

Telephone Marketing

At a Glance

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In chapter 1 we learned that the telephone is the largest of the direct marketing media, expected to account for more than \$62 billion in promotional expenditures in the United States in 1997 and an anticipated growth rate of almost 8 percent per year into the next century. A total of \$20.6 billion was spent in business-to-consumer promotion in 1997, and \$41.5 billion was spent in business-to-business promotion.¹ Traditionally, inbound and outbound telemarketing have each accounted for about half the total telemarketing expenditures.

In this chapter we discuss the multiple roles telemarketing plays in direct response programs. You may be surprised to discover how deeply embedded telephone marketing is in the marketing programs of many successful firms.

¹*Economic Impact: U.S. Direct Marketing Today, Executive Summary* (New York: Direct Marketing Association, 1996), 20.

The Example of Grolier, Inc.

Even if you are not familiar with the corporate name of Grolier, Inc., you probably know some of their products, which include the *Encyclopedia Americana*, the *Beginning Reader's Program with Dr. Seuss*, and the *New Book of Popular Science*. The company was established in 1895 as the Grolier Society in Boston. During its early years it focused on expensive leather-bound sets of books, which were sold by subscription to wealthy collectors. By the turn of the century it had moved to New York City and was marketing an encyclopedia in Britain and throughout North America. The purchase of the *Book of Knowledge* in 1910 and the growth of its direct-sales force formed the basis of the contemporary organization.

The company entered a new era when it moved to Danbury, Connecticut, in 1976 and began to concentrate on the direct marketing aspect of its business. The telephone marketing program was begun in 1978 as part of the Direct Marketing Division. A trade journal describes Grolier's award-winning program as follows:

Grolier Telemarketing is a mass-volume outbound, business-to-consumer company. Its strategy features a soft-sell approach from a trained sales force to offer a variety of products to meet the customer's needs. Calls are restricted mainly to previous customers or names on specially targeted lists of consumers who have a need for educational products.

To expand its services and meet objectives, Grolier has become an expert in testing sales concepts, in identifying and obtaining qualified prospects, and in training and coaching reliable people for its telephone sales force.

In order to meet its objectives and remain competitive, Grolier sought to implement the following: 1) create a team-based organization, 2) provide ethical guidelines for employees, and 3) acquire new tools to support telemarketing efforts.²

Grolier was aware that other experiments with team-based approaches, such as quality circles, had frequently been unsuccessful. It believed that the reason was that these were considered adjuncts to a traditional organizational structure. Grolier management decided to establish the team as the basic work unit in the telemarketing center and to entrust the teams with important decisions about their work and its management. The result was greater efficiency and improved productivity.

A team of managers and sales representatives developed a set of ethical guidelines to ensure that all employees were treated fairly, honestly, and with respect in matters including timely disclosure, monitoring, work environment, career development, and team development.

Employees were provided with sales tools that included a customized computer system, a database for improved list selection, and automated tools to aid scripting and other aspects of the telemarketing program. Automation has freed representatives to concentrate on the needs of customers. The sales representatives are extensively cross-trained, and that, along with the team environment, has enabled the elimination of an entire layer of management in the center.

By 1995 the Telemarketing Division had become the most profitable division of Grolier Direct Marketing, with more than \$40 million in annual sales. Call volume has increased 250 percent since the beginning of the program. Grolier believes that it benefits most from the flexibility telemarketing gives to assess the needs of prospects and to meet

²Angela Karr, "Grolier Telemarketing: Pursuing Success with the Aid of its Representatives," *TeleProfessional* (July/August 1995): 31.

them from its wide array of publications. Sales representatives provide additional data for the database as a result of their conversations with customers. They are able to provide better customer service and support and to deal with customer problems before they become serious.

Grolier attributes its success to the high quality of its products as well as its sales representatives. Training and empowerment have resulted in a high level of job satisfaction among its representatives, which stimulates them to present products in a positive light.³

This example suggests that a well-designed and managed telephone program can be an important and positive addition to programs that are composed of a variety of marketing approaches.

What Does Telemarketing Do Especially Well?

Telephone marketing possesses all the special competencies of direct marketing discussed in chapter 1. However, as the second most intensely personal promotional medium (personal selling, of course, is the most personal), telephone marketing does some things especially well:

- It provides *immediate feedback* in two ways:
 - The two-way dialogue of telephone communications allows a rapid assessment of which aspects of the marketing program are working and which are not.
 - Sophisticated monitoring equipment gives management an up-to-the-minute accounting of the effectiveness of telephone representatives.
- It provides *flexibility*. Aspects of the program that are not working can be changed overnight; program variations can be tested. Fixed programmatic costs are low (as distinguished from capital equipment costs, which can be substantial), so adjustments can be made immediately.
- It provides *incremental effectiveness* when used in conjunction with other media. The effectiveness may be more than just the sum of two contacts; often the combined result is greater than the sum of the two parts.
- It provides a method of *building and maintaining customer relationships* between sales. The telephone is especially effective to check on customer needs and satisfaction, especially for recently purchased products and services.
- It provides opportunities for *greatly increased levels of customer service*. Order verification, tracking, and complaint handling can all be done more quickly by telephone, increasing the level of customer satisfaction. It is important that customer and order databases be instantly available to telephone representatives to permit smooth and effective customer service. Later in this chapter we discuss automation techniques that integrate the database into an effective program of telephone customer contact.
- It provides an opportunity for *increased productivity and cost effectiveness*. Just how much the increases are depends on the medium to which telephone is compared. The usual comparison is to field selling, in which the number of calls per day and the cost per call are much higher, as we discuss in chapter 11. On the other hand, if you compare the cost per contact of direct mail to that for telephone, the cost per contact of mail is usually lower. Table 14.1 (p. 332) gives a range of cost per completed call (usually defined as reaching a decision maker in the household or the office).

³Karr, "Grolier Telemarketing," 31–32; "The Story of Grolier," www.grolier.com, 10 October 1997.

TABLE 14.1 Average Cost per Call

<i>Approximate Inbound Cost per Call</i>	
<i>Category</i>	<i>Range of Cost</i>
Business	\$2.50 to \$7.00
Consumer	\$1.50 to \$3.00

<i>Approximate Outbound Cost per Decision-Maker Contact</i>	
<i>Category</i>	<i>Range of Cost</i>
Business	\$6.00 to \$16.00
Consumer	\$1.15 to \$4.00

Source: Bob Stone and John Wyman, *Successful Telemarketing*, 2nd ed. (Lincolnwood, IL: NTC Business Books, 1992), 152.

There is also a considerable difference in the number of calls per hour that a telephone rep can handle in an inbound versus an outbound environment. According to DMA estimates:⁴

Inbound calls	12 to 15 calls per rep per hour
Outbound calls	5 to 6 calls per rep per hour

There are many things that the telephone medium does well. However, there are a number of areas that are less positive.

What Are the Potential Downsides of Telephone Marketing?

The potential disadvantages of telephone marketing are

- *Telemarketing lacks prestige.* Many members of both the public and management have a poor image of telemarketing.
- *The number of prospects that can be reached in a given period of time is limited.* Productivity depends on the ability of the caller to reach qualified prospects, the complexity of the product, the nature of the offer, and the skills of the telephone communicator.
- *There may not be enough lists or enough good lists.* We pointed out in chapter 4 that there are never enough good lists. This is especially true for telemarketing because some mail lists are not available, either because they do not have telephone numbers or because their owners will not release them for telemarketing use.

⁴Direct Marketing Association, *1996 Statistical Fact Book* (New York: Direct Marketing Association, 1996), 140–141.

- *It may be difficult to hire and retain good telephone representatives.* Telemarketers must be able to tolerate both intense personal interaction and frequent rejection. Finding people with all the positive characteristics described later in this chapter and making it possible for them to feel rewarded and fulfilled in this kind of atmosphere is difficult. Turnover in telephone call centers is often quite high.⁵

A Definition of Telephone Marketing

Bob Stone and John Wyman say that

[telephone marketing] utilizes sophisticated telecommunications and information systems combined with personal selling and servicing skills to help companies keep in close contact with present and potential customers, increase sales, and enhance business productivity.⁶

This definition suggests several aspects of a professional telephone marketing program:

1. Telephone marketing makes use of the latest technologies, including communications hardware and software and database technology.
2. Telephone marketing is well planned. It does not consist of making a series of hit-or-miss telephone calls. Rather, it is a carefully thought out and controlled marketing activity in which the persons or companies called have been identified as actual or potential members of the target market.
3. Telephone marketing is most often used as part of an integrated marketing communications program. It is not successfully used as a stand-alone medium.
4. One of the key advantages of telemarketing is that it allows a business to build and maintain satisfactory customer relationships. One-shot programs with only short-term objectives are not really telephone marketing.
5. Interaction with the customer or prospect is personal, even though not face-to-face. This interaction is most effective, as in the Grolier example, when it is carried out by well-trained and motivated personnel.
6. Judicious use of the telephone can often make marketing programs more effective at a lower total cost, but this is not to say it will make these programs inexpensive on a per customer contact basis.

True telephone marketing is not a boiler-room operation in which untrained or ill-trained personnel canvass a broad population to generate an immediate result. Even get-out-the-vote operations on election day are more sophisticated than that today. Political operations work from carefully honed databases of citizens who are known or likely voters for the party or the issue.

There are, however, real abuses that are perpetrated through the telephone medium. Its ease of entry and mobility makes it a prime candidate for unethical solicitors who prey on vulnerable populations. Telephone fraud has received a great deal of attention in the media in recent years. Hopefully this has provided a warning to consumers who are tempted to

⁵Based on Robert W. Bly, *Secrets of Successful Telephone Selling* (New York: Henry Holt and Company, 1997), 14–18.

⁶Bob Stone and John Wyman, *Successful Telemarketing*, 2nd ed. (Lincolnwood, IL: NTC Business Books, 1992), 3.

**TABLE 14.2 Importance Rating of Telephone Sales Call Attributes
(Mean Scores on a Scale of 1 to 6)**

<i>Attribute</i>	<i>Importance Rating</i>
The salesperson is professional and courteous	5.254
A person, rather than a computer, calls	5.143
The company calling has a good reputation	5.011
The person calls at a convenient time	4.892
You have an interest in the product	4.679
You have had a good previous experience with the company	4.537

Source: Adapted from John Wyman, "A Survey of Consumers' Acceptance of Proactive Telemarketing," *Journal of Direct Marketing* (spring 1990): 38.

accept an offer that is clearly "too good to be true." There is little doubt that it has also lowered the reputation of the medium in the minds of members of the public.

It is important to note that telemarketing does not have an unfavorable image in business markets, where it is seen as an efficient way of doing business. It is the consumer market where an image problem exists. The magnitude of the problem is not a subject on which there is agreement within the industry.

ACCEPTANCE OF TELEMARKETING BY CONSUMERS

Much of the evidence about consumer perception of telemarketing is anecdotal. Many of us have personal experience with calling marketers and being called by them. Our friends, families, and acquaintances recount telephone experiences.

If you examine this anecdotal evidence carefully, you will probably find that the complaints center around being called, not around calling. DMA data and the results of research conducted by a telephone service bureau in 1990 and 1991 indicate that consumers are generally pleased with the results when they initiate the call. The most common reasons for consumer-initiated calls are to purchase something and to request information. Calling for repair service and to lodge a complaint are also mentioned. The majority of consumers report satisfaction with calls they initiate.⁷

There is little research on attitudes toward marketer-initiated calls, which is the apparent source of the image problem. One study found that, indeed, only 14 percent of the consumers questioned were receptive to proactive telemarketing. However, when they were asked to assume the existence of six calling attributes that had been identified as being important, the acceptance rate went up to 47 percent. The six attributes that appear to make marketer-initiated calls more acceptable to consumers are listed in Table 14.2.

It seems, then, that marketers have the ability to affect the image of telephone marketing by the manner in which they conduct outbound sales calls.

⁷Direct Marketing Association. *1996 Statistical Fact Book*, 145–146; Kathy Sisk, *Successful Telemarketing* (New York: McGraw-Hill, 1995), 14–16.

The Basic Types of Telephone Marketing

There seem to be as many ways of describing basic telephone marketing approaches as there are professionals who write and talk about the subject. We describe them as scripted, guided, and professional.

SCRIPTED TELEPHONE MARKETING

Scripted telephone marketing is just what its name implies. The caller works from a script that is complete from “Hello, my name is . . .” to “Thank you for your time.” This type of telephone marketing is much more commonly used in consumer markets than in business markets. The major advantage of using completely scripted calls is that personnel require little training and become virtually interchangeable. Supervisory managers need not be highly skilled either.

This approach can work only for relatively inexpensive, routinely purchased products and for very simple offers, including straightforward fund-raising solicitations. Often it does not work very well even for these. One of our colleagues reports an experience he had with scripted telephone marketing. He had been buying *The New York Times* on his way to work every day for many years when he received a telephone call announcing that *The New York Times* was now available for home delivery in his neighborhood and asking if he would like to subscribe. He broke into the scripted call immediately and said that he would indeed like to subscribe. The caller replied a little huffily that she had to complete the sales pitch and went right on with the script. As he tells the story, he tried to break into the script two more times, saying that he was convinced and ready to subscribe, but finally just gave up and let the caller complete the pitch before taking his order!

Actually, it is possible to do rather complex calling using a script. Computer software, initially developed for marketing research applications, allows the construction of complex scripts that “branch” to different responses depending on the prospect’s answer to each query. Script content can also be determined by information in the customer database. For example, when a college or university calls alumni to ask for donations, the amount given the previous year or the average gift over several years can automatically be made available to the caller and inserted in the script if appropriate. The caller will ask for a gift at a predetermined higher level and, if necessary, move down in established steps, trying to obtain a contribution that is no lower than last year’s, and hopefully one that is higher. You may have participated in such a calling program at your school, either as a volunteer or as a paid caller. Higher-education fund-raisers recognize that the enthusiasm of students about their institution makes up for some rough edges in presentation.

GUIDED TELEPHONE MARKETING

Guided telephone marketing programs might be compared to depth interviewing in marketing research, in which the questioner or caller works from a topical guide instead of a script. The guide specifies the subjects to be covered but does not provide the actual words for the caller. Guided telephone marketing has a wide range of uses: from situations appropriate for scripted approaches all the way to those that require a professional selling approach. It is safe to say that the more knowledgeable and upscale your target market, the more important it is to move from a scripted to a more natural and spontaneous approach.

PROFESSIONAL TELEPHONE MARKETING

Professional telephone selling is essentially a personal sales call that takes place via the telephone. It requires a high level of skill and training for both telephone representatives and managers, and it should be carried out in an environment in which each representative has access to the marketing database. The professional telephone marketing approach is sometimes used in consumer markets and is fast becoming the norm in business markets. Figure 14.1 presents a summary of a hypothetical call to a professional customer that follows a seven-step process used in training telemarketers at AT&T.

Used well, telemarketing can be effective in a broader range of situations than many marketers realize. Not too many years ago, the belief among telephone marketers was that supplies, reorders, and sales of products under \$5,000 could effectively be handled by telephone, but sales of higher-ticket (business) products could be closed only by a field sales representative. Now, there is virtually no limit to what can be sold using a properly structured telephone marketing program, especially when the focus is additional sales to the existing customer base.

FIGURE 14.1 An Example of the Seven-Step Selling Process: Call to Introduce a New Veterinary Drug to a Customer

Source: Bob Stone and John Wyman, *Successful Telemarketing*, 2nd ed. (Lincolnwood, IL: NTC Business Books, 1992), 168–169. Used with permission by NTC Contemporary Publishing Group.

1. Precall planning The telemarketer reviews the account file of the Whiteside Veterinary Clinic. He notes that Dr. Sargent ordered her usual order of drug supplies last month, but that she has not tried a new drug that L.L.M. Pharmaceutical has recently introduced via direct mail.

The telemarketer reviews his introduction briefly, takes a deep breath, and says “Smile!”

2. Approach/positioning “Hello. This is Mark Wiley with L.L.M. Pharmaceutical. Dr. Sargent is usually available about this time. May I speak with her?”

“Good morning, Dr. Sargent. This is Mark Wiley with L.L.M. How have things been going at your clinic since I last talked to you? (Pause) I’m certainly glad to hear that! Dr. Sargent, as a buyer of many of our quality products, I knew you’d be interested in hearing about one of our innovative new drugs. If you have a minute, I’d like to ask you a couple of questions . . .”

3. Data gathering “Doctor, your practice pretty much covers a suburban area, doesn’t it?”

“Right now when a dog is suffering from hookworm, what drug are you prescribing?”

4. Solution generation “Many vets also used to prescribe that particular drug. Have you had many dogs suffering from various side effects from that drug?”

“Would you be interested in prescribing a new drug that has few, if any, side effects?”

5. Solution presentation “L.L.M. has introduced Formula XYZ that not only has fewer side effects, but extensive laboratory tests have shown that the medicine takes effect 24 hours more quickly than similar drugs.”

6. Close “I’m sure that your customers would appreciate faster relief for their pets. Can I add a case of Formula XYZ to your regular order?”

7. Wrap-up “I’m sure that you will be pleased with the results, Dr. Sargent. We’ve gotten excellent comments back from many vets around the country. I’ll get that shipment to you by early next week. Thank you for your business. I’ll be calling you again the first of next month. Have a good day!”

This type of telephone selling works so well because of the increased professionalism of telephone reps and the growing understanding by managers of the requirements for managing an inside sales force (which we discuss in the next section). Telephone reps are being trained just as extensively and rewarded just as well as field sales reps. Some firms, in fact, are rotating personnel between the two types of selling. Others first place trainees in the telephone sales force, where they can receive more supervision and support, and later move them to the field sales force. It can work either way, if management handles it correctly. We discuss in some detail the problems that can arise between inside and outside sales forces in chapter 11.

Developing Telephone Marketing Programs

The basic decision variables for telephone marketing are the same as those for any other direct marketing program: the offer, creative, timing and sequencing, customer service, and implementation. There are, however, two special considerations in this medium: preparing the script or guide (which is essentially the copy aspect of the creative execution) and integrating the use of telephone with other media.

PREPARING THE TELEPHONE SCRIPT

Essentially, each telemarketing call is either a sales presentation or a search for information. Sales calls should follow the basic steps of introduction, qualification of the prospect, presentation of the sales message, meeting objectives, and closing. Some of the considerations to keep in mind when developing a telephone script include⁸

- *Anticipate encountering a gatekeeper and be ready to get through to the decision maker.* In a business setting, the gatekeeper is usually a secretary or receptionist whose job is to screen callers to prevent “nuisance” calls from going through to an executive. The caller must convince the gatekeeper that the decision maker will benefit from taking this call. Households do not usually have a gatekeeper, although more and more people are using answering machines for that purpose and the caller must be prepared to deal with that.
- *Establish credibility at once by introducing the caller and the company.*
- *If the prospect has (or should have) received promotional material, or if the prospect has been referred by a third party, mention it.* This should build credibility as well as jog the prospect's memory about your product.
- *Capture the attention and interest of the prospect by summarizing the major benefits up front.*
- *Qualify the prospect.* If the rep has not reached the right person, the time of both parties is being wasted. The dimensions on which a prospect (either business or consumer) is qualified are
 - Is the prospect's household or company a user of your product or brand?
 - Are further purchases planned? Within what period of time?
 - Is the person contacted the decision maker for the purchase? If not, who is? When and how can the decision maker be reached?
- *Make the offer and gain the prospect's acceptance of the concept, or better, of the offer itself.* Get the prospect to commit at least to the desirability of the offer. If the prospect is prepared to accept the offer, that is great. But more often the prospect will have questions or will raise objections.

⁸Adapted from Richard L. Bencin, “What's My Line?” *Direct Marketing* (June 1987): 94–101.

- *Answer the questions and respond to the objections.* Both questions and objections are pretty standard across prospects. The majority of these should have been anticipated and answers and responses prepared in advance and be readily available to the rep on the computer system. Some of the major objections—with the proper responses—are often included in a segment of the presentation that offers supporting evidence, which provides additional credibility for the offer. Remember, the answers and responses should be positive, never apologetic.
- *Repeat the order and all other relevant information* such as the customer's mailing address. Stress that this is being done to enable you to provide first-class service.
- *For incoming calls, try to get an add-on sale.* Many firms have one or more daily specials that all telephone reps offer to each customer. At the very least, the rep should suggest a complementary product; if the customer has ordered copier paper, for instance, the rep might ask if a toner cartridge for the copier is also needed. The customer who has ordered computer software is likely to be offered an impulse item such as a screen saver or a game at a promotional price.
- *Close on a positive note, paving the way for future calls.* Remember that important uses of the telephone include building customer relationships and enhancing the customer database. Not all contacts will produce a sale, but all contacts are an important part of the relationship-management process.

Figure 14.2 (pp. 340 and 341) presents a detailed example of a telephone script. Notice that although this could be described as a fully scripted presentation, there are many choices that have to be made by the representative. These choices are made on the basis of the responses of the prospect. The complexity of this script illustrates the necessity for thorough training of telephone communicators, even if their presentations are to be relatively structured.

If the call is not for the purpose of making a sale but for another objective, such as scheduling an appointment for field sales personnel or locating the decision maker in order to correctly address product information, some of the steps shown in Figure 14.2 will not be necessary. However, they form a sound foundation for building a customer contact program, whether it is scripted completely, partially, or not at all.

SCRIPTS VERSUS SURVEYS

Having looked at two types of telesales calls, you can recognize that telephone scripts do not closely resemble survey research questionnaires for marketing research designed to be administered over the telephone. Pure information gathering does have a role in a well-managed telephone marketing program but it is *never* appropriate to attempt to disguise a sales appeal as marketing research. The person called will not be fooled for long, and the reaction to the call will immediately become negative.

Firms that practice this type of deception—and it is deception—do themselves a disservice and do substantial long-term damage to both the telephone marketing and the marketing research industries. Misrepresenting the purpose of the call is just one of the unethical practices that the Direct Marketing Association has long tried to discourage. The DMA's guidelines for acceptable telephone practices are available on its Web site (www.the-dma.org). They are worthy of careful study.

ENABLING CONDITIONS FOR TELEPHONE MARKETING

It is also important to recognize two other developments that made this change possible: 1-800 numbers and credit cards.

The 1-800 number (WATS, or wide area telephone service) was originally viewed by businesses with a large volume of incoming (and outgoing) telephone calls as primarily a cost-saving device. The travel industry was the first to use it on a large scale as a marketing device, and many other industries soon followed. The first direct marketer to use a 1-800 number to facilitate ordering was JS&A in 1973. That is not very long ago when you consider how ubiquitous these numbers now are in direct-response space advertising and catalogs as well as on television.

Part of what makes the 1-800 number work so well is the ease of buying on credit cards. More than half of all U.S. households now use credit cards, and the buying power of those households is much greater than those that do not use credit cards. Put this together with the fact that calling a 1-800 number costs the customer nothing, and you have a recipe for explosive growth.

INTEGRATING THE TELEPHONE WITH OTHER MEDIA

We have already pointed out that the telephone is rarely used as a standalone medium. It is most effective if it is integrated into a planned program of customer contact that uses other direct-response media.

Television Advertising

Some of the early direct-response television ads were hucksterism at its very worst. However, as we discuss in detail in chapter 16, direct-response television (DRTV) advertising is now dominated by well-known firms marketing credible products and services. To a certain extent, this change happened because respectable firms discovered the power of direct-response advertising. It also happened because the telephone was available as a response mechanism. Without the ease and low cost of telephone response, DRTV would not have become a viable advertising medium.

Space Advertising

The 1-800 number and credit card have also been partially responsible for the growth of direct-response space advertising. There is another important factor at work here, however. The print media offer marketers an opportunity to target selectively—for example, newspapers by geographic area, and magazines by demographics and, even more, by lifestyles and special interests.

Space advertising offers other ways besides the telephone to respond. The prospect can cut out the coupon, fill it out, find an envelope and a stamp, address the envelope, and mail it in. Or they can go to the Web address now listed in most space advertising to look for detailed information on the product or service. Mailing in a response device has the dual disadvantages of being complicated and slow. Information on the Web is, for the most part, not yet well integrated with other promotional media, perhaps leaving the inquirer frustrated because he or she cannot find specific information. When the prospect wants precise information and wants it quickly, telephone response is often the appropriate action.

Catalogs

Telephone ordering—especially the 24-hour-a-day, 7-day-a-week variety—has also been a boon to the catalog business. According to Stone and Wyman, catalogers report that the average telephone order is 20 percent greater than the average mail order. The primary reason is that the telephone rep can engage in consultative or promotional selling. Consider two examples:

Cross-Selling Existing Clients**STEP 1 Introduction**

Good _____, I need . . . > to speak with Mr. **(last name)** please? (*Use first name cue if rapport has been previously established.*) Hello **(first or last name)**, this is **(your full name)** with **(your company name)** and we're located . . . > **(territory, landmark, or location)**.

STEP 2 Reference

My company requested . . . > I contact you personally. (Or) I'm contacting our distributor's customers to help keep their inventory up to date. (Or) I'm updating our distributor's accounts.

STEP 3 Request for Time

I hope . . . > I haven't caught you at a bad time **have** I? (*Assumptive*) Why don't I call you back in about an hour, would that be all right **with** you? (*Assumptive*)

STEP 4 Purpose of Call

We are reviewing our distributor's customer base and in order for us to **continue** offering the best products on the market, I need . . . > to ask you **just** a couple of **quick** questions, if you don't mind. (*Assumptive*) (Or) As I mentioned earlier, I'm updating our distributor's customer inventory **(or)** accounts and, in order to **ensure** you are getting the best service you're entitled to, I need . . . > to ask you **just** a couple of **quick** questions, if you don't mind. (*Assumptive*)

STEP 5 Probing

Q: How familiar are you with the variety of (*describe*) products we manufacture?

Q: Other than (*describe*), what other products do you offer your customers?

Q: What is your most popular product line?

Q: What is your least favored product line?

Q: Who do you order your (*describe*) from?

Q: Since you serve (*describe*), who do you order your (*describe*) from?

Q: What motivated you to choose XYZ competitor?

C: When was the last time you evaluated and cost compared **ensuring** you offer the best products while maximizing your profits?

C: Regarding (*describe*), what have you compared recently to determine . . . > the best (*describe*) available for your customers?

Easy Close

I respect that. (Or) Thank you for sharing the information with me. If I could **send** you information about (*describe*) you would have an interest in, what would that be? (*Assumptive*) Once you have had the **opportunity** to review the information, I would like to gain your feedback. Does that sound fair enough? (*Assumptive*)

FIGURE 14.2 Example of a Telemarketing Script (continued next page)

Source: Kathy Sisk, *Successful Telemarketing* (New York: McGraw-Hill, 1995), 349–351. Reproduced with permission of the McGraw-Hill Companies.

Talbots' . . . has developed an innovative way to make all their telephone communicators familiar with the apparel they sell. They have installed a moving dress rack adjacent to their telephone center. So when a customer calls and asks a question, the telephone communicator needs only to press a button. Presto—the apparel in question is in the communicator's hands and he or she can answer questions in an authoritative and meaningful way.

STEP 6 Restate

I want to be sure I have the information correct (*restate their answers*). Is that correct?

STEP 7 Features and Benefits

Based on the information I have on your account, I recommend you try using (*describe the feature you are selling*). Our (*describe the functions of the product*). How this benefits your customers (*describe the implied benefits*). More important, . . . > This offers continuity to customers ordering and increases your sales.

STEP 8 Get Reaction

How important would that increase be to your bottom line? (Or) How valuable would that be to your customers?

STEP 9 Trial Close

Great! I recommend that you try (*describe*). Start out with a test order, and see what kind of response you receive. Your distributors will check back within a couple of weeks to see how you are doing to ensure . . . > you don't run out of stock.

Does that sound fair enough? (*Assumptive*) (Or) Based on your current orders, I recommend (*describe*) to start out with, and if your distributor doesn't hear from you by (*offer time frame*), I will check back with you to see if we need to make any adjustments to your order. What else do we need to consider before I process your order?

STEP 10 Objections

See chapter 15.

STEP 11 Close

I will expedite your order today, and your distributor will be able to get that out to you by (*offer time frame*). Does that meet within your time frame?

STEP 12 Postclose

To process your order more efficiently, I need to go over the information to be sure I have everything correct. (*Go over your order form.*) Thank you for your order. We will be looking forward to gaining your feedback!

FIGURE 14.2 (continued)

Hallmark . . . printed the following legend in its [Halls] catalog, "When you place your order by phone, ask our telephone communicator for the special of the week." . . . Depending upon the special of the week, up to 29 percent of those who placed phone orders added the special to their orders.⁹

The same authors point out the importance of presenting the 1-800 number properly, whether in a catalog, throughout which the number should be repeated at intervals, or in other direct-response media. Their rules are as follows:

Always show 800 as an integral, inseparable part of your 800 service number. Use bold print for all 800 numbers and always include "1" before 800.

⁹Stone and Wyman, *Successful Telemarketing*, 70–73.

Hours available: Specify the hours during which operators are on duty to answer calls at your 800 number. Include the time zone. If the number is answered twenty-four hours a day, there is an advantage to stating this.¹⁰

Direct Mail

Telephone marketing is also a powerful force when combined with mail order. Joseph Fisher presents the results of a consumer market study that illustrates its value. The objective of the program was to sell preferred credit cards. The program tested preapproved credit versus a short application (not surprisingly, preapproved credit won), first-class versus third-class mail for packages that were otherwise identical, and telephone follow-up versus no follow-up, for a total of eight test cells.

Prospects who received the first-class packages were more likely to accept the offer than those who received the third-class packages (20.6 percent versus 17.8 percent, which was significant at the .07 level in a chi-square test). Overall, telephone follow-up raised response by 35.6 percent. Even more interesting, there was an interaction effect between telephone follow-up and first-class mail—an incremental effect of 5.1 percent over the effects of telephone alone plus first-class mail alone. This was reflected in the cost per order, which was 27 percent less than the overall average in the first-class and telephone follow-up condition.¹¹

Results of a similar magnitude can be found in business marketing programs. A marketer of consumable supplies used an expensive four-color mailing package, which experienced unsatisfactory results (2.5 orders per thousand mailings) even though the free trial and money-back guarantee offer was sent to a targeted list from a trade publication. The marketer decided to add telephone to the mix and to look at two ways of using it.

- The first step was to use the telephone to qualify recipients. Callers identified the decision makers, qualified them as users of the product, and informed them that information was being sent. This strategy resulted in fewer but better qualified mailings and a substantial increase in the percentage of orders.
- The second step was a call-back to decision makers who had received the mailing but had not placed an order. This call was placed about three weeks after the mail had been dropped. The rep confirmed that the mailing had been received, provided a brief explanation of the money-back guarantee, and asked for the order.

Together, the two-step integration of telephone into the direct mail program resulted in 34 orders per thousand—a 14-fold increase over mail alone!¹²

Internet

The Internet offers the possibility for a dialog between marketer and prospective customer that may take the place of some telephone interaction. This is especially true at the moment when the prospect is searching for information. In this early stage of Internet commerce, telephone contact seems to be playing two roles. One is to substitute for electronic transactions, either because customers are reluctant to submit credit card numbers over the Internet or because the site is not yet configured to handle transactions. The second role is to allow the customer to call for information that is not available on the Web site itself. In both

¹⁰Ibid.

¹¹Joseph C. Fisher, "Getting the Most Out of Telemarketing," *Direct Marketing* (June 1987): 34–37.

¹²Bill Gessert, "Putting the Marketing Back into TeleMarketing," *Teleprofessional* (July/August 1995): 28–30.

cases telephone is merely being used as an alternative to activities that could, in theory, be conducted over the Internet. The long-term role for the telephone in conjunction with the Internet is not clear.

INTEGRATING THE TELEPHONE WITH A DATABASE-BUILDING PROGRAM

When you look at the media discussed in the preceding section, you realize that the only medium besides telephone that offers the possibility of a real dialog with the customer is the Internet. The other media offer only limited opportunities for enhancing the database. When customers call to inquire or to place an offer, there is a limited but significant opportunity to acquire useful information. According to one British telemarketer:

The rule is that most consumers will answer a few questions, if those questions are relevant to their particular transaction. No company will be successful if the questions are not relevant to their own transaction with the consumer. Air New Zealand can ask if a consumer has a valid passport (to qualify consumers for last-minute travel promotions) and receive an unhesitating “yes” or “no.” Princess Cruises can ask consumers if they have ever taken a cruise. Isuzu can ask when a consumer intends to purchase a new vehicle.

The telemarketer then goes on to suggest some steps that can maximize the ability of telemarketing programs to add valuable information to the database:

- Assure that telemarketing and database marketing work together to identify the most useful data.
- Design questions carefully so you will not overburden the call but will obtain the data most relevant to each customer segment.
- Train the telemarketers well and consider ways in which they can add value to the process.
- Test the questions and measure reactions to the process.
- Work with database marketing to identify the best prospects for follow-up programs.
- Watch for product or marketplace changes that should cause modification of the questions.
- Stay ahead of the competition.¹³

Telephone marketing can not only benefit from database information, it can add data that will be useful to future programs.

Establishing an Outbound Telemarketing Program

There are a number of factors that are key to the success of a telemarketing program and others that indicate a likelihood of failure. Table 14.3 (p. 344) summarizes these factors.

Even if the success factors are in place, establishing an in-house call center is a complex activity requiring both managerial and technical skills and a substantial upfront investment. Consequently, many firms test the viability of telemarketing by engaging a service bureau to conduct trial programs. The competence of the service bureau will affect the program’s likelihood of success, and the manner in which it interacts with customers and

¹³Evelyn Schlaphoff, “Turning a Telemarketing Programme into a Competitive Database Marketing Weapon,” *The Journal of Database Marketing* 4, no. 2 (1996): 187–191.

TABLE 14.3 Success Factors for a Telemarketing Program

<i>Positive Factors</i>	<i>Negative Factors</i>
A well-targeted list Rental lists must be approved for outbound telemarketing	Lack of a clear plan with measurable objectives
A compelling offer that is easily communicated over the telephone	Lack of monitoring and evaluation of telephone representatives
Integrity of the product and the company offering it	Failure to track program productivity
	Unreasonable expectations by upper management

Source: Adapted from Laura Hansen, "Dialing for Dollars," *Marketing Tools* (January/February 1997): 47–53.

prospects will have an impact on the company's image. Selection of a service bureau is an important activity that should not be undertaken in haste.

Modern telephone technology makes it possible to locate large call centers in low-cost geographical areas where there is an abundant labor supply, irrespective of where clients are located. There are also service bureaus in most major cities. The major issue in choosing a distant call center over a local one is how important it is to have frequent face-to-face or on-site interaction with the services supplier.

Screen a number of potential suppliers before investigating two or three in greater detail. Your assessment should include one or more site visits. However, it would be foolish to choose a telephone service bureau without also conducting extensive interviewing over the telephone! Criteria for choosing a service bureau include¹⁴

- *The knowledge and professionalism of management.* Consider how you were treated the first time you called, the ease with which you reached a senior sales or account person, the depth of their inquiry into your business needs, and their ability to respond with sales support literature and a specific proposal.
- *The experience of the firm and its senior personnel.* Not only ask how long they have been in business but also request a list of repeat clients.
- *Areas of specialization.* Some service bureaus specialize in business markets, whereas others may concentrate on not-for-profit clients. A specialized market focus adds to the expertise the firm can bring to your telemarketing program.
- *Check references.* If possible, also locate clients who were not on the list the agency supplied to you and contact them.
- *The account managers who will be assigned to your account.* Do not judge the bureau on the basis of senior personnel alone. It is important to meet the account manager and lead reps who will be working on your account.
- *How the agency monitors its reps.* Find out if you can participate in training and monitoring off site. Ask about hiring, training, and evaluation policies. Inquire about the turnover rate.

¹⁴Adapted from Laura Hansen, "Dialing for Dollars," *Marketing Tools* (January/February 1997): 47–53.

- *Technology used by the agency.* Conduct a thorough evaluation of their technology. Predictive dialing and interactive voice technology (to be discussed in a later section) are both important in keeping productivity up and costs down. Find out if their computer system is compatible with yours and if you can transfer data electronically.
- *Membership in professional organizations.* Does the agency subscribe to the Codes of Ethics of the Direct Marketing Association and the American Telemarketing Association?

Once an outside service bureau has been selected to carry out your telephone marketing program, you must develop a plan for monitoring and exercising control over its activities. This plan will have many of the same characteristics as an in-house operation.

Establishing an In-House Telephone Marketing Center

Establishing an in-house telephone center is not a minor undertaking, even if the firm has substantial experience working with outside suppliers. Substantial investment in facilities and equipment is required. Personnel with the required level of skills may not be available in sufficient numbers, requiring significant retraining of existing staff or hiring additional people. The organization should also be sure that it has a sufficient volume of work to justify the high fixed cost of an in-house center.

Advances in telephone and computer systems make it possible to carry on outbound and inbound programs from the same call center. This increases the complexity of the management task, although it can reduce overall costs. Finally, most companies will need to make arrangements to handle peak volumes that cannot be accommodated by the in-house center at a reasonable level of investment. Telecommunications technology makes distance and national boundaries irrelevant in dealing with this type of issue.

For example, direct-response television is growing so rapidly in the United Kingdom that even rapid expansion of call centers has resulted in only 67 percent of calls being answered. Matrix Marketing, headquartered in Newcastle, U.K., is planning to route overflow calls to the United States—first to its center in Pueblo, Colorado, and then to other centers in Salt Lake City, Utah, and Omaha, Nebraska. Peak response times in the United Kingdom are during prime-time television viewing, which corresponds to midday in the central United States, a quiet time. Consequently, centers in the United States with slack capacity can handle overflow calls from U.K. consumers.¹⁵

Setting up a call center and managing an ongoing program involve

- obtaining the support of top management
- setting goals and objectives
- integrating telephone marketing with other promotional activities, including the field sales force
- developing scripts and guides
- recruiting and training telephone personnel
- supervising and motivating reps
- integrating telephone and computer systems
- designing a productive work environment

¹⁵“Matrix to Flip Calls from UK to Colorado,” *DM News International*, 21 October 1996, 10.

- developing measurement systems
- testing systems and procedures
- reporting and controlling the operation

OBTAINING THE SUPPORT OF TOP MANAGEMENT

Whenever a new telephone marketing operation is established, there is a learning curve as personnel are trained, bugs are worked out of the equipment, lists are refined, and so forth. If top management expects a smoothly functioning and highly profitable operation overnight, it might lose patience and decide that telephone marketing does not work. It is the responsibility of direct marketing management to help top management establish a reasonable set of expectations.

One of these expectations has to do with the level of professionalism, and therefore the level of compensation, of telephone representatives. Top management may not equate the requirements for good inside salespeople with those of field sales personnel. It may view telephone marketing solely as support for the field sales force as opposed to a major element of the marketing operation with its own goals and objectives. It may also be justifiably concerned about the damage a poorly designed and managed program could do to the image of the firm and relationships with its customers.

Unless top managers are aware of the multiplicity of roles that professional telephone marketing can successfully play, they are likely to relegate it to second-class status. If they do this, it is unlikely that the telephone marketing program will obtain either the amount or the quality of resources necessary for success.

SETTING GOALS AND OBJECTIVES

Each telephone marketing program must have its own precise and measurable goals. However, there are a number of generic goals that telemarketing can achieve:¹⁶

- Sell products and services
 - Practice proactive outbound selling
 - Take orders from incoming calls
 - Upgrade or cross-sell
 - Reactivate lapsed customers
- Handle sales leads
 - Generate sales leads by outbound calling
 - Screen and qualify leads generated by other media
- Gather information by surveying customers and prospects
- Add information to the database from all customer and prospect contacts
- Improve cash flow
 - Perform credit checks
 - Collect accounts
- Perform a variety of customer service activities

¹⁶Based on Stone and Wyman, *Successful Telemarketing*, 187.

Well-trained telephone representatives can be involved in a lead qualification program for a period of time, then move on to a lapsed account reactivation program, followed by a survey of product use and purchasing activities by targeted prospective customers. Representatives who are handling inbound calls can, with proper technology, deal with calls stemming from a number of simultaneous promotional activities or product lines. However, it is difficult for an individual rep to mix being available to provide customer service with being responsible for a program of proactive outbound calling. Hence, the complexity of the management problem, requiring that call center managers understand not only the priority of the various marketing programs but the ability of the staff to deal with various demands on their time and skills.

INTEGRATING TELEPHONE MARKETING WITH OTHER PROMOTIONAL ACTIVITIES, INCLUDING THE FIELD SALES FORCE

We have already discussed the synergy that comes from combining telephone marketing with other direct-response media. This cannot happen without careful coordination to ensure that appropriate levels of training and staffing will be available from the telephone center when needed.

When a firm has both inside and outside sales forces, and especially when both are compensated wholly or partially by commissions, great care must be taken to see that the two forces work together cooperatively. Because this is most often a problem for business marketers, we discuss it at some length in chapter 11.

DEVELOPING SCRIPTS AND GUIDES

This activity was discussed earlier in this chapter. The process is the same for an in-house call center as when working with outside suppliers.

RECRUITING AND TRAINING TELEPHONE PERSONNEL

There are three basic personnel levels in a call center—representatives, supervisors, and managers. Representatives are the persons who will represent the company to its prospects and customers; they should be recruited, trained, and compensated accordingly. The telemarketing industry has grown rapidly in recent years; consequently, there is a persistent shortage of experienced supervisors and call center managers.

According to Sisk, there are three basic kinds of qualifications for reps:¹⁷

1. formal education and training coupled with relevant work experience
2. natural communication skills
3. self-motivated, self-starter

It is possible to provide product knowledge and other relevant information to reps who have the right characteristics. It is possible to sharpen the skills of people who have natural communications abilities. It is, however, rarely possible to train people to be effective communicators who have no innate ability. It is also unlikely that a negative personality with little drive to succeed can be turned into a model of positive, achievement-oriented behavior.

¹⁷Sisk, *Successful Telemarketing*, 176.

Look for the right basic characteristics and then provide all the necessary training, motivation, and support.

The initial training of telephone communicators will vary in length and intensity according to the objectives of the program. Some of the areas covered in most training programs are

- orientation to the company
- basic telephone selling skills
- product knowledge
- effective listening skills
- call center procedures, including call reporting

A good training program contains a great deal of role playing or sales simulations designed to let trainees practice their selling skills, reinforce their product knowledge, and become totally comfortable with the center's systems, call guides, and report formats. Such a program can take from a few hours for a completely scripted calling operation to several weeks for professional selling. Whatever the length, the trainee groups should be small enough to allow for adequate individual attention and practice.

Training does not stop with the initial program. In a well-managed center, training is ongoing. Training programs for existing personnel can perform a number of functions, including

- upgrading skills and preparing employees for promotions
- preventing formation of bad habits
- introducing new products and marketing programs

All good training sessions send employees back to their daily routine feeling stimulated and highly motivated to improve their performance.

SUPERVISING AND MOTIVATING REPS

The supervisor's basic job is to maintain quality, productivity, and work force morale. Good supervisors are actively involved with reps without creating a feeling of "breathing down their necks." They monitor calls from their stations and are a visible and positive force on the floor, demonstrating techniques and acting as role models for the reps. In addition, there is a heavy burden of reporting to evaluate and control the effectiveness of individual communicators, specific marketing programs, and the center itself.

This paperwork load can easily detract from activities designed to motivate reps and keep morale high (and, not incidentally, to control turnover, which can become a serious problem). Books on sales force management discuss many ways to motivate sales reps, including compensation, quotas, recognition, and incentives. A study of supervisory behavior and communicator job satisfaction provides evidence that the same principles hold true for a force of telephone reps.¹⁸ The differences occur because everyone is "under the same roof," and information, including productivity comparisons, is transmitted quickly. Good

¹⁸Herbert E. Brown and Paula M. Saunders, "Predictors of Job Satisfaction among Telemarketing Sales Employees." *Journal of Direct Marketing* (spring 1990): 49-57.

supervisors are also aware that the intensity of inside selling greatly exceeds that of outside selling because inside salespersons are in almost continuous contact with customers and prospects. They plan work processes and environments so reps have regular breaks and an opportunity to “take a breather” after a particularly intense interaction.

INTEGRATING TELEPHONE AND COMPUTER SYSTEMS

The capital expenditures for an in-house telephone marketing center can be substantial. This initial expense is justified by greatly increased productivity if it results in effective linking of telecommunications, computer systems, and the marketing database. The industry calls this “computer telephony integration” (CTI).

The equipment available—including telecommunications devices, computer hardware, and many kinds of specialized software—is complex and seems virtually limitless. We can, however, gain an understanding of the basic elements of an integrated system and the acronyms for basic components that will prove useful in grasping the importance of the topic.

High levels of integration are especially important to timely and effective servicing of inbound calls, although database availability is also important to outbound callers. However, with inbound calls there is little time to prepare for a call. The caller is “there” and the call needs to be handled immediately and accurately.

As an example, assume an incoming call, originating in either a business or a household location, travels over the public telephone network to the marketer’s premises. There it travels through an internal switch, often referred to as a PBX (private branch exchange), which routes the call to its proper destination within the firm. By connecting a number of PBXs in various locations, calls can be routed to available agents in any location without the customer being aware that the call has been switched to another location. (In fact, with the prevalence of 1-800 numbers for both ordering and customer service applications, the customer often has no idea of where the center being called is located or if there are several centers linked together to improve service and reduce the total number of reps required.) This type of switch does not offer much flexibility. It can transfer a call to an identified telephone number or to an available number within an identified set, and provide standard services such as call forwarding, but it cannot provide the degree of flexibility needed by a professional call center.

The next level of flexibility is the addition of an ACD (automatic call distributor). The ACD is a programmable server that can direct a call based on a variety of criteria or user-defined rules. These can include:¹⁹

- number dialed (customer service versus technical service)
- origin of calls (inside sales forces may be organized along geographical lines so inside and outside sales reps work as teams)
- caller-entered or spoken digits (more about interactive voice response in a moment)
- customer profile database look-up by
 - customer account number (used in business marketing applications)
 - social security number (used in financial services applications)
 - trouble ticket number (used in customer service applications)
 - ANI (automatic number identification; discussed later in this section)

¹⁹Based on Louis Volpe, “Taking Control of the Network,” *Teleprofessional* (April 1996): 40–46.

- business rules (such things as different lines of businesses; mortgages versus consumer loans versus auto loans, and so forth)
- agent availability
- time of day (the center in one time zone may be closed when one in a distant zone is in full operation; this logic can be extended to move calls completely around the globe over a 24-hour time period)
- day of week
- cost of the call (a free 1-800-number call for basic levels of service versus a paid 900-type number call for customers who have subscribed to a service contract)

The presence of an ACD in the system is the beginning of sophisticated call center routing. It does not end there, however. Placing an IVR (interactive voice response) system between the incoming call and the ACD provides another level of efficiency.

You probably deal with IVR systems when you call your bank to check your balance, call the airline to see if a flight is on time, or even call your school to register for next semester or check your grades from the last one. These transactions have two things in common. They require access to a database of some sort, and when this access is provided, routine calls can be handled by an automated system without intervention by a human operator. This obviously is both fast and relatively inexpensive, and it has the potential to be less error prone than systems that require a human operator to access a database. You are also aware that if your needs exceed the limits of the automated system, the call is automatically transferred to a human operator.

The other major type of interface between the incoming call and the rep is an automatic number identification system. An ANI system takes identifying call information from the network and sends it to the database server, which uses it to access information that is keyed to the calling number. The call arrives at the rep's station at the same time as a "screen pop," a automated screen containing data that is relevant to the call—name, address, and previous ordering data, for example. This also improves the speed and accuracy of the order or service call. However, reps must be trained to use this information with courtesy: "Am I speaking to . . . ?" and never, "Hello, Mary!"

Outbound calling presents a different type of problem—how to maximize the number of completed calls per communicator per hour. Predictive dialing systems provide assistance with this aspect of improving productivity. According to Sisk,

a predictive dialer is a computer system that dials a list of phone numbers and presents a steady flow of successful "connects" to available TSRs [telephone service representatives]. . . . The system configuration consists of a telephone line to TSR ratio of 3:2 or greater. For example, 16 TSRs could use a system with 24 phone lines dialing. The calls are dialed in anticipation of a TSR being available. Through a formula preprogrammed into the system, the dialer predicts the number of lines to dial at any point in time. It is an intelligent, self-adjusting system.²⁰

Predictive dialing systems monitor the progress of the call through the telephone network. They can recognize rings, busy signals, voice answers, answering machines, business salutations, and various telephone company (telco) signals. If all reps are occupied, the system can terminate a call before it is connected at the customer's end, reducing nuisance calls.

²⁰Sisk, *Successful Telemarketing*, 38.

Working with the PBX and ACD predictive dialers can even balance incoming and outbound calls direct to a common set of telephone reps.

Predictive dialers are complex systems that must be chosen to provide the functionality and the flexibility the center requires and that can be effectively integrated with the rest of the telecommunications and computer systems.²¹

A wide variety of software can be made available at the rep's work station to make a system more efficient and transparent to the caller. This includes query software that provides information from various operating databases (order status when an order number is entered, for example), branching software that provides responses based on data provided by the caller, and reporting software that reduces the time the rep spends filling out forms when the call ends.

This overview gives you some idea of the flexibility and functionality that can be built into the operating systems of a call center. It may also suggest to you how many technical systems have to work together to form a state-of-the-art call center. You have also recognized that the objective of much of this technology is to get information from the database to the rep in an accurate and timely fashion, and to return data to the database as a result of each customer contact.

Arthur Hughes provides a vision of what call centers should look like in the era of database marketing:²²

- On-line screens will be linked to a comprehensive relational database on a mainframe that contains the complete customer record from all sources.
- The customer record will be called up by ANI or by customer name and address whenever the customer is on the telephone.
- Telephone reps will be entering and retrieving a vast amount of relevant data about each customer. Much more than most can do now.
- They will be specially trained to represent a specific company. Representing several different clients at once will become less common than at present.
- Call center agents will know a lot more about their client company than they do now. They will have authority delegated to them, and the ability to transfer calls within the organization.
- Customer service, marketing, sales, and technical support will all merge into a single group of very professional, knowledgeable people who will think, feel, and act as if they were the company. They will be the voice, ears, and soul of database marketing.

CTI is part of what makes the telephone rep's job not only more productive but also less stressful and more enjoyable. Another aspect of a good quality of worklife in a telephone center is a pleasant and efficient working environment.

DESIGNING A PRODUCTIVE WORK ENVIRONMENT

The telephone work station and the overall work environment are important parts of successful telephone marketing. Reps can become stressed and fatigued, both mentally and physically, as a result of the constant nature of telephone contact with customers and prospects. The result can be poor service and can lead to rapid turnover. This may be considered acceptable in a project-oriented consumer marketing setting, but it spells disaster for

²¹Robert C. Varney, "New Dimensions in Predictive Dialing," *Telemarketing* (January 1993): 53-57.

²²Arthur Middleton Hughes, "Database Marketing . . . And the Teleprofessional in the 1990s," *TeleProfessional* (January 1992): 98.

a business-to-business center engaging in professional selling and relationship management. One way to mitigate these problems is to provide a suitable work environment. Designing an ergonomically correct work environment—essentially, creating an interface between workers and their equipment and surroundings that makes them more productive and at the same time protects them from harm—requires careful consideration of a number of important factors.

The design of the call center will have to accommodate certain necessary facilities besides the reps themselves. There must be adequate space for telecommunications and computer equipment and perhaps for fulfillment operations. Offices for managers and supervisors will also be required. The supervisor's office should be visible to as much of the floor as possible. A lounge is a virtual necessity. Reps need a comfortable, accessible place to take a break when things get too intense. A conference room for meetings and training sessions is important.

Each rep should have a designated work area, either an office or a cubicle. Privacy is desirable, but not isolation. There should be adequate desk and storage space and a comfortable adjustable chair. Lighting and ventilation should be optimal, not merely "adequate." Special attention must be paid to the height and placement of the monitor and keyboard for each rep to minimize the occurrence of the repetitive-motion injury known as carpal tunnel syndrome and other stress-related physical problems. Quietness, along with good headsets, is essential; sound must not carry from one rep's area to another. This requires partitions made of sound-absorbing material, carpeted floors, and sound-absorbing materials on walls and ceilings.

A call center requires a substantial amount of space and a sizable front-end investment in equipment and systems. Careful design will result in a productive work environment that returns the investment many times over.

Testing Systems and Procedures

Because a call center is a complex operation, assume that Murphy's law applies. Things will go wrong; there will be bugs in systems; procedures, from scripts and guides to reporting formats, will not produce the desired results on the first try. Plan for intensive testing and allow sufficient time for tests to be completed and revisions made (and retested) before attempting a full-scale operation. Supervisors and managers must be actively involved in all aspects of testing.

The structure of a test and the time it will take depend on what is being tested. A completely scripted program in an established telephone center can be thoroughly tested in a few hours to a few days. For this type of program, one or more lead telephone reps will usually test the new routine and work with supervisors and managers on needed revisions. When new programs (especially those that involve professional selling) or new equipment or systems are being tested, much more time is required. It may take three to six months for a test of this magnitude to be completed. Supervisors and managers should take an active role in the testing of new operations; often they actually perform the initial tests themselves.

One more word of warning: if multiple operations are planned—for example, incoming calls in response to media advertising as well as for customer service, plus outgoing calls for account servicing and prospecting—test each application separately. If you are testing multiple operations, it may require 12 months or more for the tests to be completed.

One activity that will take time is developing measurements of productivity, profitability, and customer satisfaction that accurately reflect the activities and accomplishments of the center.

DEVELOPING MEASUREMENT SYSTEMS

As in all other direct marketing applications, the most appropriate measures for any program depend on its objectives. Some of the typical measures include

- number of dialings per hour
- number of completed calls per hour
- cost per call
- ratio of completed to attempted calls
- number of orders or leads per hour
- average order size
- time per call

Many of these—any many more statistics—can be automatically compiled by the telephone switch or ACD. These include number of dials per hour, number of completed calls per hour, number of abandoned calls, number of lost calls, time per call per rep, and so forth. From the abundance of statistics that is available, carefully choose the ones that are meaningful to program success. Also, be sure you are measuring what you want to measure. What does a longer average call time mean, whether it is for an individual rep compared to others in the center or for one marketing program compared to a similar past activity? Longer call time for an individual rep could signal a person that needs additional training or it could identify someone who provides superior service or who achieves significant cross-selling or up-selling. Longer average call time for a program could simply suggest that the two programs are not really comparable or it could suggest a problem with the product or with the offer. On the one hand, call time is an important measure of productivity. On the other hand, focusing on it to the exclusion of other important measures may fail to uncover important issues and lead to poor rep morale and resulting poor service.

REPORTING AND CONTROLLING THE OPERATION

Good reporting procedures are critical to the measurability that is so much a part of direct marketing. The basic reporting form is the customer call report that is filled out for each customer contact. There are literally hundreds of other reports, including summary call activity reports by rep, by shift, and by location; account activity reports; and profitability analyses by product, by account, and by call duration. The list seems endless and the amount of information available can create a problem unless it is carefully managed.

There should be few paper reports produced and distributed automatically. Instead, the system could include a good query system, one that allows supervisors and managers themselves to request the specific data they wish in the format they wish—on the computer screen, hard copy, numbers, graphics, and so forth. Most of the data will be summary data compiled at the end of a shift or a day. Some information must be available in real time—rep availability, for example. The necessary reporting and control processes must be designed into the system.

Developing and operating a state-of-the-art call center is clearly a major undertaking. As we have already pointed out, the technology that makes call centers possible also makes them a global reality.

GLOBAL TELEMARKETING

The formation of both in-house call centers and commercial telephone service bureaus is growing rapidly throughout the world, in concert with the growth of other direct-response media. International 1-800 numbers are promoting this growth. It is occurring from Australia, to Japan, to Canada, where the inexpensive Canadian dollar makes rates especially attractive to U.S. marketers. Nowhere, however, does the growth appear to be as explosive as in Europe, where the progress of the European Union has led to the imminent deregulation of telecommunications and the anticipation of lower telephone rates. Increasing use of toll-free numbers in Europe has also fueled the growth rate. The experience of two Dutch firms suggests both the opportunities and some of the problems:

- The SNT Project Support firm, headquartered in Zoetermeer, The Netherlands, is the result of a merger between two Dutch call centers, one specializing in consumer financial services and DRTV and another specializing in the marketing programs of high-technology companies. It has other centers in New York and San Mateo, California, one soon to open in Singapore, and plans for others in the Netherlands and overseas. Some of the services they offer to their clients are
 - 200 multilingual work stations that can handle responses in a multitude of languages
 - direct billing of customers in the correct currency of 44 different countries without need for costly conversion on the part of the clients
 - the opportunity for clients to use the same toll-free numbers on all packaging materials, “whether the products are on shelves in Germany, France, or Spain”

The firm expects to attract many foreign clients who want to outsource telemarketing and database marketing activities.²³

“Truly global” describes the intent of the Hulsink Direct Marketing company, headquartered in Almelo, The Netherlands, to set up a call center in the United Kingdom to service U.S. clients who are marketing products and services throughout Europe. Its existing call centers are located in Germany, France, and Denmark as well as The Netherlands. A new telemarketing facility to be located in the United Kingdom would be linked by computer to Hulsink’s fulfillment operation in Almelo. The goal is to set up seamless operations in Europe’s major direct-response markets.

German consumers, for example, need only call a local number to order a product they saw on TV or heard about on the radio.

A native German speaker takes the order and enters all the pertinent information about the customer in his work station. The order is then transferred electronically to Hulsink’s Dutch warehouse where the product is packed and shipped within seven days.

Once in Germany, the Deutsche Post AG takes over and delivers the order to the German buyer. “The consumer has the feel that he is dealing completely with a German company,” Hulsink said. “That is the structure we want to expand with in the future.”²⁴

Telecom Ireland is actively promoting the establishment of Pan-European call centers in this country which has experienced significant unemployment for many years. The opportunity and the achievement so far is documented in promotional literature.

²³“Dutch Call Centers to Merge, Offer Greater Clout,” *DM News International*, 16 September 1996, 4.

²⁴Matthew Rose, “Dutch Firm to Launch UK Call Center,” *DM News International*, 8 September 1997, 10.

Technology and Systems Options	Key Site-Selection Criteria	How Many Call Centers Do You Need?
<ul style="list-style-type: none"> • Call handling options— inbound or outbound • ACD • CTI • NR • Host computer, databases • Integrated European and U.S. call centers 	<ul style="list-style-type: none"> • Track record • Telecommunication costs and support services • Availability of skilled, multilingual labor • Labor costs and turnover rates • Reliable telecommunications • Tax breaks • Government grants • Regulatory environment • Distribution infrastructure • Banking system • Quality of life 	<ul style="list-style-type: none"> • A single, centralized center • Two or more regional centers • One center for each country
What Level of Set-up Assistance Is Available?		Trends to Consider in Europe
<ul style="list-style-type: none"> • From inward investment agencies • From telecommunications providers • From independent consultants • From recruitment firms 		<ul style="list-style-type: none"> • Well-established call centers • Pan-European numbering • Growth in direct marketing and teleculture • Falling costs • European legislation

FIGURE 14.3 Factors to Consider in Planning a European Call Center

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In 1994, 67 million Americans purchased a product over the telephone. By contrast, the European telemarketing industry is just beginning to develop, but during the past 5 years the use of toll free numbers (equivalent to 1-800 numbers in the U.S.) for customer service, order processing, sales and technical support has experienced exponential growth. For example, Telecom Ireland's international toll-free traffic achieved a record growth of 600% in 1995 over and above the previous year.²⁵

Figure 14.3 summarizes the factors to consider when planning a call center in Europe. It can be generalized to any international direct marketing situation. Notice that many of the technological issues are the ones discussed earlier in the chapter. Many other considerations of language, regulation, infrastructure, culture, and economic development incentives, however, apply in the international setting.

It is easy to believe that this is the future of telemarketing—seamless operations that support marketing programs and provide customer service around the globe.

²⁵Margaret Molloy, "Establishing a European Call Center," www.telemkt.com/ireland/, 30 July 1997, 1.

Summary

The telephone is a valuable marketing medium, and its use is growing rapidly in consumer and business markets around the world. Its very prevalence, however, makes it vulnerable to abuses that damage the entire fabric of direct marketing. Whether the objective is to market test a program using an outside service bureau, to use international call centers to facilitate global expansion, or to establish an in-house call center to handle either inbound or outbound calls or a combination of both, telephone marketing needs to be carefully planned and executed. Successful telemarketing requires integration with other media and extensive integration of the supporting technological infrastructure. It also requires the backing of top management and other functional areas of the organization to reach its full potential to increase productivity and lower costs at the same time it provides a significantly higher level of service to customers.

Discussion Questions and Exercises

1. In your own words, define *telemarketing*. What is it able to do especially well? Not so well?
2. What are the basic types of interaction that are possible between a telephone representative and a prospective customer? In what situations is the use of each type appropriate?
3. The telephone is rarely used as a stand-alone medium in direct marketing programs. Why do you think this is true?
4. What circumstances suggest the use of a telephone service bureau?
5. What are the steps that must be taken in establishing an in-house telephone call center?
6. Have you used a toll-free number recently or been solicited as part of an outbound calling program? Be prepared to discuss your experiences in class.

Suggested Readings

- Domanski, Jim. "Plain, Simple and Effective Telephone Marketing." *TeleProfessional* (February 1992): 31-33.
- Roman, Ernan. *Integrated Direct Marketing*, 2nd ed. Lincolnwood, IL: NTC Business Books, 1995.