



Product-centric to Customer-centric: Why CRM is the Business Strategy for School Market Success

As the education market matures, companies seeking to sell to ever-more-savvy product and service buyers are taking a cue from retailers in prioritizing Customer Relationship Management.

Gerry Bogatz, President of MarketingWorks Inc., reveals the CRM strategies her company has initiated to help its clients gain market share and engender customer loyalty.

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By Gerry Bogatz

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Products are necessary – they’re obviously the impetus for starting a business. But even more than in retail, in the education markets, the better we understand about our customers – and the more we know about what makes them tick – the more successful our products and companies will be.

Lessons Learned from the Retail Market

In the mid- to late-80s, retail companies began facing many business challenges that needed to be addressed if they were to continue to grow. They faced a shopping center on every corner and same-store offerings in every mall. They also faced increased competition from new stores and catalogers as well as a soft economy. Department stores were confronted with “new kid on the block” Nordstrom. They were also threatened by specialty retailers, discount superstores, and outlets, to name a few.

- What challenges did retail companies face when it came to their customers?
- Customer loyalty was difficult to understand; in some cases it was non-existent.
- Customers had more choices than ever so they could afford to “shop around” and not buy where they weren’t happy.
- Customers didn’t all come in the same shapes or sizes, so they didn’t react to the same messages in the same way.

How did retail companies meet these challenges?

- They realized that customer loyalty was their responsibility and not the customers’; they had to ensure high quality and provide consistent service that made them stand out in the customers minds. (Hence the proliferation of customer loyalty programs out there today.)
- They learned that they weren’t necessarily the only game in town. They had to increase the perceived value of what they offered *vis-a-vis* their competition and communicate how their products fit the needs of the market better than the competition.
- They learned that different market segments react to different messages and that the “one size fits all” approach was a thing of the past.
- They learned that their customers really are important, and that what they say and do matters to their bottom line.

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In a word, successful retail companies implemented effective customer relationship management (CRM) solutions that allowed them to track their customers buying patterns and to learn what their needs were, how much they were spending, and what they were buying. These companies realized that they had all kinds of data about their customers but that it had never been put all together to give a true and complete picture about their customer base and the implications for the growth of their businesses.

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What's Driving the Need for CRM in the School Market?

Typically, educational publishers have focused on the building of products, expecting that educators would buy because the products were there. While this may have been true as recently as ten years ago, it's certainly not the case today: Budgets are tight, there are more products on the market than ever, and educators are demanding

more value for their money. While product development is clearly important, the best way to grow a business today is to build a loyal customer base – to ensure that there are actually loyal customers at hand to buy the new products that you are developing.

'There's Gold in Them Thar Data!'

We all know that it takes two to three times as much money to gain a new customer as to keep an existing one, yet all too many companies don't put enough time, effort and resources into understanding their customer base and how to get more purchases out of that base. Remember the 80-20 rule? Eighty percent of your business comes from 20% of your customers! Isn't that enough reason to understand who your customers are and what makes them tick?

The main objective of CRM is to minimize customer defection and maximize profitability. It's a fact that a five percent reduction in customer defection can improve profits by as much as 20 percent [*"The Loyalty Effect"*]. CRM is all about knowing your customers and how to move them along in the customer relationship lifecycle, which looks like this:

- Information seekers - 60% defection
- First-time buyers - 40% defection
- Repeat buyers - 20% defection
- Multi-product buyers - 10% defection
- Brand advocates - no defection!

We'd all like to have as many brand advocates out there as possible, but that won't happen without implementing an effective CRM solution. Gathering and understanding customer data can seem like a daunting task. Yet it's something you and everyone else in your company does every day, in every contact you have with a customer or prospect. CRM is simply capturing all that data in one location and using it to market and sell more effectively – it's mining the gold that's in 'them thar hills.'

That's exactly what Giant grocery stores and their affiliates are doing. As a streamlined way of collecting customer information, they created a bonus card that offers customers discounted prices, special offers, double coupons, and bonus buys. All customers have to do is supply some simple demographic information when they sign up.

On the outside, this seems like just a really good customer loyalty program. However, if you look behind the scenes, the company uses the card to track not only a customer's demographic information, but also buying patterns, products purchased, number of times shopped per week, and whether or not the customer buys products as a result of a promotion or price reduction. All of this information helps the company design marketing campaigns and special promotions to continue to build this relationship into one that lasts for years to come - building greater customer loyalty and therefore greater profitability per customer.

Recharge Your Company's Growth with Customer Intelligence

Most educational publishers have a basic database or contact management system in place. This is both good and bad. The good news is that they have a way to capture customer data. The bad news is that all too often these types of systems:

- do not allow all areas of the company to know what's happening with a customer
- do not allow for the systems to grow as your company grows
- do not track sales and other financial information
- do not allow for customizable reports about your sales pipeline or ROI

In most educational companies, customer information resides with individual sales reps or dealers and is not fed into a central database. What happens when the rep leaves the company or the reseller is replaced? With a centralized CRM solution in place, all customer information resides with your company and belongs to your company no matter who was the original source of that information.

Once your customer data is in one location, how do you begin to understand it and put it to use to grow your business? You need to determine the "who, what, why, when, where, and how" that turns intelligence into action. According to Peter Drucker, "Those companies who know their customers, understand their needs, and communicate intelligently with them will always have a competitive advantage over those that don't."

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Knowing your customers and what motivates them to buy from your company is the key to making the data goldmine pay off. Once you are able to segment your customer base into groupings of customers who behave in a similar way, you'll begin to see patterns emerge that tell you about each group's preferences and needs. This information can then be used to develop targeted marketing and sales campaigns reflective of those needs.

Hallmark is a good example of a company that put market segmentation into practice. In the early 90s, they realized the need for CRM and began to develop a solution that worked for them. One result of this initiative was their Gold Crown™ card. Like Giant's, this card allowed Hallmark to capture customer data, track purchases, identify collectors, and segment their markets accordingly. They developed promotions to target Gold Crown™ cardholders and provided personalized dollars-off certificates based on the dollars spent each quarter.

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They also developed marketing campaigns that targeted collectors of different lines and began alerting cardholders about collection news. They further used their customer data to develop in-store events to draw traffic and increase their visibility during

peak retail seasons. All of their efforts increased customer and brand equity that kept the customer lifecycle going strong. As a result, Hallmark has one of the best and most well-respected CRM success stories in the business.

CRM is Multi-channel

Although there are five stages in the customer relationship lifecycle, there are only two stages for communicating with customers: brand marketing – when you build awareness and attract customers in the first place – and database marketing – when you retain your customers and grow profitability. In order to do this, companies must take time to understand how their customers interact with them and then work hard to make the experience one that their customers want to repeat. This is true across all of the channels you're using to sell your products.

Who are some of the companies successfully implementing CRM across channels? Dell Computer uses direct mail, email, media advertising, and the Internet in combination with personal contacts by sales representatives and special intranet web sites for large Dell accounts to stay connected with their customers. Barnes & Noble.com's multi-channel strategy allows customers to browse and buy products at any of its stores, or online through in-store Internet service counters. The "Readers Advantage" loyalty program provides customers additional discounts and benefits. Finally, 1-800-Flowers.com uses email, websites, telephone, retail stores, and catalogs to deploy its multi-channel marketing strategies. The company's customer-centric focus has enabled them to achieve 35 percent growth each of the past three years.

Now is the Time for the CRM Paradigm Shift

Now it's true that retail and educational companies offer different products to different markets. But at the base of it, aren't we all in the same business – offering goods and services to a targeted end-user? So at the most basic level, educational companies can learn valuable lessons from our retail counterparts. If we want to grow our businesses, we

must understand our customers and build long-lasting relationship with each of them – relationships that will turn information seekers into brand advocates.

We must change our thinking from being product-centric and holding a “one-size fits all” monologue with ourselves, to being customer-centric and having a “one-to-one” dialogue with each customer. Instead of having no differentiation or customization, we must begin to treat customers in a highly differentiated and customized fashion. Just as retailers had to find a way to deal with savvy consumers, educational companies must realize that educators are savvy, too, and want to be treated as though their business really matters.

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What are your company’s goals for the future? Are you ready to go to the next level of success? Are you ready to enjoy growth and profitability? That’s what will happen when education companies embrace CRM as a business strategy and not just a technology.

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