

**SMART MARKETING:**

## *Closing the Marketplace to Open Opportunity*

by Scott Hornstein

**sales & marketing  
management**

To dramatically increase your marketing results and ROI, I'd suggest a change of scenery. My recommendation: Move from an open market to a closed market, especially with your best customers. The climate is very different.

The concept of an open market really began with mass marketing. It became possible to extend the reach of our messages to millions, if we so chose and could afford it.

Instead of having to pay attention to every person who walked into our "store," we could shift attention from the individual to the aggregate. Instead of remembering my customers and their kids' names, I'm counting how many coins people put into my turnstile and how many times it goes 'round.

Most of us compete in an open market environment. The competitive landscape is thick as a field of sugarcane. And it's noisy. We jockey for position, jumping up and down so potential customers will see us first.

To get above the crowd we stand on boxes of increasing height. By far, the tallest box is price. Stand on it, yell about lowering your price, and you'll get noticed.

Commodities compete on price.

Consumers wake up in the morning and are in an open market—firehosed by information and messages, trying to catch their breath. Their recourse: opt-out.

A closed market is created, by-and-large, by the customer. Each individual has considered your value proposition and has opted in, physically as well as mentally. In a closed market there are few competitors, and energies once devoted to arm-waving are best repurposed.

You are there because your customers have singled out your messages as being of value and worth listening to. They chose you—they are the ones setting the criteria, harvesting the relationships they view with trust and respect. They want to hear your value, personalized to their needs.

Trust and respect are a marketer's badge of honor, fought and won every day with every customer interaction.

If you're in a closed market, customers are going to expect more of you. The most visible (and volatile) is the moment of customer interaction. If the interaction goes well, we're a zero—we met the customer's expectations. If it goes badly, it may instantly color the future. Plus, bad customer service stories are viral.

So the bad news is, now you've got to deliver on your promise to these customers. You've got to concentrate and get it right. In return, first, you will decrease waste. If a marketing program generates a two percent return, the other 98 percent of thrown-away messages can rightly be called waste.

Second, you'll increase productivity and return on investment. Let's bring that rate of return into the double-digits.

One example of a closed market where people have flocked for one overwhelming value is the National Do Not Call Registry, perhaps the most successful marketing introduction in history.

Another might be a loyalty program. Caesars Pocono Resorts implemented a loyalty program among their best customers with a hard eye to ROI. The program yielded an 18 percent conversion rate to reservation (up from 13 percent), a 27 percent increase in average revenue per reservation, a 59 percent increase in return on marketing investment, and expense to revenue (E:R) under 10 percent.

IBM took the concept to an entirely different level, creating an invitation-only network among its most important and senior software buyers worldwide. IBM gave them value that the customers themselves had identified in research: a window into IBM's thinking, a way to offer opinion, and a glimpse into the development pipeline.

The results? \$310 million over control, 35 percent incremental purchases, and 90 percent member satisfaction.

Powerful stuff, this change of venue. One thing to remember, though: only your customers can take you there. ■



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