

Treating Students Like Customers

How can schools develop the best relationships with their students?

Think of them as customers to be managed—for a very long time.

by David Bejou

illustration by Hadley Hooper

It's widely believed that it's more cost-efficient for a merchant to keep a current customer than to attract a new one.

This theory holds true for educational institutions, as well. It's more effective for schools to keep current students enrolled in programs and retain them as alumni than to recruit new students and new supporters for the school.

While some administrators find it difficult to accept the idea of students as consumers, in reality, that's what they are. In today's competitive marketplace, schools are sellers offering courses, a degree, and a rich alumni life. Students are buyers who register for courses, apply for graduation, and make donations as alumni. The longer these ongoing transactions are satisfactory to both parties, the longer the relationship will endure, to the benefit of everyone.

How can schools prolong these relationships indefinitely? One extremely useful technique schools can use is one many corporations already have adopted: customer relationship management (CRM).

Managing Through Relationships

CRM is a relatively new field that follows the relationship-selling trajectory between customers and merchants. In this model, both buyers and sellers exhibit specific behavior patterns as they establish, maintain, and enhance a mutually profitable, long-term relationship. The CRM model is drawn from research in interpersonal relationships, family and marriage relationships, marketing, sales and sales management, and services marketing. According to the model, all of these relationships, both personal and professional, go through four stages: exploration, expansion, commitment, and dissolution.

Stage 1: Exploration. At the beginning, a successful encounter

between buyer and seller results in a mutual perception of potential benefits. First, the buyer and seller exchange information. Attraction is encouraged, promises are made, and rewards are offered. The seller raises expectations as it promotes the quality of the product or service. If both perceive that a relationship could be equitable and neither perceives the other as opportunistic, a "sale" takes place. The relationship is forged; from this point, it can either continue or dissolve.

Stage 2: Expansion. As the relationship is established, confidence is raised and an ethical orientation is established. Buyer and seller overcome obstacles and build trust. If the seller's actions improve the quality of the relationship, the relationship can expand—that is, it can produce additional sales or referrals to new customers.

Stage 3: Commitment. This stage is marked by a cycle of increasing satisfaction and building loyalty. The seller encourages positive word-of-mouth so that the buyer promotes the seller to others. Meanwhile, both sides perceive new benefits and rewards, which are much higher than the perceived rewards of switching to a new relationship.

Stage 4: Continuation or Dissolution. At the end of Stage 3, the buyer can choose whether to continue the relationship or end it. The buyer compares original expectations to the current reality and considers past experience with this seller. If the buyer chooses to continue, the pattern of expansion and commitment is repeated. However, if the seller has failed to maintain satisfaction, the buyer's loyalty may have been so eroded that the perceived benefits of continuing the relationship appear lower than the perceived benefits of investigating a



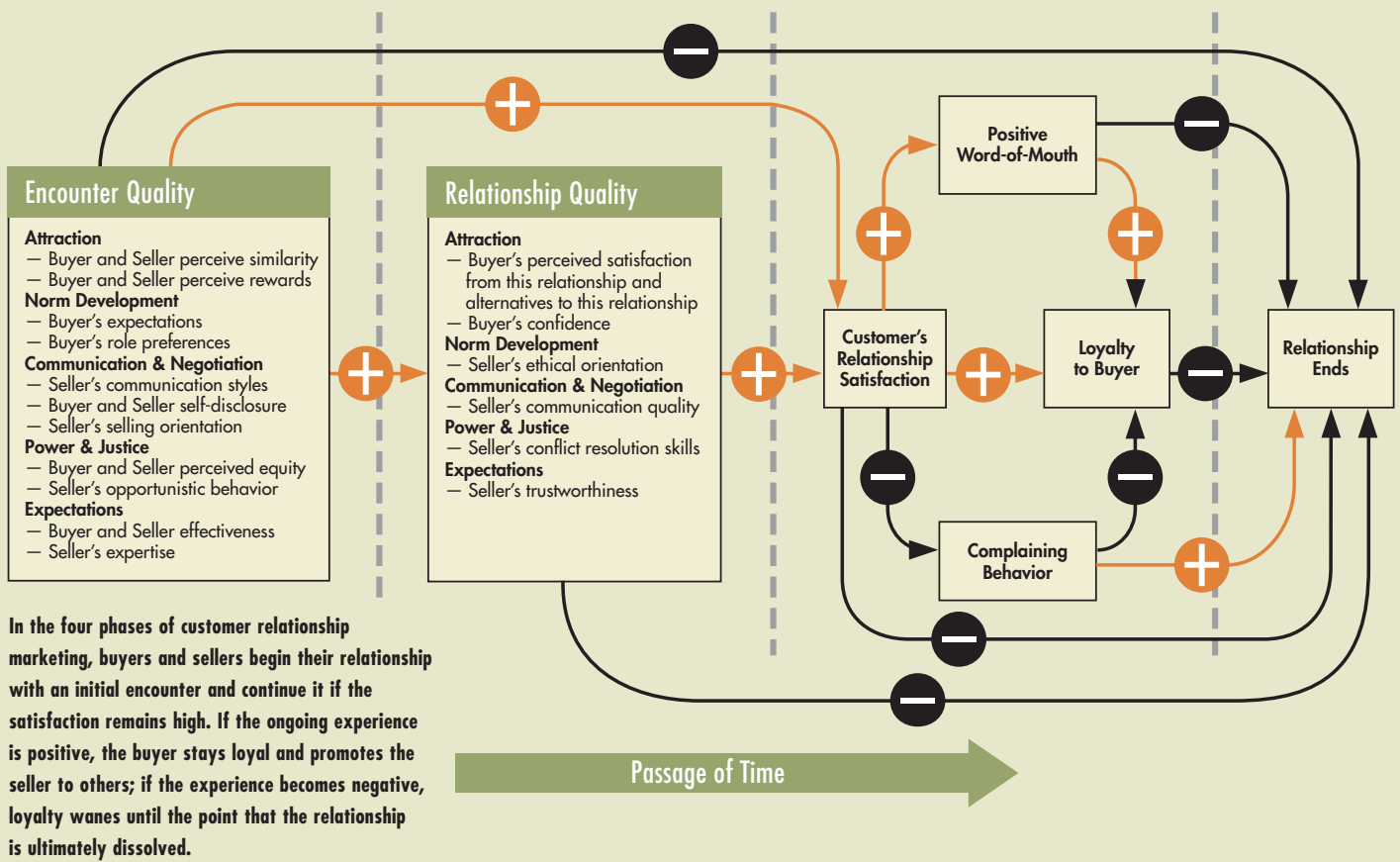
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In the four phases of customer relationship marketing, buyers and sellers begin their relationship with an initial encounter and continue it if the satisfaction remains high. If the ongoing experience is positive, the buyer stays loyal and promotes the seller to others; if the experience becomes negative, loyalty wanes until the point that the relationship is ultimately dissolved.

Source: "Relationship selling trajectories: a conceptual model and empirical investigation," by David Bejou (1994), published dissertation, University of Memphis.

new one. At this point, the buyer switches to a different seller, and the relationship is dissolved.

The chart above shows how various factors can cause the buyer's satisfaction with the seller to increase or decrease. If the quality of the initial encounter is good, and the ongoing relationship is strong, satisfaction and loyalty remain high. But over time, negative experiences can cause dissatisfaction and the eventual end of the relationship.

CRM at the B-School

When universities apply these theories of customer relationship marketing to various administrative situations, the results can be profound. Virginia State University's School of Business is currently using principles of CRM in its student recruitment efforts, as well as in an initiative to reorganize the structure of school committees. Applying theories of CRM to student relationships has helped the school keep students involved from recruitment to post-graduation. The four phases of CRM are adapted only slightly when applied to students:

Exploration Stage: Recruitment. In Stage 1, the school targets prospective students through various communication methods such as e-mail and direct mail. With these messages, the school promotes the benefits and rewards of its programs by making promises, raising expectations, and stoking interest. The exploration stage concludes when a student submits an application for admission and is accepted.

Expansion Stage: Enrollment Management. In Stage 2, the school actively advises and orients new students, helping them register for classes, plan their course loads for their first two years,

obtain financial aid, find appropriate housing, and develop peer groups through social opportunities. At this point, the school also focuses on developing and rewarding faculty, keeping them actively engaged with student retention and holding them accountable for students. The expansion stage repeats itself each time a student registers for classes.

Commitment Stage: Retention and Progression. In Stage 3, the school works to ensure students' commitment to the institution. Faculty and administrators continuously mentor all students, making sure they are registered for the proper third- and fourth-year programs, providing them meaningful experiences such as internships, and promoting joint projects with faculty. If a business school properly manages this phase, it will carry the student through a degree program and into alumni activities and development.

Dissolution/Continuation Stage: Post-Graduation. During Stage 4, the school should make an excellent career placement office one of its top priorities. The graduation ceremony should affirm for students that they made the right choice in attending this institution, while also providing them with meaningful recognition for their years of hard work. As students transition from graduates to alumni, the school must maintain contact by continuously improving alumni relations through activities, recognition, and incentives. For a business school, the goal is to prolong the "continuation" phase of Stage 4 as long as possible.

It's important to note that buyers and sellers can move through the expansion and commitment phases on an iterative basis, as long as negative experiences do not lead to dis-

Customer relationship marketing creates the perfect relationship

between the seller and the buyers—between the school and its students.

solution in the fourth phase. In fact, the trajectory of personal involvement and satisfaction over time should continue upward, until the commitment phase peaks in Stage 3. At that point, if the seller can maintain the buyer's satisfaction, it can delay any decline of the relationship for an indefinite time.

For an institution, what's required is taking meaningful action to maintain high satisfaction over the lifetime of each student and alumnus. The relationship can continue to expand as students or alumni seek additional services, such as a graduate program, continuing education, or participation in university events. Commitment also can continue to grow as students choose to come back to the university for services they could very well obtain from others, and as they offer donations and other support to the school.

CRM Committees

CRM techniques are not only useful in student relations; they also can be used to restructure the management team at a university. In July 2003, Virginia State University began to re-engineer its School of Business, moving from organizational and functional perspectives to the CRM model.

Under this new model, faculty committees fall into one of four groups, each one corresponding to a phase of customer relationship marketing. This new structure demonstrates that most of the school's time and energy is spent on Stages 2 and 3—periods during which the school needs to invest a great deal in both students and faculty. As a result, the committees involved in those phases now absorb the lion's share of the school's financial and human resources. When CRM is applied to a school's organizational structure, it can help administrators more properly allocate funds. At VSU, the categories work like this:

Stage 1: Recruitment. Served solely by the recruitment committee, this phase covers the time when the school markets itself to students and their families.

Stage 2: Student and Faculty Development. Four committees—the student services committee, the faculty composition and development committee, the curriculum committee, and the instructional resources and technology committee—provide services directly to students and professors.

Stage 3: Retention and Progression Management. Three committees—retention, intellectual contributions, and recognition—provide support for successful program delivery.

Stage 4: Graduation, Placement, and Alumni Affairs. The school works to launch students into careers or graduate school, while maintaining positive relationships and fostering post-graduate loyalty. Two committees—the career planning/placement/life transition committee and the alumni relations

and development committee—support this phase.


As faculty members become more familiar with the new committee system, links between groups will grow stronger. Responsibility for students will pass from committee to committee as students move through their own relationship trajectories. The expectation is that both students and school will benefit from this sense of interconnectedness, and students are likely to have longer relationships with the school.

The new committee structure also is expected to benefit the School of Business as it pursues AACSB accreditation, since the committees reflect and support AACSB accreditation standards. For example, the faculty composition and development committee assesses faculty resources, recommends essential faculty recruitments, and develops programs to ensure that faculty maintain their skills while they uphold their teaching, research, and service responsibilities. Crucial changes implemented so far have included significantly higher performance standards for faculty and department chairs, expansion in research and professional development funds, equipment and infrastructure upgrades, and comprehensive accountability reporting.

Accreditation standards have been cross-referenced to committees, which administrators believe will help the school to meet all AACSB requirements and maintain accountability. Specific human resources have been applied to each major element of the organization, ensuring broad, interdisciplinary participation. Likewise, the committee structure ensures that all faculty members have focused roles in their committee service.

Long-Term Model

The CRM model helps business schools manage their relationships with students from the day they first inquire about a program to the day they make their last donations. It helps the school adapt its relationships with individuals over time—meeting their needs first when they're students, then when they're alumni.

Customer relationship marketing ensures that business schools build a loyal base of committed alumni who fondly remember their time at the institution and who recommend the school to friends and family. In short, it creates the perfect relationship between the seller and the buyers—between the school and its students. 

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