CUSTOMER RELATIONSHIP RESEARCH

Gathered from secondary research by counselor and researcher Kitty Ward, they make the case:

- It costs 5 times as much to acquire a new customer as it does to take actions to keep a customer
- Almost 70% of the identifiable reasons why customers sever relationships with companies have nothing to do with the product, but with the service
- Only 4% of dissatisfied customers complain, but for every complaint received, 26 more customers are unhappy
- 65-90% of uncomplaining customers will never buy from the company again

“What an argument for research to discover customer perceptions,” she notes. Such research should be designed to learn:

- a) *why* customers think and feel the way they do,
- b) *how* they *describe* their needs and concerns,
- c) *what changes* the organization could make to satisfy their needs.

Results will show whether or not, and why, the organization's relationships are on track. Also how to promote customer satisfaction and loyalty to assure long-term success. “And people are reluctant to do research!?”

PR OPPORTUNITY: FINDING WAYS TO FACILITATE CROSS-SELLING

The essential element of the new one-on-one, relationship marketing is cross-selling – getting present customers for one product or service to also use others. The objective now is **share of customer**, not share of market.

FIRST STEP IS STRUCTURAL

Getting it can be mighty difficult. Banks faced the challenge early. How to get checking account customers to also open savings accounts and CDs, take out auto loans or mortgages, use safe deposit boxes and other services? People at one desk handling one service – on which their personnel evaluations and compensation were based – had to be motivated to urge their customers to use other services handled by other departments. Turf worked against new business.

This remains the case in many organizations. PR has two roles here:

- **As the corporate champion**, the team spirit leader, the voice reminding employees that unless the overall health of the outfit is sound, ultimately everyone will suffer.
- **As the change agent**, working to promote structural change so either *customer* representatives (compare this language with *sales rep*) handle all interactions; or there are rewards, not barriers, when customers must be handed off to other units (for highly specialized products/services).

PR RESPONSIBILITIES BROADENED

Once the organization is ready for share-of-customer, pr becomes a **central function**

for all operations – since relationships and communication are now the driving forces. A few programmatic applications:

1. **Customer Satisfaction.** *Research shows a 1% increase in customer satisfaction brings an 11% increase in profits!* But getting employees to deliver satisfaction means finding ways to satisfy them – since disaffected workers will have trouble pleasing customers. (See pr 8/10/92).
- PR's employee relations and communications activities are vital here.

Share of customer means focusing on how much of his or her total needs in your product or service category are being supplied by you – vs. shared between you and competitors. It pays off well in cost savings (repeat dealings with the same customer) and higher profits.

2. **Customer Retention.** Customer satisfaction or delight is critical when share-of-customer is the goal – since each lost customer takes away more. *Research shows a 5% improvement in retention can double profits!* Other studies suggest 65-70% of the reason customers switch has little or nothing to do with the product or service. It's the way they are treated by the organization and its frontline people.

- PR needs to be involved in training, operating processes and monitoring of relations with customers. Marketing and HR rarely are effective here.
 - Good place to start: check feelings about your v-mail system. Do battle with the computer nerds if necessary, but get it either replaced with live human voices, or at least made truly user-friendly.
3. **Ambassador Programs.** These have real sales and marketing impact in a share-of-customer mode because relationships, not product features, are the only differentiating factor left today. Capitalize on the existing relationships between employees and friends, relatives, neighbors to grow.
 4. **Training.** Everyone in the organization needs to *internalize* the difference between a relationship approach and a sales approach. People want to be served, not sold. Experience in thousands of organizations strongly suggests only pr, of all the departments, can provide this approach.
 5. **Hospitable Environment.** PR's basic task of smoothing the way for sales and marketing by providing a hospitable environment in which to do business is enhanced as well. Handling reputation, issues, community relations, government relations et al are more important than ever – since research shows increasing numbers judge organizations on such factors when deciding with whom to do business.

There are other programs, such as Loyalty Marketing and Constituency Relations, that add real value to one-on-one marketing. The underlying idea may be something pr proposed 20 years ago – that with the **trust factor** overriding all other considerations, pr success comes when we have succeeded in making our organization or its products/services truly **factors in peoples' daily lives**.

Vol.39 No.28
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STRATEGY NOW: PEOPLE WANT TO BE *SERVED*, NOT SOLD; *INVOLVED*, NOT TOLD

This issue marks the 20th anniversary of *pr*'s editorship by Pat Jackson and Otto Lerbinger. Over this period, the most significant change in the field of public relations – though there have been many – is in the strategies brought to bear on pr situations. And the increasing primacy of strategy as the major skill required of practitioners.

20 YEARS AGO, THE EMPHASIS WAS ON TACTICS

The overwhelming majority of practitioners followed one

prescribed strategy: mass audience publicity and promotion. PR had a blinding love affair with mass media. Though few would have been able to recite it, the Domino Theory (as enunciated by the academics) prevailed:

- a. Mass communicate **information** far and wide
- b. This forces people to form an **opinion** about it
- c. After an opinion forms several times, it hardens into an **attitude**
- d. It is attitude that drives **behavior**

- **The glitch** was already then being pointed out by the Behaviorist Psychologists: behavior is situational, does not necessarily spring from attitude – and people rationalize attitudes to explain behavior.
- **The skills** that brought success were 1) creativity, the ability to come up with ideas or events that grabbed the interest of media and their audiences; and 2) media knowledge in order to place stories.
- **Other types of practitioners** were secondary. Those who worked on issues were trying to make public affairs a separate field, witness the Public Affairs Council. Consumer affairs folks followed this lead with SOCAP (Society of Consumer Affairs Professionals). Internal communicators were a vaguely inferior breed. When the industrial editors groups asked to merge into PRSA a few years earlier, they received a haughty rebuff – but got more than even by then forming IABC.

It's clear now that the field lost mightily in being so devoted to media placement that key elements fell away, established their own career paths and organizations – and began avoiding the term public relations.

THE ENVIRONMENT CHANGES

Mass media proved to be its own executioner, as rampant overcommunication made it and related

one-way media ineffective. Breaking through the clutter became the hard part, and remains so. None of the *many* other changes have been as profound.

STRATEGIES FOR THE NEW CENTURY

1. **Building relationships face-to-face** by supertargeting opinion and power leaders

is dominant among practice leaders. Relationships provide the access communications can't. Earning trust through relationships motivates behavior. Ironically, when a relationship is formed, people will actually accept and pay some heed to your communications.

2. **Making internal publics top priority** seems universal now: inreach before outreach. If they're not working as teams, productivity and cost competitiveness won't be achieved. Only satisfied employees can deliver customer delight.
 - And now internal publics are seen as the basic vehicle for marketing, community relations, issue campaigns, government relations. Ambassador, constituency relations and volunteer programs; issue anticipation and political action teams are the tactical results.
 - Probably the most widespread activity currently is establishing face-to-face internal communications activities – meeting cascades, team leader as primary communicator, spotlighting frontline supervisors. *This is the revolution in achieving effectiveness – not the many programmatic, flavor-of-the-month fads management has saddled organizations with.*
3. **Under-the-radar approach to media** proliferates as journalists are forced by marketing pressures to become entertainment-oriented voyeurs, and media credibility and reach continue to decline. A summary of several approaches might be:
 - Media can't do your job for you. Rarely can they help, even if disposed to do so. They can hurt, because in skeptical times it's easy to sow doubt and bad news travels the grapevine fast.
 - But pr is responsible for meeting its goals whatever they do – so go direct to key stakeholders, and don't make yourself overly visible since that may attract media snooping.
4. **Accountable, focused, measurable programs** – call them hard-headed or realistic – are making activities viewed by unenlightened managers as “soft” into value-adding efforts. Beyond the internal perception, external stakeholders do respond better when they understand there's expectations on both sides. The former giveaway, “we're just nice people” approach never jibed with other organizational behaviors and was not trusted.
 - Strategic philanthropy, value-added and cause-related marketing, and loyalty programs are prominent examples.
5. **Research – far beyond statistical surveys** – has gone beyond lip-service to be the backbone of programming and strategy-setting. Top techniques are participative: focus groups, panels, delphi studies, gap research.

Involving stakeholders and offering them service info or events is the key.

THE PSYCHOLOGY OF CUSTOMER DELIGHT: PR'S VITAL ROLE

Whether your organization is a product maker/seller, educational institution, healthcare provider, government agency or whatever, focus on customers has clearly arrived. It has finally gone beyond the phony "customer first" hype of the 80s to serious attempts at really serving them. VP Gore's reinventing government initiative just last week praised another group of customer-satisfying federal activities – e.g. the Customs Service now answers all calls within one minute.

That agency has no competition, of course, so can still get away with merely satisfying customers. Competing organizations know the goal has shifted to *delighting* them, as the ultimate competitive edge. Even if competitors satisfy customers, you can prevail by delighting them.

We must indelibly impress on the entire organizational family the body of powerful research supporting customer delight – starting with the study showing that 70% of customers choose you *not* because of your product/ service (which they know they can also get elsewhere) but because of **how they are treated!**

ELEMENTS IN DESIGNING CUSTOMER DELIGHT PROGRAMS

1. **The Promise:** To form a psychological "contract" with customers, you must state plainly what you will do if they will use your service/ product. It's your **vision** of benefits for them. But too often uncoordinated communications – perhaps between pr and advertising – or contradictory actions become symbolic of what is really happening.

Your **statement of how you intend to satisfy customers**, appearing in literature, signage, publications, publicity (your *actual promise*), can be undermined by ad copy that offers the moon, or employee acts/company policies that signal you don't mean it (your *implied promise*).

2. **Their Expectations:** These arise chiefly from three sources, and must be managed by meticulous research and reaction:
 - Your actual promise
 - Competitors' delivery of delight
 - Internalized perceptions of service quality in general (the satisfaction environment they experience)

The role of pr here is absolute: its ability to manage perceptions.

3. **Delivery:** This is a main reason practitioners must become trainers and counselors, since the gap between promise and delivery is frequently huge. Primary cause may be failure of management to recognize that frontliners – those who actually serve customers – are not the bottom rung of the organization, but its most important resource.

Four elements of success:

- A. *Inculcating real teamwork* vs. “not my responsibility” thinking. Customer Satisfaction Modeling is an effective tool here (pr 1/1/90 and 5/23/94).
 - B. *Providing continuous training* – with ongoing, non-judgmental, lessons-learned discussions led by frontline team leaders.
 - C. *Employee evaluation systems* that reward teamwork as well as individual initiative – and focus on delivery of customer delight above all.
 - D. *Measurement and metrics* – ideally a Customer Delight Index:
4. **Aftermath or Maintenance:** This is where reputations are sealed, as shown by the classic TARP study that satisfied customers tell four or five others – while dissatisfied customers whose cases are not resolved tell ten (pr 11/9/81).

Two pitfalls are 1) complaint handling – finding ways to make the situation delightfully right; 2) finding ways to identify those who are not really dissatisfied but their expectations were not met. The latter stimulates customer defections – very costly to your bottom line.

An opportunity is to stimulate third party endorsements – delighted customers, ideally opinion leaders, who take *your* case to *their* groups. Loyalty marketing projects (pr 5/3/93) pay off big here, going after the 20% who provide 80% of your business.

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REPUTATION MANAGEMENT IN OUR TURBULENT TIMES: A MODEL

Current events show what is predictably the pattern for protecting reputations for years to come. A few among countless examples:

- How will **schools** achieve it after Columbine High and numerous copycat threats? As if they didn't have a tough enough time before this.
- **Electric utilities** after the mandated June release of pollutant data coupled with the confusion of dereg?
- **Federal research labs** after the "Chinese spy" incident and nine Congressional committees jumping on the investigatory bandwagon – predictably ongoing until the elections in Nov. 2000?

Add Y2K problems and predicted post-millennial irrationality. The gut-level fear the economy and stock market must fall at some point. Etc etc etc

TRUST IS THE ISSUE

Call it skepticism if you prefer. The clash of three deep and longterm trends drives people's sense of loss of control:

1. **Constant, often wrenching change** – No one can keep up with it
2. **Demand for a voice in decisions that affect us** – Quest for regaining some control, seen in the global move toward democracy and renewed activism
3. **Unbelievable overcommunication** – The possible solution to #1 and #2, by providing the information we need, is taken away by the diffuse clutter

A 4th trend is emerging in response – the move back to community, coupled with the desperate need for work/life balance. But it is ephemeral enough at this point that it *exacerbates* skepticism and outright distrust.

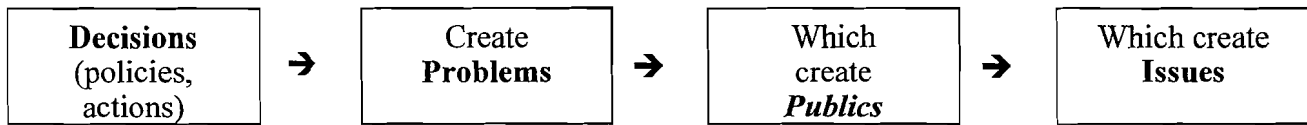
1. RELATIONSHIP CONSIDERATIONS MUST BALANCE FINANCIAL CONSIDERATIONS

Most organizational actions and policies are decided on dollars. But dollars aren't the bottom line; they're merely how we keep score. Relationships are the bottom line, because they determine the flow of dollars in and the disruptions that waste dollars.

- **PR's #1 job in protecting/enhancing reputation is to see that decisions become two-dimensional: costs, yes, but also impact on relationships**

How often short term "savings" end up costing far more in the long term – because only money was considered – not the harm to essential relationships. Ask GM, for one quick example ([pr 5/10/99](#)).

Grunig's Paradigm makes it clear why pr must be advocating relationship impact at the decisionmaking table:



Too often practitioners are expected to fix things in the 4th box, which could have been avoided by applying pr principles in the 1st box.

2. HI-TECH, HI-TOUCH DICTUM TRUE: SYMBOLIC COMMUNICATION IS WHAT WORKS

As our ability to disseminate info and data get faster, if not better, our ability to communicate trustworthiness declines.

- Internally, “I sent the memo” is replaced by “I sent the e-mail” – but result is the same
- Externally, few read or hear our rhetoric, even fewer can believe it

Actions that symbolize our meaning and our values can break through the clutter. These may be policies. They may be creative ways of expressing what we want stakeholders to understand through acts not words. They may be behaviors of engaged employees or members or opinion leaders. Words don't cut it anymore in most cases.

3. SYMBOLIC COMMUNICATION IS USUALLY A FACE-TO-FACE, OR AT LEAST VISUAL, ACTIVITY

It is most often focused on a person, a “face” for the organization or the management. Constituency relations and derivative programs are becoming the core of pr:

- Classic Constituency Relations** identifies the opinion leaders among key stakeholder groups, assigns volunteers to make regular contacts and report to database – providing an ongoing view of what the decisionmakers are thinking, doing, feeling. Unbelievably powerful.
- Envoy Programs** assign trained volunteers to keep in touch and meet with organizations or specific groups.
- Ambassador Programs** empower the employee body to build relationships, sell products, mount grassroots public affairs efforts, handle community relations and focused philanthropy et al. Key to Total Relationship Management.

CEO's and senior manager's outreach and MBWA activities remain critical as well. But they must feature symbolism, not just speeches. Even in speeches, the stage prop is back big time to make them effective.

4. FRONTLINERS' DELIVERY OF CUSTOMER DELIGHT IS MAJOR CHALLENGE

Too many times pr isn't involved in customer satisfaction/delight projects. Marketing, sales or hr is – and this isn't their skill level as a rule.

- PR programs and reputation pay the price when frontliners don't deliver satisfaction, badmouth the organization to friends and other negative behaviors.
 - Therefore practitioners have a right as well as an obligation to be involved in designing and implementing programs that can change frontliners' actions so they enhance, rather than damage, reputation.
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RELATIONSHIP MARKETING: WHAT PRECISELY IS PR's ROLE? CREATING THE ENVIRONMENT, COUNSELING, RUNNING THE SHOW?

As relationships become the key to continued success – or even survival – of organizations of all types, a vital application of the concept is to engineer relationship-building into the sales or marketing process – whether that be moving products or services, attracting students or members, or keeping donations coming. So much evidence has been compiled to show this works that a variety of relationship marketing models have been created:

SEVEN TYPES OF RELATIONSHIP MARKETING

1. **Affinity marketing:** one organization attempts to usurp another organization's relationships, e.g. a credit card company offers a deal to an airline's frequent flyer members. Countless examples are now in place.
2. **Cause-related marketing:** if you buy my product, I'll contribute to or otherwise support Cause X.
3. **Loyalty marketing:** rewards loyal customers with special prices, opportunities, deals or treatment. Frequent flyer or similar point systems or gold charge cards are examples. Museums have member only rooms or exhibits, the socially-desirable annual dinner is only for big givers etc.
4. **Value-added marketing:** something beyond the product, service etc comes with the purchase – usually not just more of what you've purchased (that's an old trick, giving an extra ounce of the shampoo or a lipstick with the perfume). Most powerful is giving information, learning, data – intangibles not otherwise available.
5. **Cyclical relationship-building:** many items are bought in cyclical patterns. If the seller ignores the buyer between the actual purchase elements of the cycle, the buyer may be lost to competitors. Heavy equipment, farm machinery, real estate, insurance, automobiles, appliances are examples. For public service organizations dependent on fundraising, capital campaigns must be spaced out. Keep-in-touch programs consisting of events, direct communication vehicles, training, info updates and similar keep the relationship strong between purchase or other behavior cycles.
6. **Macro relationship marketing:** takes affinity, loyalty and other approaches to a new level by creating relationships *between organizations themselves*, which then benefit members. Example: Gateway announced last week a relationship with National Federation of Independent Businesses, which provides computer sales and service – only for NFIB members.
7. **Delivering personalized customer delight:** the most effective – and the toughest. Service is once again a lost art, say the consumer advocates who study it. *Business Week* recently showed the dire statistics. Yet with a) employee satisfaction programs, b) high morale and above all c) training and d) personnel evaluations that emphasize it, delighting customers is possible. Those dubious should ask why WalMart grew from one store in rural Arkansas to the US' largest business

PR'S ROLE IS UP FOR GRABS

A. Is our task **creating and maintaining an environment hospitable to relationship marketing** –

building reputation, brand, social responsibility and community relations so customers and partners will want to work with our organization, while others actually run the programs?

- B. Are these concepts so typically foreign to marketing folks that we should **be part of the coalition that** designs programs, does much of the training, researches effectiveness and similar involvement?
- C. Or are some of these so completely pr that **pr ought to run the program**?
- D. **All of the above**, depending on the programs offered and the organization?

AS RELATIONSHIP MARKETING BECOMES A FIXTURE, TWO THINGS SEEM APPARENT:

- If pr is not involved, a major opportunity to promote the philosophy of relationships that motivate behavior will be abdicated to others. We have a responsibility to be as deeply committed and fully involved as possible – because relationships are the basic currency of pr.
 - All varieties of relationship marketing carry out the basic desire of today's stakeholders: They want to be served, not sold; involved, not told
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