

CUSTOMER RELATIONSHIP MANAGEMENT (CRM): PROFITING FROM TODAY'S CUSTOMERS



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Customer Relationship Management (CRM) is high on management agendas today but what is different from the business approach and the technology of a decade ago? Is it a fad being driven by technology or a real business strategic need being driven by a changing commercial environment? This paper highlights some of the findings from a VISTA research white paper "CRM: Profiting From Today's Customers", specifically those that relate to the serials community. The process produced significant insights into the current thinking within the market.

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A CRM strategy requires the organisation to have a comprehensive view of the customer, and the customer to have a similar view of the organisation. These views improve the ability of an organisation to:

- determine the kind of customers it wants to attract, attain and retain;
- determine which products, services – and combinations thereof – will be attractive to the most profitable customers;
- attract, attain and retain its target profitable customers;
- provide the kind of service that will keep profitable customers satisfied and loyal.

This abridged paper will focus on the issues from a publishing perspective in the academic and information publishing sectors, the components and its recommendations.

CRM is a fundamental cornerstone of any business strategy and is cross functional in its impact. Technology by itself is only an enabler. CRM is not an IT project, but a business strategy that affects business processes and culture. CRM has the potential to increase revenues by enabling a business to better understand its customers and then use this information to serve them better. It can identify which customers and customer groups are the most fruitful targets and seek to increase the value and frequency of purchases among the most profitable of their customer groups. Effective CRM implementation should also decrease the investment in marketing to, and servicing, unprofitable types of customers.

However, increasing revenue, if it brings with it a disproportionate increase in cost, does not deliver increased profit.

Who is the customer?

The identity of the reader is not often known to anyone in the supply chain. When it is known, this information is rarely shared. Some publishers believe that directly servicing the needs of the ultimate customer, the reader, is both a desirable and achievable objective.

The role of intermediaries has obscured publishers' understanding of their library customers. The identity of the institution subscribing to journals may be known but the presence of subscription agents has made it extremely difficult to distinguish real subscription churn from the background noise generated by libraries simply switching agents.

The academic book and journal buyer is typically institutional rather than individual and the holder of the budget is often only tangentially involved in the purchasing decision. The target of promotional activity is the individual end user, although end user behaviour has been little understood by either publisher or library. This complicates the measurement of direct marketing effectiveness. One major academic publisher stated,

"Targeting down the channel with a view to applying direct pressure back up the channel does not always work within an institutional environment."

Authors are not just authors.

One problem with using the acronym "CRM" in this paper is that the term "Customer" is wrong. It is confusing to partners in the supply chain; it is confusing to the ultimate customer, the researcher or undergraduate. In serial publishing it is also confusing to the author, who is also the publishers' customer. "Contact" Relationship Management would be more appropriate. The author relationship is perhaps the key customer relationship for many publishers. One major academic publisher said that they are trying to build a "club" where authors can access pertinent information and build a stronger relationship with their publisher. This publisher believes that authors can reasonably "expect to be recognised and receive service."

Another major academic publisher reported that they recognise the author relationship as spanning the entire publishing lifecycle: *"They are authors, but also can be reviewers, sit on editorial*

boards, could be on a library committee, be buyers and ultimately are our readers. However we only see them as authors."

It is clear that an important aspect of any effective CRM solution for publishers should be to recognise that customers will be different things at different times and at different points in the publishing lifecycle.

Do we really know our customers?

Information we receive is usually about historic performance. It does not tell us with any certainty how a customer will react to any future initiative. It often can tell us little about the customer's price elasticity, propensity to be cross sold, or responsiveness to marketing campaigns. Customer profitability and sales history does not by itself give much indication of the future behaviour of a customer. If the information that is held about a "customer" relates entirely to financial transactions, then that will provide the entire depiction of the relationship. The business misses all the other interactions that make that relationship what it is and enable it to be fully leveraged.

Everything can be tracked. The question is what data creates knowledge and what is "noise."

Marketing amnesia

From the customer's viewpoint, separate customer databases can result in a service that appears to have forgotten who they are, what business they have done, when they last contacted us, the nature of our commercial relationship, the names of our contacts.

This condition might be called "Marketing Amnesia"; when seen from a customer perspective, such a condition will ultimately prove fatal to any organisation.

Customers will not behave the same online.

As the customer migrates online their behaviour will change. The product and navigation will not be limited by the constraints of the physical product. This is perhaps most obvious for the academic, who may be simultaneously a researcher, teacher and student; their patterns of behaviour may prove incomprehensible if there is a failure to grasp this simple fact.

When the customer goes online, their behaviour will change and they will want this to be recognised.

Communicating with the customer

As with other sectors, academic book publishers are concerned about upsetting existing supply chain relationships and therefore are careful to offer traditional retailers (often with their own high quality differentiated customer lists) co-operative marketing opportunities. This has not, though, stopped online retailers becoming extremely significant suppliers in the academic market.

Journal publishers have been much less careful about their relationship with subscription agents (whose "marketing" impact they have always considered to be insignificant). As journals have moved increasingly to online delivery, and as online "deals" have become more individualised, journal publishers have been employing active sales forces for the first time in decades.

Academic and information publishing content is quickly migrating online and the user has long been connected, making the human interaction harder to control and maintain. As a result, email-marketing and Telesales are now quickly becoming the channels of preference.

One information publisher, heavily reliant on cross selling to their customers every time they call, told us they now find a significant number of customers buying over the Web, direct. They have "lost" the relationship as the customer now logs on, buys and logs off. This publisher is now looking at technology that can interpret behaviour while the customer is logged on and generate an interactive "Web chat" communication with a Customer Services rep online, re-establishing the personal relationship and the opportunity for cross selling.

As more business migrates to the Web, managing the relationship may become more cost effective but there is a danger that personal contact could be lost and with it considerable customer value.

Permission marketing

A major UK STM publisher told us that they were using email to distribute tables of contents.

Another publisher, recognising the importance of email communication, reported that they were currently investigating Artificial Intelligence technology to analyse and manage email alerts, based on a customer's previous activities and known purchasing patterns.

However, capturing, validating and maintaining email addresses is not easy. People have different addresses and their structure can defy all logic. Permission marketing at a basic level provides either "opt-in" or "opt-out" choices, but it can be less binary: the customer can be given various options on the basis of their individual interests, which in turn provides more information about them, allowing better targeting of marketing information.

The academic environment provides a number of lessons about identification of users and privacy that may be equally significant in other sectors as online offerings mature. Users are unwilling to take on the burden of authentication through multiple password systems, and may prefer the anonymity of IP-address identification (even at the expense of some convenience). In corporate use, such anonymity is seen as commercially essential.

The issues of privacy may reinforce the role of the intermediary and enable them to work as a "trusted" information broker.

The service culture

Which is moving faster – the digital content revolution or the demands of the customer?

Increasingly customer's expectations are not driven by their best *publishing* experience but by their best *service* experience anywhere. In some publishing sectors they are beginning to "pull" content down the supply chain.

New personalised models of information acquisition and consumption are clearly on the increase and can be expected to dominate over the coming decade. Although readers may remain reluctant to purchase information on a pay per view basis, they are also becoming increasingly dissatisfied with having to purchase their information in bundles predefined by the publisher – whether these bundles are "books" or "journal subscriptions".

The new "service" culture means that suppliers need to put themselves in the shoes of the

customer, understand their perspective and recognise that “the customer may not always be right but is still the customer.”

Identifying CRM components

The database

If CRM is to present a consistent customer interface, it is important that all customer data is consolidated. This does not mean that everyone will automatically have access to everything nor be presented with much greater detail than necessary.

To consolidate customer information, the entities and relationships involved must be mapped, incorporating any relevant commercial or industry standards. Data sources – and their validity, accuracy and timeliness – must be understood. Once underpinned with this fundamental architecture, it is possible to consolidate data, identify the most authoritative source, implement controlled maintenance processes, and eliminate duplication, re-keying, uncertainty and inconsistency.

The data model and database need to be specifically “publishing-centric”; a generalist approach to customer data is sure to prove ineffective and inefficient.

One academic publisher commented, “We need to recognise that addresses are temporary and roles [assigned to individuals] can be temporary.” Taking name and address data from myriad diverse sources, cleaning it up, putting it into a database and then tying it up with historic transaction records does not solve the problem – it merely provides a temporary fix, which will need to be repeated.

The lack of a standard address structure significantly complicates the ability to de-duplicate customers. This is further compounded as lists in certain sectors are frequently purchased and cannot be effectively automatically imported and integrated. Removing duplication and verifying data at source must be the goal. As long as customer data is not properly integrated duplication will occur.

Several publishers we talked to extract customer data from various systems, clean it and deposit it into a database. But few feed the clean data back into the source systems. One commented, “It's a waste of time taking clean

data and putting it back into an uncontrolled environment.”

Unless all customer data environments become controlled, the clean up and merge operation will have to be continually repeated.

Operational and analytical applications

“Operational” CRM: means using customer data to process transactions or accessing data in order to perform a focused task centred on an individual customer. This applies to processes associated with customer contact such as sales force automation, telesales, call centre management, sales campaign management and mailings.

“Analytical” CRM: means leveraging historic customer information, collected from operational applications, to gain an understanding of trends and behaviour which provides a basis for the strengthening of relationships with customers and ultimately the generation of new revenue streams (or a reduction in customer management costs).

Used together, publishers can create a cycle that improves business tracking activities, improves analysis of trends and performance, seeks new ways of modelling decisions and as a result modifies actions such as changes to pricing or the launch of promotional campaigns to restart the cycle.

Implementation and approach

CRM is not a panacea

To gain advantage from a CRM implementation, the entire organisation must embrace CRM as the way of doing business. The real drivers of CRM are cultural, commercial and strategic. Gerald Shields CTO of Lifeway Christian Resources encapsulated this,

“Implementing CRM tools is like buying an exercise bike. It doesn't make you fit, [it simply declares an intent and provides a mechanism.]”

It is of at least equal importance to ask the question: “What will be the added value of this investment from the customer perspective?” We have found that the benefit is nearly always viewed from the investor's perspective.

“Big bang” versus a phased approach

Any CRM strategy in publishing must take into account the uniqueness of the industry and the

particular business. Few publishers would be able to cost-justify the "big bang" approach to CRM. However, there is much to be said for taking a modular approach to CRM, tackling priority tasks first. If properly planned, CRM can be implemented in many small steps.

One international academic publisher told us they were looking at CRM as "a focused evolution." Another US academic publisher said that they had dismissed ERP vendors who appeared to be "looking at the issue [of CRM] as secondary to supporting their core." A US information publisher commented that they had looked hard at the CRM marketplace and believe what many vendors offer today is "vapourware" and are also "cynical of the maturity of the CRM environment."

A recommended approach

The following steps are recommended to any

publisher moving forward with a CRM initiative:

- *Gain corporate commitment;*
- *Identify costs and benefits.* Focus on the areas that will create the most value for the business.
- *Establish business processes and metrics.* All business initiatives must understand from where they will start, the planned path and how performance is to be measured.
- *Close the marketing loop.* Create processes that improve the business by tracking activities, analysing trends and performance, modelling options and as a result adjusting actions.
- *Data authority and adequacy.* Data is the key corporate asset. While good data cannot ensure good decisions; bad data can certainly contribute to bad decisions.