Seduction of the Affluent:

A Review of Don Peppers and Martha Rogers, Enterprise One to One

Reviewed by Walter A. Effross  
E-mail: effross@wcl.american.edu

Walter Effross is an associate professor at American University’s Washington College of Law and is the chair of the American Bar Association’s Subcommittee on Electronic Commerce. His other e-commerce articles are available at http://www.wcl.american.edu/effross

In the 1996 movie Jerry Maguire, Cuba Gooding, Jr. famously shouted to a hard-driving sports agent, "Show me the money!" Yet to the purveyors of "one-to-one marketing" practices, the more important line might have been Tom Cruise’s plea to his football player client: "Help me to help you!"

Even in the big screen’s locker room, that didn’t work. "’Help me to help you??’” Cuba Gooding Jr.’s character jeered, "’Help me to help you,’ Jerry? ‘Help me to help you!’" Many readers of Don Peppers’ and Martha Rogers’ Enterprise One to One: Tools for Competing in the Interactive Age (Doubleday 1997 436 pp. $15.95) may harbor similar suspicions of companies that adopt the authors’ recommendations.

Indeed, behind its irritating italics, multiple matrices, and trendy terminology (such as "mass customization," "needs sets," and "best-interests marketing"), the book counsels firms to "lock in" their customers’ loyalty by commercially flirting with them, gaining their trust and commitment, and establishing a "Learning Relationship" to extract their personal information. Yet if the firm ultimately finds the relationship unfulfilling (i.e., unprofitable), it shouldn’t have qualms about dumping the once-wooed customer. Thus, the "Learning Relationship" may actually end up teaching the customer herself some unpleasant lessons in modern marketing and loyalty.

The authors summarize "1:1" marketing as follows: "Instead of selling one product at a time to as many customers as possible in a particular sales period, the 1:1 marketer uses customer databases and interactive communications to sell one customer at a time as many products and services as possible, over the entire lifetime of that customer’s patronage. This is a strategy that requires a business to manage customers individually rather than just managing products, sales channels, and programs."

For a company to "manage" customers effectively, it must elicit, amass, and coordinate data about them, even by compiling records kept separately by different parts of the enterprise. Then it can use this information to offer such personalized service as to "make[ ] it more difficult for a customer to be promiscuous than to remain loyal" (while retaining the right to jilt the customer). Peppers and Rogers claim, in fact, that such service could amount to "a permanent and perhaps insurmountable competitive advantage" when it comes to retaining and increasing business from the customers [a business] already has" and suggest that "the 1:1 enterprise can make itself practically invulnerable to competition from other firms" that attempt to win away its customers.
At the root of these strategies is a less-than-flattering portrayal of customers, who, the authors reassure us, "don’t really want choice. That is, they don’t want to have to choose [but instead] for you to know what they want, and when and how they want it."

Yet the choices made by good customers should be indulged: the firm should "take responsibility for satisfying the customer’s needs, even if it means going outside the enterprise’s core products and services." Thus, the authors find disappointing the helpful suggestion made by a salesperson at a mail-order catalog company that a good customer "[j]ust stop by any Wal-Mart and pick up a pair" of shoes that the firm had discontinued and that were no longer in stock. Instead, they seem to suggest that the salesperson should, following the customer’s suggestion, herself stop by Wal-Mart, buy the shoes, and add them to the shipment!

In fact, the Web environment in particular may test two key assumptions of one-to-one marketing: first, that convenience will trump privacy concerns in the minds of consumers, and second, that in an age of "electronic agents" and increasing commodification of goods and services the customers’ commercial inertia will preclude them from shopping around for better deals or service.

On the privacy issue, the authors discuss "cookies" and the desirability of allowing the customer to control the amount of information she reveals through this technology. Appropriately, they insist that companies "adopt an explicit privacy policy early on—then publicize it, and use it." Customers should be informed of "[t]he kind of information generally needed," the advantages to them of divulging it, the limitations on the company’s use of it (including those limitations that the customer can opt into or out of), and the circumstances under which the company will contact the customer. However, these policies seem to be deployed less out of concern for the customer than as a cost-cutting measure on behalf of the firm: "The enterprise whose customers are reluctant to tell it anything will soon find itself in the position of having to buy information through increasingly costly incentives, just to make customers more willing to participate."

Moreover, the book’s approach to a notorious real-life situation suggests that the authors also see the advance disclosure of privacy policies—however disadvantageous their provisions might be to the customer—as a means of precluding bad press. From the widely-criticized decision by First Chicago Bank to charge customers for using a live teller rather than an ATM for certain transactions, Peppers and Rogers derive the following lesson: "[g]o out with the full story to all your customers first, and put a press release out that explains the program’s rationale." Will full disclosure of policies that disadvantage some of a firm’s customers— and that may seem outrageous to the general public—really help the company’s image, its morale, its bottom line, and its customer relationships in general?

Although "protecting each individual customer’s privacy will be key to ‘owning’ the customer’s tastes and preferences," the "owned" information is now seen as proprietary. To preserve the one-to-one relationship, the authors recommend that the data (for example, shortcuts for accessing a customer’s frequently-dialed phone numbers) be kept in a form that the customer herself can’t readily transfer to a competitor. Even if the firm uses customer profiling, user groups, and similar techniques to anticipate the needs of and recommend products to its customers, the firm is advised to charge for this advice or use proprietary systems to limit customers’ purchasing these items from other enterprises.

However, it seems dangerous to assume that, particularly in the on-line environment, consumers may be too lazy or loyal to establish accounts with competitors. Peppers and Rogers discuss at length the question of whether Firefly-type profiling systems of recommending products are (and appear) objective, but a far greater threat to the one-to-one marketer are programs that automatically compare different Web sites’ prices for the same product. In short, who cares whether I get a warm and comfy feeling visiting Amazon.com if a minute’s Web search tells me that I could get a particular book—maybe even one recommended by Amazon itself—from another on-line bookseller at a substantially lower price?

In the long run, however successful the "help me to help you" philosophy is in offering convenience to the customer, it offers more in the way of profit to the firm. After all, the movie Jerry Maguire was named after Tom Cruise’s character, but how many people remember the name of Cuba Gooding’s football player?