Editorial

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So, that icon of 21st century banking, First Direct, is leading the way again. But in an unexpected direction, you might think. From March 2007 the UK's most recommended bank (one recommendation every seven seconds), proud of its 90 per cent client satisfaction rate (against 65 per cent for its nearest rival), its 97 per cent customer retention rate and its 'uncompromisingly customer focused' stance will be charging those of its customers that don't comply with its conditions £10 per month for keeping a current account.

Now, we don't belong to that vocal minority which regards this move as morally outrageous and an unwarranted interference with the liberty of the subject. No business is or should be obliged to make a loss on any part of its activity, or to forego any legitimate means of increasing its profit. But it seems to us that there are two important questions which we should all of us — not just First Direct — ask ourselves when faced with this kind of decision.

Firstly, how does such a decision sit with the company's brand image — with its position, actual or sought-after, in the public mind? Customers aren't stupid: they want, and increasingly demand, to be dealt with efficiently, intelligently and with respect, but they know, both intuitively and on the basis of hard experience that claims that 'the customer is always right' or 'the customer is king' are nonsense, and do not represent the real attitude of almost any business management at any level, once the chips are down (or much earlier, in some cases).

But just occasionally (as in the case of First Direct, or Amazon, or the Co-op Bank), a company manages to establish itself as (apparently) a genuinely caring, customer-friendly — in addition to efficient, intelligent and respectful — outfit. But in reaching that position it has signed a Faustian bargain: let it sway just once on the pedestal to which public adulation has raised it, and its very soul may be required of it. Present yourself as your customers' friend, and — if they believe you — you had better mean it, for better or for worse, in sickness or in health. Otherwise expect the treatment given to the erstwhile Midland Bank (ironically the progenitor of First Direct) for posing as 'the listening bank' — a vacuous PR phrase unrelated to its observed behaviour, as the media cruelly demonstrated.

For the rest of us, it may be more sensible to concentrate on doing business efficiently, intelligently and respectfully, creating win/win situations with our customers where we can, without ever pretending that our first object in life is anything other than maximising, within the law, our long-term profits. Being customer-focused and customer-friendly may be for much — or most — of the time good business, and good for profits. But it is not a moral imperative or an uncompromising principle, and to suggest that we think otherwise is to be shown up, sooner or later, as hypocrites.

Secondly, in all the talk about the importance of customer retention, do we in practice want, or try, to retain all our customers? There are among us — perhaps even within First Direct — siren voices quoting Pareto: 80 per cent of profits come from the top 20 per cent of customers, with the bottom 20 per cent causing losses. Which gives rise to suggestions that the bottom 20 per cent should be eliminated, or at the least discouraged by inferior service, or worse terms of business, leading to enhanced profit. (Perhaps this is what First Direct is trying to achieve?) At all events this neat idea is based on a major fallacy — the concept that one can accurately predict the future activity of an *individual* customer on the basis of past behaviour. (If you find this concept even a little attractive, then read the article by Malthouse and Blattberg that we abstracted in Vol. 7 No. 1 (Ref. 7114).) In fact, while a well-constructed database can readily determine which of our

customers cost us money over any period in the past, it cannot tell us, at any acceptable level of accuracy, which will fall into this category in the future.

There are two morals to be drawn from all this. One, don't claim to put your customers' interests first at all times, unless you are prepared to pay the price for doing so — whatever that may be. Two, although there are such things as good customers and bad customers, don't make the mistake of supposing you can accurately distinguish them one from another except in retrospect. All customers are created equal; they are not always right, nor are they kings (or queens) of anything; treat them equally — with efficiency, intelligence and respect — but without pretended deference, and without sneaky forms of discrimination based on inadequate data. And good fortune go with you.

Our first paper in this issue is by Angus Jenkinson and Brian Mathews. The former will be familiar to many attendees at IDM courses and lectures; the latter is his colleague at the University of Bedfordshire Business School. This paper is in two parts; the first part here deals with the concepts of integrated marketing and integrated communications, incorporating a survey of 200 UK brands, and offering a model of integrated marketing; the second part, in our next issue, will deal with the implications of these findings for direct marketers.

Our second paper, by Messrs Wilson and Pettijohn, deals with search engine marketing. This is a relatively new, complex, and still developing form of marketing activity. If you want a demonstration of how effective it can be, try Googling any half dozen book titles; you will find that in almost all cases the first item on the resultant list will take you to an Amazon page — ahead of any entry for publisher or author. How does Amazon do it? We don't profess to know, but we hope this article may help to guide less expert readers.

There follows an offering from Richard Webber, best known in the industry as the pioneer of both ACORN and MOSAIC. In this paper, he presents the findings of a recent study into the frequency distribution of different surnames across the UK. Readers may have noted that this system received some considerable Press coverage in the autumn of 2006; here is the full story.

Jeff McCarthy contributes a New Technology Briefing, dealing with m-commerce, and this is followed by a case study by Jonathan Bass on a scheme to provide easier access to safe late-night transport in London, sponsored by Ken Livingstone.

Finally, our regular Legal & Regulatory Update is followed by the usual Abstracts and Reviews.

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