



# and the Survey Says...

A RECENT SURVEY BY THE KEY BUSINESS METRICS WORKING GROUP PROVIDES SOME VALUABLE SALES AND MARKETING DATA FOR EDUCATION COMPANIES.

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**E**ducation companies often need to determine how they are performing compared with others in their industry segment. They need to discover what other companies find to be the most effective marketing strategies, what sales tactics they should use to drive revenue and what the best distribution options are. They also need to focus on which pricing and business models apply in this market, especially given the focus on technology and software licensing. Additionally, it is helpful to compare progress against typical industry financial ratios such as relative cost of sales, marketing or product development and to receive guidance on compensation.

This year SIIA's Education Division formed the Key Business Metrics Working Group to address these needs. The group's purpose is to provide best-practice benchmark data, as well as periodic access to aggregated financial ratios and compensation levels for education companies. Although the financial data will be coming later in the year, the group recently surveyed SIIA Education Division members and some nonmember companies about best practices in marketing and sales. Survey results are available to SIIA members. Subsequent surveys will refine the questions and allow some comparison over time.

The survey asked respondents to rate the importance of components in their marketing strategy, listing 19 different marketing components. The survey results combine "Important" or "Very Important" rankings and compare these with a separate question about which components respondents were likely to use more in the coming year. The working group also followed up for more information with some companies that indicated they would be willing to discuss their responses.

The tabulated results for the top-five marketing components show the importance of peer input in the education market. Eighty-four percent of respondents ranked the top three components as important: customer success stories, customer presentations and testimonials and workshops at trade shows or conferences, with customer newsletters nearly equal in importance.

The companies the working group spoke with indicated great success in closing sales through the trade show/conference activities – getting a key reference customer to present or conduct a workshop at a trade show. The customer's credibility and high level of familiarity with the issues faced by peers in attendance were key to generating leads and direct sales opportunities. This takes advance planning and coordinating to get customers' names approved by conference committees and to receive early



approval from their district to participate. Some companies indicated that it was effective to then have reference customers host potential buyers at the customer’s district.

From the same question, survey results showed which components were listed as “Not Very Important” and again matched those responses with the separate query about which components they would use less in the coming year. The least important marketing vehicles for education companies were mass TV/radio, mass print advertising, blogs, trade advertising and Internet advertising.

The survey also asked respondents to indicate the channels they use for sales and distribution, then asked what percentage of revenue came from each and what percentage of sales expense they allocated for each. All companies used more than one channel. Noteworthy from this set of responses is the positive role and cost-effectiveness that resellers and partners provide on the one hand and the relatively lower ROI achieved through direct mail. Follow-up interviews with companies found a wide range of success with direct mail, with some companies raving over the cost-effectiveness of that approach, combined with e-mail, while others (generally those offering more sophisticated products) found direct mail to be relatively ineffective.

Obviously, not every channel is appropriate for every type of product or service or for differently priced products. In essence the larger the sale and the more integrated the solution, the more sophisticated and directly involved the sales channel needs to be.

## Business Models

In the past, software companies would initially license their products separate from other services or options. But increasingly, business models include software as a service and the integration of product training or professional development in the application. The survey asked companies to indicate which of the six different types of business models they currently use for their offerings. Although there is no data from previous years for comparison, the working group members’ collective experience suggests that having 55 percent of respondents now listing subscription service as a business model is a significant increase over the last several years. Note that local boards or state guidelines often prevent schools from encumbering budgets in future years. This was the most commonly used model. Forty-five percent use single purchase/license, 40 percent use license plus upgrade purchase and 34 percent use license plus services such as professional development or consulting.

Pricing models have also expanded over the last several years, with more and more companies promoting site licenses; 66 percent of education companies now offer this option, with an additional 29 percent offering district or state licensing.

Fifty percent price on a per-student basis and 34 percent per computer.

## To Market, To Market

A question measuring the success of various marketing approaches led to some interesting results. In response to the question, “In what ways do you measure the ROI success of your marketing programs?” a number of respondents weren’t taking into account the cost effectiveness of approaches, as indicated by measuring “cost per lead” and “cost per customer.” The working group hopes to have a positive influence on the education industry in this regard, such that companies will pay more attention to profitability in such a critical area.

In an attempt to rank the many practices involved with the sale of a product or service, the survey asked respondents to “indicate how important each is for success in sales” from

## Most Important Practices for Sales Success

<b>Product training</b>	<b>91%</b>
<b>Sufficient resources to support the product</b>	<b>85%</b>
<b>Using sales force automation tools</b>	<b>75%</b>
<b>Sales training</b>	<b>73%</b>
<b>Recruiting salespeople with education sales experience</b>	<b>73%</b>
<b>Following a clearly defined sales process</b>	<b>66%</b>
<b>Having salespeople who live in their territories</b>	<b>61%</b>
<b>Recruiting salespeople with product/technical experience</b>	<b>59%</b>
<b>Using sales partnerships</b>	<b>49%</b>
<b>Using an inside sales group</b>	<b>47%</b>
<b>Recruiting salespeople with teaching/administrative experience</b>	<b>44%</b>
<b>Using sales and consulting team</b>	<b>44%</b>

among 12 options, listed above. Interestingly, the use of sales force automation tools ranked quite high and the importance of recruiting salespeople with education experience ranked low.

As the first of its kind, this survey will be improved over time and provide some longitudinal data. Those wishing to participate in the Key Business Metrics Working Group should contact Karen Billings at [kbillings@siaa.net](mailto:kbillings@siaa.net). For a full copy of the survey results, visit [www.siaa.net/education](http://www.siaa.net/education).

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