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# The Perfect Message at the Perfect Moment

Key ideas from the [Harvard Business Review](#) article By Kirthi Kalyanam, Monte Zweben

## The Idea in Brief

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Most customers don't want to hear from your company most of the time. If you're bombarding them with frequent promotional messages, you're probably generating more resentment than revenue. But there are fleeting moments when customers do want to hear from you--when their lives, or their perceptions of your company, change. If you don't contact them at those moments, you risk losing them.

How to seize those rare moments? Use **dialogue marketing**--a database technology that enables you to "listen" to customers' needs and respond with just the right message, at just the right time, and through just the right channel (e-mail, phone call, Web offer).

Unlike CRM systems that send out periodic promotions to large customer segments, dialogue marketing responds immediately--to individual customers. For example, a shoe retailer can reach out to a valued customer just as she's fresh in the throes of sandal fever--or has gone an unprecedented six months without buying a pair of pumps.

As gaming giant Harrah's and computer peripherals maker Logitech have discovered, companies that use dialogue marketing rise above today's unwelcome marketing din. They become not just the voice customers hear--but the one they listen for.

## The Idea in Practice

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### Dialogue Types

Deepen your customer relationships using these four types of increasingly sophisticated dialogs:

**Foundation dialogs** manage the customer life cycle. They include new-customer promotions, service follow-ups, and win-backs for defected customers.

**Level I dialogs** attract bargain-minded customers. They include invitations to special marketing events, announcements of newly arrived goods, and advance notice of markdowns.

**Level II dialogs** deepen customer loyalty. Harrah's, for instance, tells customers when they're "only one visit away from our Total Diamond reward level."

**Level III dialogs** consist of on-site interactions. For example, customers key their identities into smart shopping carts, then receive personalized messages on screens scattered around the store.

## Creating Your Dialogue Marketing System

To develop your dialogue marketing system:

- 1. Identify communications you make with customers in a batch fashion**--for instance, product catalogs or promotional coupons.
- 2. Ask what events could trigger those communications to make them timely**, such as a change-of-address request or an ominous absence.
- 3. Prepare a distinct message for each customer situation.** For example, customers submitting a change of address could receive a promotional offer for a product that would be useful to someone who has just made a household move.
- 4. Increase customer involvement by adding a call to action to each message.** For instance, a retailer sending a postcard announcing a designer trunk show asks the customer to indicate whether she will attend and, if she plans to attend, whether she would like to try on samples in her size (which the dialogue marketing system already knows).
- 5. Prepare a message for each possible customer response to your previous message.** For example, create a series of increasingly urgent messages--such as reminder e-mails or phone calls from a salesperson--when calls to action go unanswered.

An airline's dialogue marketing system notices that a steady, high-value customer hasn't booked a flight in several months. It alerts a sales representative to call the customer. When the customer complains of poor service, the representative logs the details into the system. This triggers the creation of a written apology signed by an executive, accompanied by an incentive to return, such as automatic upgrades. When the account remains inactive, the system sends the customer an incentive-reminder email the following month. Another month passes, and a senior customer-service manager phones him. He finally buys a ticket. The system sends him a message tailored to "saved" customers.

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## Further Reading

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### Articles

#### **Diamonds in the Data Mine**

*Harvard Business Review*

May 2003

by Gary Loveman

Loveman describes in detail how Harrah's Entertainment uses dialogue marketing to maintain its lead in the U.S. gaming industry. The company continually adds to its rich repository of customer information; for example, by recording customers' activities at all Harrah's properties and combining the data with demographic and spending information. Harrah's has also identified its core customers by predicting their lifetime value--determining that top customers aren't high rollers but middle-aged and senior adults with discretionary income. The company gathers increasingly specific information about customers' preferences--then appeals to those interests. For instance, in the Total Rewards program, "Diamond" customers rarely wait in line at reception desks or restaurants, while "Platinum" and "Gold" customers have to queue up.

### **The Quest for Customer Focus**

*Harvard Business Review*

April 2005

by Ranjay Gulati and James B. Oldroyd

A sound software system is necessary for dialogue marketing--but not sufficient. You also need to organize your company's people, processes, and structure to encourage a focus on customers. For example, create a companywide repository containing customer-transaction data from various parts of your enterprise. Then share insights from your customer data across the organization. Use your data to determine which customers might switch to a competitor or buy a new offering. Design interventions to prevent defections and encourage spending. And give employees the autonomy and tools they need to make customer-focused decisions. Employees at Harrah's, for instance, give highly profitable casino customers rooms for free, because they know that these customers spend more when they stay at Harrah's hotels than when they're just visiting its casinos.

## About the Authors

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