

Alumni Matter: Unleashing a Lifetime of Value
The Benefit of CRM Principals in the Postsecondary Environment
Authored by Betsy Bedigian



In the competition for students, America's 4,100 colleges and universities implement mass marketing strategies, at considerable expense, to maintain or increase their market share. According to *University Business*, the postsecondary sector will spend over \$270 billion per year in advertising alone. This is in addition to a blizzard of email, web, direct, and personal strategies – each institution trying to outmaneuver the other.

In a recent survey of continuing and professional education leaders, the University Continuing Education Association (UCEA) reported that marketing budgets are steadily rising with institutions spending an average of \$319 million on an integrated marketing mix that targets would-be students. But what the numbers do not tell you is the potential benefit of employing relationship-management principles in marketing to the customer – college alumni and alumnae.

Relationship marketing has emerged as the leading revenue-driving tool, especially within the service sector, for savvy marketers. Although education is widely viewed as a service industry, education has been slow to adopt relationship marketing practices.

Recent research reveals that more and more graduates will turn to their alma mater, not only for maintenance of old classmate friendships, but also for further education, career guidance, and networking opportunities. For higher education institutions, these alumni needs present ever more opportunities to expand colleges' continuing education departments by cementing their relationship with

CRM Facts & Figures

- 19% of survey participants anticipated major increase in CRM spending in the next 12 months; 61% anticipated some increase
- 80% of survey participants anticipate at least some increase in CRM spending in the next 12 months
- CRM spending up in 2002, most notably in the public administration sector (64% increase)

alumni.

The consulting team at Hezel Associates has long believed that cultivating alumni relationships with relevant services is essential to a strong giving program. Now, it is evident that these strong relationships could also impact the number of continuing learners who return to the alma mater for education.

According to Shari Treichler, Hezel Associates' chief strategic consultant, new strategies are required to manage lifetime relationships. Institutions should cultivate the relationship much as consumer product companies do. By viewing the student as a lifelong customer, colleges are ready to respond to alumni current and anticipated needs.

“Without you”—A corporate perspective

Passengers flying on Jet Blue cannot help but notice a favorite message, “Without you we’d just be flying a bunch of TV’s around the country.” As corporations across the globe move from product-centric toward customer-centric business models, the importance of customer relations-management (CRM) has never been greater. To increase revenue corporate leaders know they must think more like their customers and truly understand the customers’ perspectives.

Customer Relations Management: a systematic approach using information and an ongoing dialogue to build long lasting and mutually beneficial customer relationships.

Consumer product and services organizations recognize the value of the customer, and their members know that CRM is a way of thinking. Much more than just a technology orientation, CRM focuses on customer needs, not the provider’s need to push out new products. CRM champions recognize that the better they treat their customers, the higher their customer loyalty will be.

How many loyalty cards do you have in your wallet? Five? Ten? More? Does a customer loyalty card truly make a difference in your buying habits? The answer is “Yes,” provided the incentive strikes a chord with the consumer.

Amazon and Dell go further than giving costumers what they want. **They anticipate future needs of those customers.** For example, as purchasing trends emerge, CRM technology can send the customer product-specific, similar or complimentary product information.

The basic principles of CRM are simple:

1. **Embraced by the organization** – from the top-down, successful CRM programs are dependent on embracing a new way of thinking.

2. **Data-dependent, not data-driven** – CRM is the ability to gather data about customers, store data in an easily accessible format, analysis, and using the data to effectively communicate with customers.
3. **Identify** – lifetime value drivers; lifestyle changes; behavioral cues; customer attitudes.

Data plays an important role in the success of any CRM program. Customer needs are constantly changing and CRM systems companies can track those changes. Data analysis of CRM information helps companies to compare and contrast companies. CRM technology gives companies a range of information on customers, such as demographics, geographics, and ideologies.

As an example of customer tracking, communications, and offers, Best Buy divides its customers into specific subgroups in order to better analyze them. It costs less for companies to keep customers than to generate new ones, so extra attention to specific groups is important.

CRM changes how the organization thinks and works. Success is focused on the customer; processes are engineered around the customer; organizational structure is implicit in that form follows function to meet the customer's needs; and the culture manifests CRM – everyone thinks about, listens to, and responds to the customer. The emphasis is to create long-term, mutually beneficial relationships with customers.

Identifying the Touch Points

Viewing students as *life-long customers* is not a perspective most colleges and universities can easily assume. But imagine the long-term benefit for the institution willing to put into practice CRM.

Sally graduated from a small liberal arts college less than five years ago. Her career has moved along well, but not as planned. She recognizes the need for additional education – maybe even an advanced degree. Over the years, Sally has received brochures, letters, and emails from the college alumni office; however, most focus on asking for a donation – few offer her courses that might help her advance her career. Sally just signed up to get that advanced degree – not with her alma mater. Sound familiar?

The University of Wisconsin at Madison provides a good example of an institution that took charge of strengthening its relationship with its graduates by offering an extensive lifelong learning program. The Wisconsin Alumni Lifelong Learning is a partnership between the Wisconsin Alumni Association and the

Division of Continuing Studies, with the goal of offering alumni a variety of educational and enrichment events.

According to Sarah Schutt, senior outreach specialist UW-Madison Division of Continuing Studies and director of Alumni Lifelong Learning, UW-Alumni Association, the ability to calculate the return on customer (ROC) begins with the ability to identify the alumni relationship network.

Once the institutional commitment to link alumni and continuing education was made, the process began with building the lifelong relationship model. “The University of Wisconsin Model articulates the multiple opportunities for connection,” say Schutt. The outer circle refers to the methods of delivery or interaction. The inner spokes refer to “touch points” of potential interaction: where needs would originate.



According to Treichler, using research will allow institutions to understand the needs and interests of graduates. These steps not only foster individual personal growth; they strengthen the relationship with the institution, which leads to more generous giving and more alumni returning to the alma mater for continuing education.

Building Lifelong Value for the Institution

According to Sarah Schutt, the director of Alumni Lifelong Learning, “there is tremendous value to the institution to be able to demonstrate to alumni and stakeholders how the UW connects with their individual interests in a meaningful way.

Measured in dollars, **Return On Customer**SM (ROC) equals a firm’s current period cash flow from its customers plus any changes in the underlying customer equity, divided by the total customer equity at the beginning of the period. Authors Don Peppers and Martha Rogers¹ express the return on customer (ROC) as a mathematical equation:

¹ Peppers, D. & Rogers, M. (2005). *Return On Customer* (1st ed.), Doubleday.

$$ROC = \frac{\Pi_i + \Delta CE_i}{CE_{i-1}}$$

Π_i = Cash flow from customers during period i

ΔCE_i = Change in customer equity during period i

CE_{i-1} = Customer equity at the beginning of period i

Beyond dollars, increased new and repeat enrollments, revenue, and institutional giving are measures of success. Whether it's an evening of hands-on science experiments in a lab on campus or a food scientist at an out-of town museum, we're finding ways to re-engage alumni with campus via meaningful outreach by faculty and staff," says Schutt.

Extending the Alumni Relationship to a Lifelong Learning Relationship

Alumni have a vested interest in the institution – they trust the institution's brand and it is a known quantity. What better prospects. Integrating segment-specific messages with bundled programs and services is one fiscally sound approach.

Like many higher education organization's, the University of Wisconsin has a credit card sporting the university mascot: *Bucky Badger*. A *Bucky Badger* credit card establishes loyalty to institution, yet few other benefits.

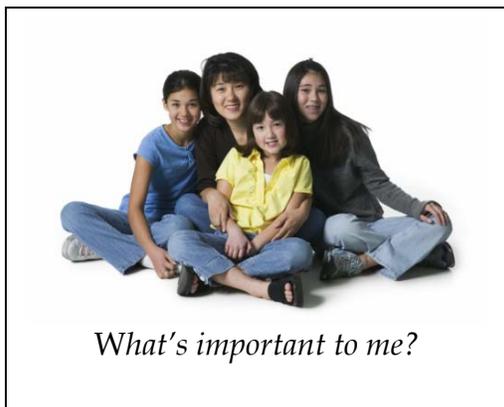
Applying CRM, use of the *university* credit card would link the user to host of other benefits. One example, for every dollar charged the institution could rebate the alumnus a percentage in the form of tuition credits. Alum can use the credits in a variety of ways including professional development courses, seminar or workshop registration, or event tickets.

From our example above, Sally's scenario would look quite different if CRM principles were at work. Over the years, in addition to the annual fund drive, the college has sent her information about professional development opportunities – often online or in partnership with other institutions. She had called the college once before to inquire about the various programs available, but to date had not found a program with a focus that would help her advance from her mid-level management job to an executive position.

A recent, personalized letter notes her previous interest in a non-MBA program and tells her about a new advance degree in organizational management that can be taken online with a residency requirement. Sally is excited because some of her undergraduate credits will apply toward the new degree; therefore, it will take less time (a valuable commodity).

Sally just signed up to get that advance degree – with her alma mater.

To unleash the benefit of the lifetime learner relationship, here are a few new and alternative strategies to replace worn traditional methods of message development:



1. Strategy: Customer Centric Focus

To think like the customer (potential students), investing time in knowing the segments is critical. Take the time to do the research to understand your customer--segment by geography, life-stage, major, or career.

2. Strategy: Internal Infrastructure

Cultural shifts are a powerful force for higher education. Successful

implementation of CRM principles requires a hard look at the central processes that guide the organization including shared metrics, internal policy, staffing, and training.

3. Strategy: Technology

Creating an integrated database system that efficiently manages data, allows shared analysis, is easy to use, and accessible may be one tough order. For UW, a customized (4th Dimension) database links the UW Foundation and Registrar's office. Schutt points out that success is predicated on internal agreement as to which department acts as "official" records keeper. In the case of UW, this is the alumni office.

4. Strategy: Relationships and Partners

How many prospective *customers* does each alumna represent? Customer-centric thinking starts with the organization but extends well beyond its door. The UW Model illustrates the concept. According to Schutt, UW looks for "win-win" – building relationships is building capital.

5. Strategy: Cross-Marketing

Integrated and consistent, cross-marketing is proactive vs. reactive. Creating a core message that can be surrounded by niche, target specific messaging is an effective strategy for communicating your brand while addressing the *customer's* needs. Syracuse University's *University College C*

6. Strategy: Success Measures

Linked to the institution's strategic plan, the value of CRM is found in the measurable benefit to the institution. For UW, the data (stats calc) easily measures success, but the real value lies in the increased cooperation between internal departments and external partners.

About Hezel Associates

As an independent research firm with two decades of expertise in the evaluation of school-based, communitywide, and federally-supported efforts to improve students' well being. Hezel Associates has worked closely with state agencies, K-12 schools, community organizations, institutions of higher education, and employers throughout the nation to satisfy increasingly higher expectations for analyzing performance targets. We understand the importance of providing state education leaders with empirical, objective evidence examining program implementation, progress, and outcomes.

Betsy Bedigian

Betsy Bedigian, Marketing & Communications manager for Hezel Associates, is responsible for communication of the firm's business and client-related efforts to a broad range of internal and external audiences. In this role, Ms. Bedigian develops and implements Hezel Associates' marketing plan, surveys the competitive landscape and serves as the firm's liaison with members of the local, national, and international media. She oversees the creative and strategic development of messages and collateral materials including *Strategies*, Hezel Associates' newsletter, as well as the company's Web site.

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