Editorial

Discrimination is a word with nasty overtones. There are some circumstances in which discrimination is unacceptable, morally wrong, even illegal. There are others in which we all, without a second thought and usually without offence, discriminate between people as a matter of course, both in our daily lives and in the context of direct marketing. Yet some thought about the ethics of how we behave might be in order — together with some more pragmatic considerations.

All marketing has always been about discrimination: one does not advertise Rolls Royces in the tabloids, or Newcastle back-to-backs in *The Times*. But the arrival of the computer database in the 1960s started to raise questions about the enormously enhanced possibilities for selection, for segmentation — for discrimination.

To select only people who have bought a book on gardening as prospects for the sale of expensive gardening tools is straightforward enough. But how about excluding from such a selection all those people who live in Hackney, or in certain ill-regarded streets in Liverpool? Is it a denial of human rights to deprive people of the opportunity to win a *Reader's Digest* prize draw? Well, probably not. But then again, although we are all accustomed to our car insurance premiums being weighted according to our postcodes, is it acceptable to refuse to insure a driver because of where he lives? Or to charge an exorbitant premium? And what is 'exorbitant' anyway?

Credit reference bureaux have had to answer questions like this, both to themselves and to the Data Protection Commissioner. They have reached, as is usually possible once the question is asked, sensible answers.

But the arrival of CRM (which, not for the first time, dominates this issue of our journal) raises the same questions in a different guise. If 20 per cent of our customers are earning 110 per cent of our profit, 50 per cent are about breaking even, and 30 per cent are losing sums equivalent to 10 per cent of our profit, does it not make sense to lavish care and attention on the top 20 per cent, to give more cursory service to the middle 50 per cent — perhaps pushing them, willy-nilly, into cheaper, more highly automated channels — and to do our utmost, perhaps by deliberately inadequate service, to lose the bottom 30 per cent?

Mark Shaw, editorialising in a sister journal (see the abstract in our last number, reference 3401), holds that much CRM practice is manipulative and discriminatory; he regards this as at best distasteful and at worst unethical — and, hopefully, counterproductive. Peter Dorrington, writing in this journal about lifetime value, recognises the same situation, and asks some trenchant questions.

— 'Is it the customers who are "bad" or your ability to service them properly?'

— 'Is a non-profitable customer always going to be so?'

To which we might add: 'What view will your badly served 30 per cent spread about you?'

First database marketing and then CRM and the proliferation of new channels have given us unprecedented opportunities to segment and discriminate between customers in various ways, many of which are to mutual benefit — less cost for the marketer *and* more relevance, less hassle and more choice for the customer. But when we decide to offer not just different promotions, but actually different kinds, or levels, of *service* to differentiated customers, we do need to ask: 'What picture does this mode of behaviour present of our company? Is that a picture we are comfortable with? Is a CRM strategy which benefits the seller but not the buyer, or only some buyers, viable in the long term, as well as seductive in the short term?'

As Peter Dorrington also tells us, there are not a few companies today advertising promises *not* to treat their customers differentially: is the public catching on?

One might not ask quite the same range of questions about key account management in B2B, which Diana Woodburn writes about (and about the transferability of its concepts to B2C). But some of the

same caveats apply: a small business today may be a large one tomorrow, and, while it will scarcely expect perfect attention from its suppliers while it is small, it will certainly, when it does become a key account, exact a price for any earlier substandard service.

Helena Rubinstein writes about branding on the Internet, and maintains that 'real' branding is not just about communications, but also about creating relationships — with employees as well as with customers. (And creating employees with a cynical approach to customer service may not be to the employer's advantage either.)

Peter Mouncey *et al.*, reporting on an IDM-commissioned research project, write about establishing the value of a company database as a core strategic asset, and about the failure of too many companies to reap the advantages of using it in this way to support corporate strategy.

These papers are followed by a New Technology Briefing on contact centres, and by the Best Practice paper — a case study of a charity basing its appeal on the differentially assessed social/ethical values of its supporters. Manipulative? Well, yes, in a manner of speaking, but perhaps not harmful . . .

The Abstracts section starts, inevitably, with abstracts of four articles on CRM — three of them, as has now become fashionable, deploring the huge failure rate of CRM projects, and one of those going further to proclaim that the whole subject is a load of nonsense.

The reviewers tackle two books: the first, Naomi Klein's *No Logo*, is a bestseller by a writer on the ethical malpractices of big business. You may not agree with the whole thesis, but best to know what she is on about — you might even sympathise. The second book is an attempt to relate the laws of biology to business enterprise: the reviewer found it hard going, but worthwhile by the end. And finally Marketspace, and the usual diary of forthcoming events.

Derek Holder and Robin Fairlie