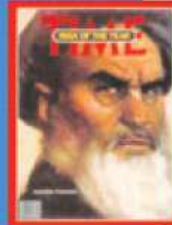




DM NEWS

The Newspaper of Record for Direct and Interactive Marketers



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SILVER ANNIVERSARY EDITION

A Ringside View

Much has changed in the 25 years that *DM News* has had a ringside view of the direct marketing industry. So, on this silver anniversary, who better to chronicle the evolution than those in the ring? Consider the contributors and their companies, in no particular order.

There's Greg Wolfe of Circulation Specialists, which is a pioneer in magazine circulation outsourcing. George Zengo and Gordon Grote work for R.R. Donnelley, North America's largest printer. Dave Schrader is at NCR's Teradata Solutions, the developer of a shared-nothing parallel commercial database.

Ralph Stevens and Leon Henry know the list and insert world inside and out. Wendy Weber is president of Crandall Associates, which began compiling its first DM salary guide in 1979. Call center consultant Mitch Lieber pioneered "hot-transfer" to transfer qualified calls from an outsourcer

to the point-of-sale, segmented scripts.

The Weather Channel Cos.' Debora Wilson spearheaded the launch of weather.com in 1995. One cannot talk of online advertising without bringing up one of its biggest champions — Kevin Ryan's DoubleClick. E-mail services firm Return Path's Matt Blumberg is a seasoned online vet, having run MovieFone's Internet division until its sale to America Online.

On the agency side, few haven't heard of the name on Steve Zammarchi's business card: Wunderman. Larry Kimmel is happy to point out that his agency, Grey Direct, is as old as *DM News*. Inter/Media Advertising's Syd and Bob Yallen can claim fame for memorable DRTV spots.

Postal commentator Murray Comarow served on two presidential commissions. He also signed off on the memo letting mail carriers wear shorts. In her 30 years at various agencies, Connie DeBord spe-

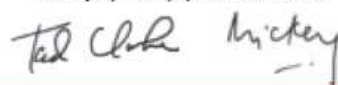
cialized in business-to-business, nonprofit and political marketing. On the topic of politics, there's American Target Advertising's Richard Viguerie. Next year, Tom Gaffny celebrates his own silver anniversary at relationship marketing firm Epsilon.

Speaking of experience, how about Bill Kuipers' 30 years in fulfillment, from loading dock to boardroom? And Charlie Prescott — there's a book on international DM waiting for his name on it. Don Libey doesn't have that concern. He has written six books on catalogs and marketing.

All of the articles look forward with confidence as they recall the industry's achievements from 1979 through 2004. For a blow-by-blow coverage of events, take a walk through the years with our timeline.

We also would like to thank the many contributors and the U.S. Postal Service for letting us use their old photographs and artwork to go with the articles.

We hope you enjoy our look back.



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Phone Channel Learns to Adapt

BY MITCHELL LIEBER

The first words spoken by telephone were Alexander Graham Bell's message to his assistant, "Mr. Watson, come here. I need you." Bell's first use, and consumers' use for many years, was to telephone to *arrange* to call, when to "call" meant to visit in person.

Much has changed about the telephone, which is now ubiquitous in its many forms and sizes worldwide. But one thing is the same: Telemarketers still telephone today to set appointments for sales "calls."

In 1979, the precursors of today's automated call centers were operations with manual dialing, analog phones and paper files. Calls were made from paper lists, and each phone representative kept statistics on a paper tally sheet. Operators using paper forms handled inbound calls. "Let me look it up" meant in a file folder or order book.

How did call centers evolve to become the largest direct marketing channel, with nearly 200,000 formal centers worldwide in 2003? Here is the highly abridged story, with a sampling of contributing developments, companies and personalities.

Murray Roman's CCI pioneered telephone marketing and outsourcing by placing calls in the early 1970s for political campaigns. CCI went on to conduct campaigns for Saturday Review magazine and Montgomery Ward's Signature continuity programs. Many experts, such as Rudy Oetting of Oetting & Associates, began at CCI.

As the industry evolved, so too did *whom* telemarketers called. In the mid-1970s, Colonial Penn (AARP file) and National Liberty insurance companies selected records for calling based on information in their own files such as age, accident record and state. In 1988, Meredith Corp., publisher of Better Homes & Gardens, began modeling *acquired* files against its own using multivariate techniques such as regression analysis.

By the 1990s, Union Fidelity, Allstate and

others called from modeled lists. By the early 1990s, *how* calls were made to consumers also changed. Predictive dialing became the norm, increasing productivity about 200 percent.

In the '90s, thousands of businesses ranging from consumer marketer Manor Care (skilled nursing facilities) to business-to-business sellers such as R.L. Polk City Directory (reverse directories and databases) established telemarketing departments to replace or supplement sales. Telemarketing expanded reach, cost-effectively sold small accounts or reduced cost-per-sale, and sometimes did all three.

As outbound calling grew and then mushroomed, consumer resistance to calls followed suit and eventually so did regulation. In 1991, the first national telemarketing law required company-specific no-call lists, basic disclosures and specific calling hours. By 2003, more regulations were enacted, including the national do-not-call registry at www.donotcall.gov.

The combination of the DNC registry, offshore call centers and business conditions has caused some outbound call centers to close, consolidate or shift focus. Still, more than a year after the registry, outbound calling to consumers remains effective for converting leads to orders, retention, cross- and upselling and some acquisition campaigns.

Inbound Innovations and Trends

The first 800 number launched in 1965, and nationwide toll-free service took off by the late 1970s and early 1980s. Sheraton Corp. trail-blazed toll-free's widespread use by promoting its 800 number at every opportunity.



Mitchell Lieber (m_lieber@lieberandassociates.com) is president of Lieber and Associates, Chicago, a call center consulting firm.

Catalog expert Dick Hodgson of Sargeant House credits 800 numbers with helping fuel the enormous growth of catalogs in the 1970s and 1980s. Telephone orders also were 15 percent larger than mail orders, thanks to ordering ease and upselling, pioneered by firms like Orvis. The 800 number also made direct response TV possible.

The era of sophisticated inbound routing, call reports and "please wait" messages began in 1973 when Continental Airlines installed the first automatic call distributor phone system. In 1981, the GE Answer



A call center in 1983.

Center opened and became a model operation, said to earn twice its costs in sales because of customer loyalty. In the 1980s, more inbound programs went "online" using centralized computers and "green screen" terminals on the desktop.

Lands' End became known in the 1990s for its high standards for speedy and quality service of consumer calls, handling 86 percent to 90 percent of calls within 20 seconds (four rings). Among BTB call centers, companies such as Cisco Systems and Nuveen Investments set the bar as high as 100 percent of calls handled within 20 seconds. In the 1990s, many Fortune 1000 companies hired telemarketing vice presidents, and Purdue University's Jon Anton launched call center benchmarking. Call centers were mainstream.

Continued on page 28

Phone Channel Learns to Adapt

Continued from page 26

The seeds of the future were planted in 1993 when Bell Labs released speech recognition software for the numbers 0-9, "yes" and "no." Years later, larger vocabularies handled train schedules in Germany and then employee travel on United Airlines.

Outbound and inbound calling went worldwide in the 1990s with pioneers such as GE in India. Sitel became the first global outsourcer with operations around the world, later joined by firms such as Convergys and Teletech. Call centers in India, the Philippines, the Caribbean, Mexico and Ireland now are common.

Much has occurred in 25 years, and change continues as seeds planted earlier sprout. Call centers are morphing into contact centers that also handle e-mail and Web chat. Outbound calling is growing more relationship focused. The computer has transformed from back-office behemoth to

enabling technology to home appliance to a channel itself with the Web, e-mail and online chat. Offshore is evolving.

What's Constant, What's Ahead?

The constants in call centers in the past 25 years will hold true for the next 25. The list or database, including segmentation and modeling, is key. Also crucial are the offer, call guide and skilled phone reps.

Other elements will continue to change. Self-service, via the Web and voice recognition, will replace more routine calls. More inbound call centers will segment customer care based on caller ID, and some may model to work even more efficiently. Like manufacturing today, customer contact will be a global enterprise.

But don't be surprised if marketers 25 years from now use the telephone to set an

appointment, retracing the footsteps of inventor Bell, early phone users and telemarketers today. In 2029, the telephone message may be sent via wireless text-message (or its descendant), and the "call" appointment may be via voice or video rather than in person.

This future scenario is slipping into



Call centers have morphed into contact centers that handle telephone calls, e-mail and online chat.

business today. Have you ever sent an e-mail or instant-message to arrange a good time to "call"? ■