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**Pace University, 1989**

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PREVIEW

PACE UNIVERSITY

New York

A Model for Improving  
Consumer Acceptance of Telemarketing

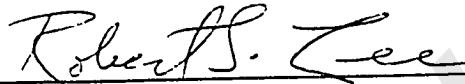
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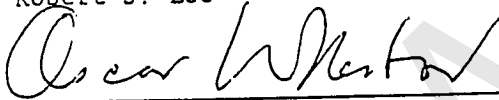
John Wyman

1989

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Robert S. Lee



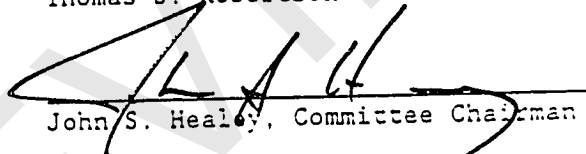
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John S. Healey, Committee Chairman

PRE

PREVIEW

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John Wyman

1989

I dedicate this dissertation  
to my good friend and colleague,

ROBERT E. HUBER



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ABSTRACT OF THE DISSERTATION

A Model for Improving  
Consumer Acceptance of Telemarketing

by

John Wyman

Doctor of Professional Studies

Pace University, New York, 1989

Professor John S. Healey, Chairman

Telemarketing is one of the most widely used and growing ways to communicate with customers. The growth of telemarketing, combined with new technology and innovative marketing approaches, has raised some concerns about the reactions and protection of consumers to proactive or seller-initiated telemarketing. The objective of this study is to gain more information about consumers' receptivity to proactive telemarketing and to test the hypothesis that a descriptive model can properly separate and classify consumers into segments of acceptance or non-acceptance

of a proactive telemarketing call based on demographics, importance of the attributes of the call, and telemarketing experience.

A telemarketing effectiveness model was developed and tested using a discriminant analysis. It was found that seven of the independent variables were significant in properly classifying the respondents into acceptance or non-acceptance groups. The four demographic variables were level of education, total family income, age and gender. The two calling attributes that were important were the company calling had a good reputation and the consumer had an interest in the product or service offered. The telemarketing experience variable involved the consumer accepting the telephone as an acceptable way of obtaining information or purchasing products or services. The model successfully classified 64% of the non-acceptor group and 70% of the acceptors. The model was then tested, and in this case properly classified, 73% of the non-acceptors and 69% of the acceptors.

The telemarketing effectiveness model can be very useful in developing successful telemarketing programs. A potential user of this model can utilize or manage all seven of the variables within the model. The result of applying this model will benefit both the businesses and consumers by better understanding the consumers'

needs and better targeting of telemarketing programs.

The five corollaries provided additional information and new insight about consumers' acceptance of telemarketing. Acceptance of proactive telemarketing was highly related to the calling attributes of the salesperson being courteous and professional, by having a person conduct the call rather than a computerized or recorded voice, and representing a reputable company.

The consumers reported high utilization and very positive experiences with the use of an 800 number. There was also a correlation between having made a purchase over the telephone and acceptance. However, being satisfied with the purchases over the telephone was not significant. It was also found that acceptance of proactive telemarketing was significantly lower for consumers who had recently received a large number of telephone sales calls.

The people who accept proactive telemarketing were younger, while the non-acceptors were better educated and had higher incomes.

The study also obtained from the respondents the most convenient time for them to receive a call. Significant demographic variables were associated with each calling time.



In addition to building a model for increasing telemarketing effectiveness, the study has obtained valuable insights about consumers' reaction to proactive telemarketing.

PREVIEW

## INTRODUCTION

Telemarketing is one of the most rapidly growing ways to communicate with customers. Telemarketing is used for a variety of customer transactions, involving a wide range of products and services. Shapiro and Wyman (1981) identified telemarketing as one of five emerging high potential ways of selling. Since that time, it is estimated that telemarketing has grown at the rate of about 30% per year (Kordahl, 1986). A number of factors have caused the widespread use and popularity of telemarketing. These include an increase in the number of single households and women who are employed, an increased desire of consumers for leisure time, and speed and convenience in meeting their needs. Additional factors are the widespread distribution and acceptance of credit cards, the availability of toll-free 800 numbers (hereafter referred to as 800 numbers), and a good relationship between the cost and effectiveness of telemarketing compared to other forms of communications, such as advertising, personal selling and direct mail. Telemarketing has been predicted to be the fastest growing of all employment opportunities within the next decade ("When Job Training," 1983).

The growth of telemarketing, combined with new technology and innovative marketing approaches, has raised some concerns about the reactions and protection of consumers to proactive or seller-initiated telemarketing.

Since the concept in its present state is relatively new, information about the use and acceptance of telemarketing is rather limited. Most of the information available about consumer acceptance is related to reactive telemarketing or consumer-initiated telephone calls. While this information is useful in general, there is a critical need to better understand consumer reaction and specific factors that contribute to their acceptance of proactive telemarketing. The information should be useful to those who design and manage consumer marketing programs. It should also be of interest to government representatives and regulators, consumer advocacy groups, and others involved in marketing research and education.

The objective of this study is to gain more information about consumers' receptivity to proactive telemarketing and to test the hypothesis that a descriptive model can properly separate and classify consumers into segments of acceptance or non-acceptance of a proactive telemarketing call based on demographics, importance of the attributes of the call and telemarketing experience. The use of the model should enable telemarketing programs to be more effectively designed.

## CHAPTER I

## THE EVOLUTION OF TELEMARKETING

Definition

Since there are a variety of definitions for the term marketing itself, it is not surprising to find considerable variation in definitions of telemarketing. Bencin (1985) defines telemarketing as follows:

"Telemarketing, quite simply, is the use of telecommunications combined with a database to promote businesses, products and services; using the telephone as a direct marketing medium through which a variety of sales and market research activities can be carried out. Selling is only part of the process" (p. 114).

Telemarketing Magazine ("The 1986 Telemarketing," 1986) defines Telemarketing as:

"The discipline that puts advanced telecommunications technology to work as part of a well-organized and well-managed marketing program. It uses sophisticated management information systems and emphasizes the use of personal selling skills to help companies keep in close contact with their customers, increase sales and enhance business productivity, all while reducing cost" (p. 6).

Blimes (1985) states,

"Telemarketing is not simply a compromise between the most and least personal techniques. It is an alternative that blends the best elements of personal contact with the efficiencies of direct mail. A common question that arises is, "what is the difference between telemarketing and telephone selling?" I believe there are significant differences in terms of a broader marketing strategy and a sophisticated approach of targeting, measuring results and a personal and professional implementation" (p. 2).

Walther (1986) speaks to this difference:

"Whatever connotations old-fashioned telephone selling may have, telemarketing in the business world today connotes a highly professional marketing medium, not a tactical weapon, but a strategic tool in profit minded companies' marketing mixes. It is used in conjunction with direct mail, media advertising and face-to-face visits. While it does include selling, telemarketing runs the gamut of activities related to servicing the marketplace" (p. 173).

Kordahl (1984) identifies an essential difference between telephone selling and telemarketing:

"Telephone selling is the use of the telephone as a direct sole vehicle for sales. The term Telemarketing implies a far more

complex system. We define it as the planned use of the telephone in conjunction with traditional marketing techniques to reduce selling cost while increasing sales'" (p. VII).

Clearly, there are different views on the definition of Telemarketing. Having examined a number of alternatives, the definition developed by Stone and Wyman (1985) appears to fully capture the author's view of telemarketing and will be used as the basis for this research: "Telemarketing is a new marketing discipline that utilizes telecommunications technologies as part of a well-planned, organized and managed marketing program that prominently features the use of personal selling, using non-face-to-face contacts" (p. 6).

This research is designed to better understand telemarketing as defined by Stone and Wyman and will not fully investigate the value, effectiveness or acceptance of other forms of electronic marketing communications.

Since telemarketing is a broad concept, it can also be segmented in a number of ways. One of the most common segmentations is based on the initiator of the call. Reactive telemarketing, commonly referred to as "inward," is characterized by the customer initiating the call. Proactive telemarketing, commonly called "outward," occurs when a business or other

organization initiates the call to the customer. Telemarketing is also segmented by communications between businesses (i.e., business-to-business telemarketing), and between businesses and consumers.

Within these categories, telemarketing can further be segmented by the function performed, such as order processing, customer service, sales support or complete account management.

This study will focus on proactive telemarketing calls from businesses to consumers.

#### Growth and Successful Applications

The telemarketing concept has grown rapidly since 1981 when it was identified as one of five emerging new ways to reach customers (Shapiro and Wyman, 1981). It has been growing at the phenomenal rate of 30% per year while generating over \$91 billion in revenue. Telephone Marketing Resources, a New York-based telephone-marketing agency, reported U.S. business expenditures on telemarketing of over \$37 billion in 1985, up from \$26.5 billion in 1981 and just \$8.5 billion in 1975 (Kuzela, 1985). This field has also brought with it a rise in the number of job opportunities, and has fostered demand for experienced managers to design, coordinate and manage telemarketing activities. Forecasting International has placed Telemarketing at the top of its list of the fastest-growing job

categories, and a recent survey by U.S. News and World Report concluded that by the year 2000, there will be 8 million new telemarketing jobs ("Telemarketing Makes," 1985).

A number of factors have contributed to the rapid growth and acceptance of telemarketing as a way to conduct business in today's dynamic environment, including:

1. The energy crisis from 1980 to 1983, which increased the need to find alternatives to costly face-to-face selling, as well as extensive consumer shopping;
2. The rapid rise in the cost of face-to-face industrial sales calls (the cost of an average telemarketing contact in 1984 was \$20, compared with \$200 for an in-person sales call) (Kuzela, 1985);
3. The wider availability of cost-effective telemarketing software and hardware, coupled with decreased costs of communications and information systems ("Have Telemarketing Agencies," 1987);
4. The widespread distribution and use of credit cards as a common method of payment;
5. The increased number of working women, particularly those pursuing full-time careers (Thomas, 1982), who are more willing to "shop by phone" and conduct other business by telephone as a time saver in their busy lives; and,