
Customer Share Marketing: Customer Loyalty as Revenue Driver

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Definition of customer share marketing

Learner-engaged marketing: strategies designed to retain students, to keep them coming back, and to grow individual student spending.

Customer share: The amount of tuition each learner spends with your division in their lifetime or life-cycle.

Rationale – why bother?

- 20% of our students can generate 80% of our business.
- Get the 20% to buy more and more often.
- Highest ROI: Serve the best customers best. A customer-oriented corporate culture is the prescription for superior performance.
- Loyal customers will buy more if given good reasons, good solutions, and good value.

More reasons for focusing on customer share

1. Cost of new student acquisition is high.
2. Cost of customer retention is relatively low; replacement costs are terrible.
3. Customer share marketing is direct and measurable.
4. It tells you what your maximum new student recruitment cost can be.
5. It makes quantifiable goal-setting easy.
6. Decreases pressure of competition.

Simple customer share metrics

- **Repeat rate** – the % of students in 2nd period/year that also registered in 1st period. (Benchmark: 40%)
- **Average number of courses/contracts/events per student in the student's life-cycle.**
- **Average income per student - total unit income / total registrations.**

Life-Time Value (LTV)

Answers question: What is a customer's real worth?

$$\text{LTV} = 1 / (1 - \% \text{repeat rate}) \times \text{average course fee}$$

- Repeat rate is the probability of an average registrant enrolling again or the % of students this year who also registered last year, in program A or unit B or segment C.
- If your repeat rate is 60% and average course fee is \$500, the average LTV of each student in program X is \$1,250.
- An increase in your programs' or unit's retention rate (or learner repeat rate) means an even bigger increase in the LTV, program's income, profitability, and sustainability.

Example

- If your repeat rate is 50% and your average fee is \$400, the average LTV of each student is \$800.
- If you increase the average course fee by 20% (to \$480), the LTV increases to \$960.
- If instead you increase the repeat rate by 20% to 70%, the LTV increases to \$1,333. This is a 66% increase in the value of the customer. A small increase in retention yields a big increase in income. Think customer service, student engagement, and satisfaction.

The ABC of working the LTV

- A. Increase the length of time a student keeps coming back to new courses.
- B. Increase the amount they spend at each registration.
- C. Decrease the time between registrations.

10% customer share improvement example

	<u>Originally</u>	<u>After 10%</u>
Average amount spent on each purchase	\$400	\$440
Average time between purchases	180 days	162 days
Length of average student relationship	10 years (3650)	11 years (4015)
Totals	400 x 3650/180 = \$8,111	440 x 4015/162 = \$10,905

Total % change = $(10,905-8,111)/8,111 \times 100 = 34.4\%$

10% improvement in each step will increase registration income by 34.4%.

The how – strategies to apply

- Personalize the learner/course relationship.
- Organization: Customer managers rather than product/program/course managers.
- Identify key selling points from the learners' perspectives. Think of solutions to their concerns, provide advice, and care. Build trust.
- Segment the audiences and customize messages, products, and services.

Strategies, cont.

- Focus effort on the most valuable customers. Customer recognition programs.
- Track the programs' and units' financial data (margins improve when customer share grows). Reward success.
- Apply add-on sales and cross-sales.
- Improve client communications (prompt responses, e-newsletter, director/dean messages, comment cards/boards/blogs).
- Mid-term email asking for student feedback.

Rules to break

- Break the old-fashioned definitions of “marketing”.
- Don't try to solve enrolment problems by tactical marketing or promotion activities.
- Take bold advantage of your winners. Don't feel sorry for those who don't deserve more marketing resources.

Rules to break, cont.

- Sometimes you must ignore the chain of command and move fast in all directions in the organization chart to deliver learner-centered service.
- Do not give marketing planning authority or responsibility to a committee that is not made up of marketing professionals.

Marketing is changing

- Learner centric, not program centric.
- Engaging rather than persuasive.
- Driver of organizational innovation and product innovation. Build the marketing into the product. Include marketing folks in program development, design, review, and approval committees.
- Metrics-driven.
- Using listening strategies. Interactive tools.

Marketing is changing, cont.

- Courses are personal experiences – not commodities. The learner is part of the product.
- Decrease in print advertising. Increase in story-telling. Increase in customer influence.
- Increase in internal and integrated marketing.
- Students, clients, employers in program advisory councils.
- Marketing goals are shifting from market share to customer share (fewer customers buying more, and more frequently).

Warning signs

- Lack of new programs offered (should be 20% to 30% each year).
- Low quality ratings by learners (< 4 out of 5).
- High or increasing withdrawal rates.
- Program/course cancellation rates (>15%).
- Low repeat rates (should be min. 30%).
- Student LTV's stagnant or decreasing.

Conclusion – the why

- Increasing need to survive and thrive with minimal funding. Increase ROI.
- Growth of competition.
- Student and alumni engagement.
- Demands for accountability; use of metrics, benchmarks, tracking.
- Customer expectations.
- Audience fragmentation.

Thank you

Questions, Comments, Discussion