

## OVUM WHITEPAPER

# Personalization Offers a New Vision for Relationship Management

## Multi-channel communication empowers relationships

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### SUMMARY

#### Catalyst

The higher education industry is on the cusp of rapid and profound change. Powerful forces are calling into question higher education's business model and raising new expectations for the quality and efficiency of service delivery. Institutions failing to navigate these changes are likely to find the road ahead increasingly difficult.

#### Ovum view

Colleges and universities that focus on getting the basics right, such as delivering quality services and cultivating long-term relationships with their students, will emerge from this challenging period for higher education stronger and better positioned for the future. However, institutions must take, without the luxury of added resources, a far more personal and proactive approach to managing student relationships than traditionally has been done in the past. Executing this more effective approach to relationship management will require the application of powerful and targeted communication tools and solutions. As a result, Ovum anticipates that over the short term the institution's CRM solution and its multi-channel communications functionality will take its rightful position among other mission-critical applications such as the student information system (SIS) and the learning management solution (LMS).

## **Key messages**

- Colleges and universities are facing a difficult period of heightened competition for increasingly scarce resources.
- Adopting a more personalized approach to relationship management will be an important tactic for successfully navigating changes in the industry.
- A CRM solution's multi-channel communications functionality offers attractive capabilities for cost-effectively bringing relationship management strategies to life.

## PERSONALIZATION DRIVES COMMUNICATION STRATEGIES

### A new reality requires a new type of relationship with students

The higher education industry is changing rapidly. Economic and demographic forces as well as globalization are calling into question deeply held beliefs about higher education's business model, and raising new expectations for service delivery. Institutions that fail to effectively navigate these changes are liable to find it increasingly difficult to thrive or even maintain their status. As with any difficult or turbulent time, organizations that refocus on basics such as delivering quality services and cultivating long-term relationships with their customers are likely to come out of the experience better and stronger. It will be no different for colleges and universities. However, a far more personal and proactive approach to managing student relationships will be required than has perhaps been done in the past, and without the luxury of additional resources. Executing this more effective approach to relationship management will require the application of more powerful solutions in general, and specifically the capabilities of multi-channel CRM.

### The higher education market has become intensely competitive

Recruiting and retaining students has never been more difficult or a more high-stakes game for higher education. Although a struggling economy has created a maelstrom of applications for public institutions, many in this sub-sector, with significant budget cuts at state and local levels, are struggling to manage the volume and to efficiently seat a first-year student class, whereas private institutions are competing to recruit a shrinking number of students whose financial need is growing. In addition, regardless of institutional sector, all colleges and universities are increasingly focused on improving retention and graduation rates as a strategy for combating shrinking budgets and addressing public scrutiny and criticism regarding outcomes.

Further exacerbating these economic challenges is the growing number of educational options available to students. Students have the ability to select from an ever-growing number of online options, making time and distance no longer a factor for institutional or academic program selection. While the long-term implications are many years away, actions taken by institutions such as MIT to make courses available at no charge are liable to further expand the online market in profound ways. Globalization is also shaking the status quo. Recognizing the attractive financial implications of enrolling international students, countries across the globe are taking a much more aggressive approach to their recruitment. And in regions such as Asia and the Middle East, governments are investing in higher education in order to offer more and better options to domestic students so that they do not seek out institutions beyond their borders and fuel longer-term economic growth.

Given the proliferation of options available to students in an era where price sensitivity and attentiveness to quality and outcomes have never been higher, it is not surprising that institutions are seeking out new ways to differentiate themselves in this highly competitive market.

### **Finding new resources will be an increasingly difficult if not impossible task**

There is no new money for higher education. In the past, many institutions participated in a fiscally dangerous "arms race" by offering concierge-type student services, building sophisticated laboratories, gyms, and dormitories, and expanding academic offerings beyond demand in an effort to compete in the market. Unfortunately, except for a select few, the business model for higher education is unlikely to ever again be able to support the spending of resources at such levels. Current tuition levels are already beyond the grasp of most students and their families and recent proposals to increase these rates have been met with fierce, and in some cases violent, opposition. The long and recently increasingly steep decreases in public funding for higher education, particularly for state institutions, will only accelerate as the baby-boom generation heads into retirement, reducing income tax revenue, and expanding the need for costly services such as healthcare. There will be neither the funds nor the political will to increase, in demonstrable ways, investment in higher education.

Endowment performance and alumni giving has improved in recent years. However, few institutions are willing to repeat the budgetary calamity that occurred as a result of the precipitous drop in endowment income in 2007. Moreover, the number of institutions with endowments sufficiently large to generate enough annual income to expand dramatically the number and type of services delivered to constituents is far smaller than general wisdom might suggest. Most institutions use their endowment income to fund discrete projects and financial-aid programs.

At the end of the day, for most institutions spending more will not be a realistic strategy for competing effectively in the higher education market. Ovum believes that colleges and universities must "get back to basics" by taking a far more personalized approach to managing relationships with students, one that improves the overall delivered service and increases the productivity or overall efficiency of its delivery.

### **Relationship management, powered by personalization**

Addressing the challenges facing the higher education market will require colleges and universities to take a far more personalized approach to relationship management with students at every stage of the student lifecycle from prospect through to alumnus. In many ways, this concept is a return to the basics of customer service, and a return to the core mission of higher education where students and institutions embark on lifelong relationships of development and support. This is not to suggest, however, that personalization of relationship management is a return to a more traditional conceptualization of higher education that should deliver services. Instead, it is a bold plan to move far beyond a vision for relationship management where "everybody knows your

name" to one where a dynamic and long-term exchange of preferences and information shapes the way that institutions deliver services to students. When students feel that they have a personal relationship with their college or university, decisions become easier about whether to enroll, whether to return for the next semester, and whether to contribute to the annual fund, resulting in far more favorable outcomes.

### **Consumer market performance has shaped student expectations**

While taking a more personalized and proactive approach to managing relationships is a relatively new approach in higher education, it has already gained considerable traction and acceptance in the consumer market. For example, when booking a flight, consumers have an array of options at every stage of the process, and have the ability to choose which works best for them, starting from where they purchase the tickets, to how they are notified of changes in flight status, and even when and how they check-in and generate a boarding pass. Airlines store and analyze this information in order to further personalize future service and increase the likelihood that the traveler will choose them again. Frequent business travelers often find this personalized service so appealing that they are fiercely committed to a specific airline and are reluctant to consider another carrier even if offered lower-cost or more direct options. While most traditional students are unlikely to qualify for frequent-flier programs, for most of their lives they will have experienced a similar level of personalized services from buying books, music, and electronics online, to selecting a cell phone provider, to even purchasing coffee in local cafes.

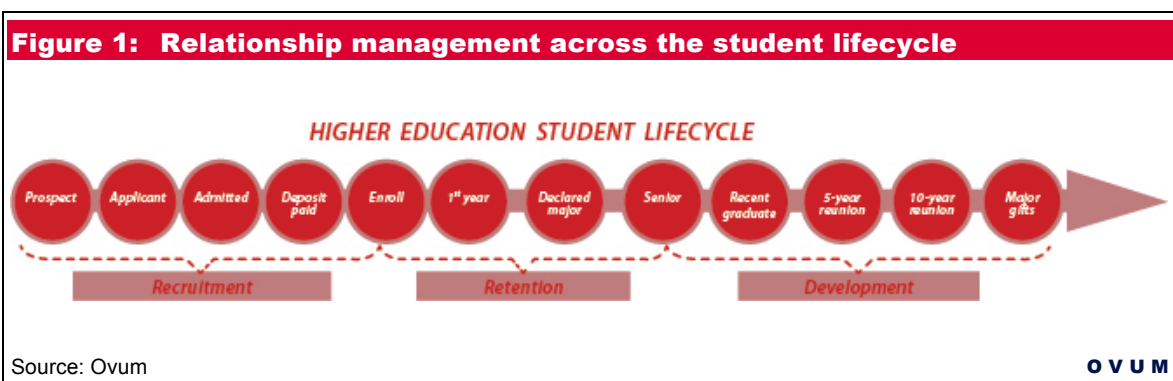
The consumer market has conditioned them to expect their service providers to deliver services and goods to them based on who they are and their preferences. If students hold this level of expectation for personalized service when buying disposable products with money from allowances and part-time jobs, what would be the expectation level for higher education, which is likely to represent, after purchasing a home, one of the largest financial investments they will ever make? Ovum believes that given the increasing price sensitivity of students and their families to tuition, the expectation will be high and rising. It is not a matter of providing more and more expensive services, but instead of delivering a more personalized approach to relationship management.

### **Fostering closer ties with students delivers value for a lifetime**

Although the phrase "the value of an education lasts a lifetime" seems to find its way into nearly every commencement speech, its overuse has not tarnished its meaning or truth. Consequently, higher education is in the unique and enviable position of having relationships with its customers that are likely to span decades rather than days, weeks, or even months. Long after textbooks have been sold back to the bookstore, term papers have been relegated to the attic, and backpacks have been traded in for briefcases, alumni still hold a connection to their alma mater. Yet, ironically, few colleges and universities fully harness the power of having a lifelong relationship with their students that begins with the first inquiry as a prospective student and ends

with the last donation as an alumnus. During recruitment, the "red carpet" is rolled out to prospective students. Activities such as campus tours, open-house events, telephone calls from current students and alumni, and meetings with counselors at college fairs serve to educate the prospective student about the institution's mission, day-to-day life, and the quality of programs and services. Some innovative institutions, to their credit, have made considerable progress toward customizing these activities and associated communications to students' preferences and goals. However, considerable room for improvement remains across the industry.

Unfortunately, in too many cases, all of the rich information collected during recruitment fails to follow the prospective student once he or she arrives on campus as a matriculated one. It is almost as if the institution starts the relationship from the beginning. While unintentional, the awkward handoff from the recruitment to retention phase communicates a "bait and switch" message to the student. Instead, the admissions office should share the data it has collected with student and academic services so that it could serve as the basis for the same proactive and personalized communication techniques used during recruitment, and serve to drive improved retention strategies and academic outcomes. Similarly, the same kind of transfer should occur with alumni affairs once the student has graduated. Yet, institutional politics often stymie efforts to integrate these data silos in meaningful ways. The most influential period for how students perceive their college or university is when they are enrolled, because this is when the most substantive interactions and opportunities for relationship development occur. If the development office is unable to personalize its relationship management strategy with alumni based on their campus experiences, the institutions puts the ability to maintain a productive, lifelong relationship with them at risk.



## **Multi-channel communications will bring your CRM strategy to life**

In an era of flat or even declining resources for most colleges and universities, managing relationships with students in a more proactive and personalized way over the course of decades may appear to be a daunting task. The fundamental essence of personalization, however, is the ability to target content to the specific needs of a student, packaged in the most accessible format and communicated by his or her preferred vehicle. When considered from this perspective, the ability to execute a more personalized relationship management strategy is about using the right technology solutions and tools, which Ovum believes is constituent relationship management (CRM) solutions and their multi-channel communication functionality. The biggest hurdle or challenge is not the solution, although selecting the right one is critical, but developing a vision for relationship management and the necessary content. Content can range from information about an academic program, to an interaction with an academic adviser, to an invitation to a campus event, whereas the format can be an engraved invitation, a video, or the spoken word, and the delivery mechanism everything from a fan page on Facebook, SMS messaging, a portlet, or an in-person meeting. These capabilities are limited only by the institution's imagination and the multi-channel communications capabilities of its CRM solution.

Moreover, when using a CRM solution and its multi-channel communications capabilities to bring the personalization vision to life, institutions have the ability to realize considerable efficiency gains. Communications are automated according to a campaign workflow, and data about the interactions between the student and institution are collected, analyzed, and reported in order to inform the effectiveness of future interactions. In other words, colleges and universities are able to cultivate more substantive relationships with far more students, over a longer period, with far fewer resources.

### **Institutions must use all the arrows in their communications quiver**

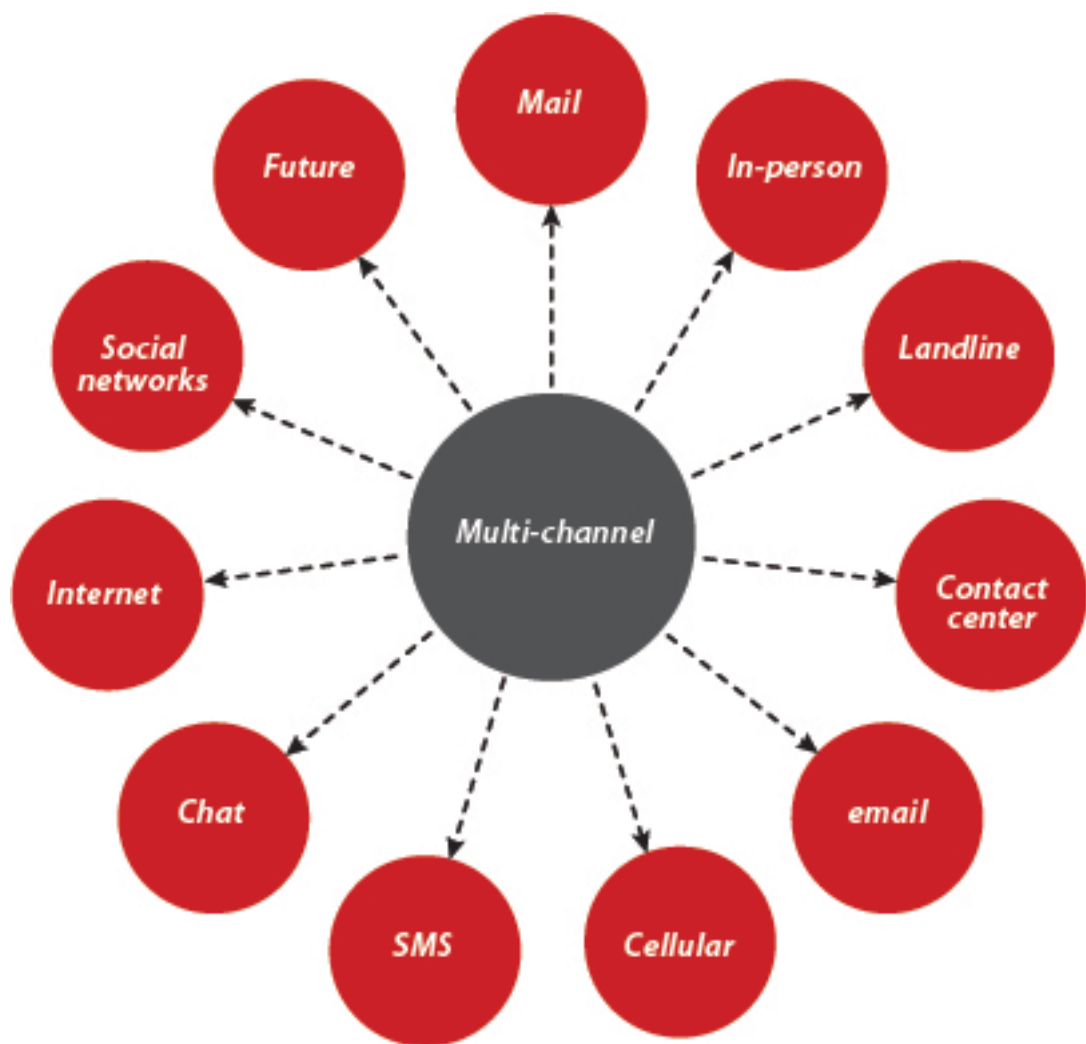
Multi-channel is more than blanketing students with email, it is also about using a diverse array of communication tools in a proactive and targeted way in order to meet the unique needs and preferences of students. Institutions that are able to construct this type of strategic approach to personalized communications are far more likely to meet and exceed student expectations and as a result to better navigate the turbulent times ahead.

While the set of multi-channel communication tools is always expanding, best-in-class CRM solutions will include capabilities to support the following channels:

- Telephony, both landline and cellular
- SMS messaging
- Email
- Postal mail: delivery of letters and other physical collateral

- In-person meetings
- Social media
- Internet/portal, including personalized URLs (PURLS), QR codes, and online self-service
- Live chat

**Figure 2: Multi-channel communications offers a broad array of tools**



Source: Ovum

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Effective personalization as part of a relationship management strategy across all stages of the student lifecycle depends on the institution integrating these communication channels in a dynamic and coherent way. For example, information communicated through a telecounseling session with an academic adviser should be consistent with what is included in a letter sent to the student about registration requirements. Moreover, registration information should "touch" or be communicated to the student a sufficient number of times to ensure that it is not only communicated but also understood, without inundating him or her and degrading the effectiveness of the channel. Ovum believes that the best solutions offer institutions the ability to set the path of subsequent or follow-up communications in terms of channel selection and message variation. Every student is unique, and the communications strategy to engage him or her should therefore reflect this.

It is important to note that the best multi-channel capabilities offer the ability to manage the content, including its creation, storage, and authorization. Creation tools should be easy to use but offer polished and professional results that contribute to a consistent "look and feel" for the institution. In addition, reinventing the wheel for each communication should not be necessary because the solution stores approved content and templates in an accessible and easy-to-find way. Finally, authorization capabilities should be standard functionality to ensure that only approved content, regardless of the channel or type of personalization, is communicated to the student according to the institution's larger relationship management strategy.

The sine qua non of CRM is analytics and it is particularly powerful in terms of multi-channel communications. As communications are targeted at students in proactive and personalized ways, the most effective CRM solutions will capture data about the interactions, including information such as whether an email was opened, which articles a website visitor accessed, or the duration of a conversation into a call center. The long-term vision for CRM should be a system that then matches these data points with existing data about the student in order to improve the effectiveness of the current interaction and future ones. The solution automatically reminds an admissions officer to follow up on the unopened email with a call, dynamically pushes content to the website visitor about what alumni with the same major are doing, or recommends specific scripts based to the call center agent based on the student's profile to help resolve the issue more rapidly. The entirety of this data can then be aggregated into reports to help institutional leaders evaluate the effectiveness of different communication campaigns as well as disaggregated to provide line-of-business administrators, faculty, and staff-inform services with a 360-degree view of the student experience.

### **Leveraging multi-channel communications offers appealing efficiency gains**

Few institutions have unlimited resources and still fewer will have access to more resources in the coming years than they have had in the past. Consequently, it is important to consider the significant efficiency gains that multi-channel communications, when leveraged properly, can give

to institutions as they pursue delivering a more personalized experience to students. Productivity gains are driven by two main sources:

- utilizing the student's preferred communications channel and as a result, increasing the likelihood of the desired outcome; and
- employing the most cost-effective channel given the parameters of the communication, and therefore driving down the cost per interaction.

A student's preferences are unique and this extends to the usage of multi-channel communications. Prospective students, enrolled students, and even alumni should have the ability to choose how, when, and in what ways they interact with the institution with a significant level of granularity. For example, an undergraduate engineering student should have the ability to set preferences to communicate with an adviser via chat, the registrar's office by email, and student services through SMS text. The college may also wish to categorize communications by priority level or content and offer students the option to receive different priority and types of messages through different channels. While the complexity of such a system may seem initially overwhelming, enterprise-class CRM solutions offer tools to manage it effectively. More importantly, however, when institutions engage students according to their preferences, the likelihood improves dramatically that the communication is heard and the interaction results in the desired outcome. Even though personalization entails more planning, the higher success rate equates with better efficiency and is well worth the effort.

Multi-channel communications and its associated analytics empower institutions to identify the most cost-effective ways in which to engage students. Quantifying the cost of different interaction types is not standard practice for most colleges and universities. It is a corporate concept developed in the call center. Consequently, few are able to identify which recruitment or retention activities deliver an acceptable return on investment, and under which circumstances they are the most cost-effective. At the most basic level, a CRM solution with multi-channel communication and analytics enables an admissions director to know if an investment in attending particular college fair yielded enough enrolled students to justify the expense. At a more sophisticated level, the same director will have insight into when utilizing more costly communications, such as campus events or outbound calls, will be most effective and with which prospective students. For example, the solution offers insight into which stage in the recruitment process an open-house invitation is mostly likely to be accepted by a prospective student and which profile of student is most likely to appreciate an outbound call from a current student. Efficiency gains are realized through the strategic usage of scarce resources.

## **A vision for personalization in higher education: one institutions' story**

Although the vision for using multi-channel communications to personalize relationships with students may appear to be long-term, if not futuristic, a number of innovative colleges and

universities are already making significant progress toward making their visions a reality. The University of Texas, El Paso (UTEP) is one such institution. A public university located near the border between Texas and Mexico, UTEP serves a largely Hispanic population of students, many of whom are the first in their families to seek higher education. Enrolling 22,600 students, UTEP supports 75 bachelors degrees, 78 masters degrees, and 19 doctoral degrees, and is currently making significant investments in order to become a national research university.

In an effort to more effectively manage communications with prospective students and improve the efficiency of the admissions process, UTEP embarked on the development and execution of a relationship management strategy, which included the utilization of multi-channel communications. The first step in creating its communications' strategy was finding answers to questions such as: who is the audience, what are the segments, and who are we as an institution? Only after UTEP was satisfied with answers to these questions did it take the second step and identify the best channels and processes for the communications. Although the institution was able to implement its CRM solution in record time (roughly four months) it took an incremental approach to rolling out communication channels. Initially starting with email, UTEP moved quickly to add its prospective student portal, the "Miner Insider" as an integral part of moving students through the enrollment process. Instead of manual transactions, it was necessary to submit the required forms through the portal, but more importantly, the portal served as a key source of information for students about the university, the admissions process, and their status. Telephony was the third channel that UTEP launched. Admissions staff and students used the telecenter to make outbound calls to prospects throughout the application process. The admissions office had to develop the different "scripts" for the telecenter from scratch, and as a result spent considerable time and effort making sure that the communicated information was accurate and consistent, and that the conveyed message would not only resonate with students but would also reinforce the university brand. And finally, UTEP introduced group chat and interactive knowledge base functionality to its suite of multi-channel communications. The group chat capability was especially useful because external factors made international student recruitment difficult and counselors were able to hold almost virtual college fairs with prospective students.

It is important to highlight that although UTEP rolled out its usage of each communications channel in a largely sequential way, the university was still mindful about the need to coordinate the channels in the overarching communications strategy. Each campaign leveraged multiple channels in order to deliver a consistent and reinforcing message. The coordinated approach resulted in a scenario where prospective students were more likely not only to receive important information but also to engage with it and the university.

Even in the short time it has been using it, UTEP has already realized a considerable return on investment (ROI) from its personalized approach to relationship management and the use of CRM with multi-channel communications. The ability to control the branding of the university in a more strategic and consistent way has delivered results. At the most basic level there has been a 12%

increase in the number of applied-to-admitted students. However, as the admissions office is engaging with prospective students earlier in their secondary school careers, it is also able to seat the freshman class earlier in the enrollment cycle. UTEP has rolling admissions and therefore historically, a sizable percentage of students would enroll only days before the term started, which had cascading and negative implications for retention. With personalization through multi-channel usage, UTEP has positioned itself for improved retention outcomes, as students are prepared from the first day. Finally, UTEP has captured important efficiency gains. The new strategy significantly streamlined the admissions process by conducting much of it in the prospective student portal rather than through costly manual transactions. Moreover, as these transactions are completed and information is communicated virtually, postage costs have decreased dramatically.

### **Multi-channel communications deliver a more personal relationship**

The road ahead will be difficult for higher education. Demographic changes, globalization, and a rapidly evolving and increasingly influential consumer market will have a dramatic impact on colleges and universities. The impact will be particularly acute for those institutions in more competitive markets for student recruitment and with fewer resources for new programs and financial aid. Navigating these challenges successfully will rest, at least in part, on the ability to deliver a more personalized experience to students that cultivates life-long relationships with them. Ovum believes that the development of innovative relationship management strategies and subsequent implementation of CRM solutions with robust multi-channel communications functionality is essential to delivering this type of experience. The success of institutions leading the charge with personalization suggests that a sequential rollout of communications channels is an effective approach to implementation, but with the caveat that over time the usage of channels should be coordinated according to the goals of the overarching campaign and communications strategy in order to realize improved effectiveness and efficiency outcomes.

## APPENDIX

### Further reading

Industry Solutions Guide: Selecting a CRM Vendor in the Higher Education Market (DMTC2322, June 2010)

Preparing for Change in the Higher Education Industry (BFTC2556, March 2010)

Options Abound for CRM in Higher Education (BFTC2558, January 2010)

### Methodology

Primary research/vendor briefings – ongoing briefings with technology vendors serving the education industry

Secondary research – industry publications, companies' annual reports and press releases, and data from public databases

Education Technology Business Trends and CIO Technology Trends surveys – Structured telephone-based interviews with IT decision makers at higher education institutions across North America, Western Europe and selected Asia-Pacific countries.

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