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## Profiting from Today's Customers

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Examining CRM for  
publishing:  
*A VISTA report*





VISTA International has been working with publishers for more than 24 years, providing solutions and services, conducting research and participating in industry associations and forums. From these experiences VISTA launched author2reader(TM). The author2reader framework stresses integration, flexibility, adaptability, while at the same time offering publishers proven world-class solutions in key areas of the business such as information analysis, information management, and physical and digital fulfillment.

Since the beginning of the 1990s, VISTA has continued to aggressively study the present and future trends of the publishing industry. The VISTA research program started in New York in 1992. Nicholas Negroponte, then director of the media laboratories at MIT, introduced a startled audience to the concepts he would later make famous in his book *Being Digital*. VISTA launched the acclaimed *Publishing in the 21<sup>st</sup> Century* research program, from which much of our strategic direction has been shaped, in 1995. Through hundreds of interviews and questionnaires, and through the analysis of a renowned think-tank of consultants and commentators on the publishing industry, a picture of the future of publishing emerged that has challenged the most fundamental of our assumptions about publishing systems support.

Our research and learning program has led directly to the launch of solutions such as author2reader™, VISTA's applications framework for the support of book and journal publishing in the 21<sup>st</sup> century.

For more information about VISTA, please visit our website at [www.vistacomp.com](http://www.vistacomp.com) or email [solutions@vistacomp.com](mailto:solutions@vistacomp.com).

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Dear Reader,

As part of VISTA's continued commitment to industry research and development of solutions and services to meet the needs of the industry we are pleased to present our latest white paper: *Profiting from Today's Customers: Examining CRM for Publishing*. This paper examines the opportunities and challenges facing publishers looking to capitalize on the promise of Customer Relationship Management, and has helped to hone our thinking with respect to how VISTA can best serve publishers through CRM.

This paper was written after conducting in-depth interviews with a number of leading publishers in both North America and Europe. I would like to personally thank Martyn Daniels, VISTA's Strategic Development Director, for his significant contributions to understanding and framing this research project. Martyn joined VISTA six years ago and is responsible for the management of strategic industry initiatives, from research through product delivery.

VISTA's next steps will be to further qualify our findings in the market, refining our proposition to meet the critical needs identified by our customers.

I hope that you find this paper of use in understanding how CRM can be utilized in the publishing market. We welcome the opportunity to discuss this paper with you, and hope that you will not hesitate to contact us.

Best regards,



John Wicker  
Executive Vice President

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## Foreword

VISTA published its first research paper, *The Organizational Impact of Publishing in New Media*, in 1995. In the intervening 7 years, much has changed in the publishing industry. We have seen continuing consolidation among publishers – and in the book trade supply chain. Internet book selling has grown from insignificant beginnings to assume a role of considerable importance (even if it has not taken quite as large a proportion of the business as some expected – or perhaps feared). The consumer ebook may not have lived up to the hype (could it ever have done?) but some sectors of publishing have been moving rapidly into network dissemination of their content, with little fanfare or fuss (and surviving the experience relatively unscathed).

In 1996, VISTA published their second research paper, *Profiting from Tomorrow's Customers*. This paper looked at publishers' relationships with their customers, and considered the impact of much that has since happened in the supply chain (including, for example, the true potential of the Internet as a mainstream medium for electronic data interchange – in its broadest sense – between publishers and other players in the book trade). However, we pointed out in that paper that publishers in many sectors of publishing could see nothing beyond their immediate supply chain partners – and that the lack of authoritative, shared information within the book trade supply chain was proving seriously disadvantageous to everyone involved.

Much may indeed have changed since these first two research reports were published, but some things remain constant; the most important of these is that, without satisfied and willing customers – people who want to buy and read books – the book trade (like any other trade) will simply cease to exist. This is to state the obvious; however, the information that publishers have traditionally been able to acquire about their customers (and about their customers' behavior) has, in many markets, been negligible. How do you maintain and build long term relationships with your customers when you have little idea who they are or why they buy your products?

In the last few years, publishers have been increasingly aware of the potential of technology to support customer relationships, both with ultimate consumers and with channel partners. "Customer Relationship Management" (CRM) may be a term that has been over-used to the point where it has become almost meaningless; this risks making us cynical about the whole concept. Nevertheless, publishers like other businesses have recognized that the appropriate application of technology can reap real benefits in terms of acquiring and retaining customers.

There is a considerable literature about CRM, and its application in many different industry sectors. However, there is very little about the application of CRM in publishing. We have often remarked (but this does not mean we will not do so again!) that book and journal publishing is not a single "industry" but is in reality several different ones – with different business models, different supply chains and different customer relationships. So, not only is publishing "different" from other industries – different sectors of publishing are also very different from one another. The complexities and idiosyncrasies of publishing mean that it can be difficult to apply lessons that have been learned elsewhere with any degree of confidence of their outcome.

Recent research, also sponsored by VISTA (*Publishing 2001: Attitudes to Technological Change* Bookseller Publications) showed that publishers are almost universally expecting "great change" in their promotion and marketing activity over the next 5 years, through the application of technology. The Internet may not have changed everything, but it has (in the words of one publisher) "revolutionized marketing". That revolution looks set to continue. At the same time, publishers are anticipating further reshaping of the channel.

It is timely that VISTA, as a major supplier of business solutions to the publishing industry, should now update *Profiting from Tomorrow's Customers*, seeking to understand the current "state of play" with respect to CRM in the publishing industry, exploring the different experiences and states of readiness and expectations of different sectors of publishing and seeking to understand

how “CRM technology” may find its best fit. This paper involved gathering a considerable body of publishing-industry based research, undertaken through face-to-face and telephone interviews, with a wide spectrum of senior managers in many different publishing sectors. Readers will find many direct quotes from these interviews in the text of the report, although many of the interviewees are necessarily anonymous.

The research also involved gaining a detailed understanding of the application of CRM in the broader context, to develop a perspective on what has worked in other industries, what has not worked – and why. By combining the requirements of the publishing industry with a comprehensive analysis of “real life” CRM implementation experience, VISTA has developed a pragmatic view of what approaches to CRM are most likely to work for publishers in different sectors – and what is highly unlikely to do so.

VISTA undertakes and publishes its research with two purposes in mind. The first is to provide a platform for informed debate in publishing, to the benefit of the industry as a whole. The second is a little less unselfish: it is to provide input to VISTA’s own product development process.

This paper is not about VISTA products; it has nothing to sell, beyond a vision that technology, when appropriately deployed, can improve the efficiency and effectiveness of customer relationships within publishing, leading to improved revenues and lower costs of service. Technology is, though, in many ways the least significant element of CRM. Indeed, as the paper underlines, CRM is primarily about culture and attitudes. This paper demonstrates the extent to which attitudes towards customer care are already changing within publishing and outlines the cultural change that will be necessary if publishers are to realize the greatest value from investments in systems to support interactions with (and analysis of) their customers.

I am certain that any publisher who is contemplating investment in Customer Relationship Management will find that time spent in reading this paper will be amply rewarded in terms of the knowledge they have gained.

Mark Bide, Rightscom Limited  
London: October 2001

## 1 Executive Summary

Customer Relationship Management (CRM) is high on management agendas today but what is different from the business approach and the technology that supported Customer Management a decade ago? Is it a fad being driven by technology or a real strategic business need being driven by a changing commercial environment and enabled by technology?

Adrian Payne, Director of the Center for Relationship Marketing at Cranfield School of Marketing defines relationship marketing as, "maximizing customer value for the firm, by creating, building and lengthening customer relationships with a view to selling more, cross-selling and keeping customers longer."<sup>1</sup>

This paper aims to review the current commercial environment, offering some insights and publishing perspectives, review CRM and identify its components and associated technology and identify the framework that publishers should reflect on when considering their individual strategy, approach and implementation.

In compiling the paper, we undertook a significant number of interviews with senior publishing executives both in the UK and the US and across the various publishing sectors. The process gave us significant insights into the current thinking within the market. We would like to thank all those who kindly gave up valuable time to give us their views.

### Findings

The focus and impact of CRM varies from publisher to publisher and between each publishing sector. Each sector has its own supply chain relationships and consumer interaction and these will affect how CRM is applied and the benefits it can achieve. However there are some common issues that are influencing the approach and deployment of CRM:

- The evolving shift from product (manufacturing) driven to a customer (service) driven commercial environment
- The need to get the data right in order to turn it into information and action that can generate revenue
- The evolving focus from back office cost reduction to understanding and targeting customer needs to generate revenue growth
- The evolving supply chain communication, information exchange and process streamlining to the consumer
- The impact publishing is having on forging closer relationships with the customer

Although we recognized authors and contributors as "customers" and briefly reviewed these relationships with respect to CRM, the body of the report focuses downstream to the consumer and the associate relationships and opportunities.

We found that there are three main components to CRM:

- The database - the data has to be authoritative, accurate and current. Information "silos," data duplication and lack of non-standard address structures inhibit customer relationships and the deployment of CRM.
- Operational applications - are focused at processing the transactional relationship; such as Customer Service, Telesales, Fulfillment, and Sales Force Automation.
- Analytical applications - are focused at leveraging the data from the operational applications to understand trends, behavior and marketing opportunities.

"Closing the loop" between operational and analytical applications can create a continual cycle of activity that enables actions to be tracked, analyzed, modeled and in turn modified to restart the cycle.

CRM is not a panacea. Gerald Shields, CTO of LifeWay Christian Resources, a large religious publisher based in the US, encapsulated this in our interview:

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

## **Recommendations**

We recommend CRM is phased and initially focused on delivering the priority tasks - those offering the greatest benefit. We also recommend that any CRM initiative should adopt the following 5 steps:

**Secure corporate commitment** - CRM is a business strategy

**Identify the cost and benefits** - Establish where the most value is created for the business

**Establish the business processes and metrics** - Analyze the business processes and determine the metrics to measure achievement

**Close the marketing loop** - Create an iterative and learning process that drives incremental benefit

**Data authority and adequacy** - Turning good data into information and action is the key and fundamental to any CRM success

## 2 Why is Customer Relationship Management (CRM) Important Today?

### 2.1 Background

Why is the management of customer relationships today any different from yesterday? Why do customers suddenly seem to be more important than they were in previous years?

Customers have always been important; understanding customer needs and responding to them is fundamental to all businesses. Customer care is as old as commerce itself. The small storekeepers got to know customers and the sales representatives their clientele. Each could then differentiate the goods or the services that they offered to their individual clients and improve the likelihood of increased sales and customer retention.

So why is Customer Relationship Management (CRM) gaining such high visibility now? What is different in the business approach and the technology solutions from those that were being adopted a decade ago?

The underpinning business applications that we now define as "CRM" have their roots in two separate niche markets, Sales Automation and Customer Service. In the mid-1990s these applications became critical to supporting the roll-out of call centers and large field sales forces. More recently, new software vendors have emerged to satisfy the marketing department's analytical need to understand, segment and target customer groups more effectively. These tools have now been brought together into more comprehensive CRM software suites. The most recent additions have been in eCRM, supporting technologies that enable customers to service their own needs directly over the Internet.

***However, technology by itself is only an enabler. The real drivers of CRM are cultural, commercial and strategic.***

### 2.2 The Service Culture

When we look back over our *Publishing in the 21<sup>st</sup> Century*<sup>2</sup> research series, we can see "the customer" running as a common thread through each paper. Within the series, Mike Shatzkin has often described publishing as being simply about "content and markets."

We have tended to view the major challenge as digitization – and the impact that dynamically evolving e-content would have on publishing businesses, on the publishing market and on the publisher's customer. However, content and markets are two sides of the same coin and the question we now want to address is this: which is moving faster – the digital content revolution or the demands of the customer?

Publishing has historically worked on the production model of supply, "pushing" the products into the market and stimulating demand. Publishers acquire and commission content that they believe is worthy and of literary merit for their customers. They recognize that not all books are published to be bestsellers but are published because the publisher "believes" in it.

This model has served publishing well; it is about getting products in front of the (intermediary) buyer and, ultimately, the consumer. It offers value through a "selective choice" (which, of course, is choice from the restricted range physically available at the point of sale). The fundamental message is: "If the consumer can see the product, they can discern its value for themselves and will be willing to buy it."

When you are catching a plane and just want a "good book" for the flight, you are restricted by what the airport bookstore can offer. If the title or the author you would like to read is not there, you substitute another one, maybe even a different genre. "If it isn't on the shelf, you can't buy it."

However, we are now living in a commercial environment that is quickly transforming from a manufacturing to a service economy. This is changing the buying and selling culture by forcing a re-evaluation of processes, relationships and values across all supply chains. Publishing is not immune to these changes. Within the publishing and media environment the change could also be described as being from "broadband to conversation." Indeed, publishing faces additional challenges as it grapples with the impact of the networked economy and the migration to digital content. But increasingly, we are coming to recognize that the customer – not the content – is king. Customers are becoming more demanding, more discerning; their 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. This change of roles puts the customer at the center – and by doing so can stop what could be viewed as "the tail wagging the dog."

If you want to buy a new PC, you can choose the model, the version and sometimes the detailed specification of every conceivable variant of performance and accessories. Today, your PC is often not built until your order is placed, but delivery is as quick, if not quicker, than it was before. "Just in time" manufacturing is not new, but the culture it has created *is*. The PC industry differentiates on options, life style and image. The brand logo on the machine tells you everything you need to know. The flipside is that we now find commodities where once unique products proudly stood – the elements that once differentiated one PC manufacturer from another are mere commodities, often provided by the same third party component manufacturer.

While the explosion of customized publishing that many have been anticipating has not yet taken place, new personalized models of information acquisition and consumption are clearly on the increase and can be expected to dominate certain sectors of publishing 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".

***In every walk of life, customers are becoming more discerning and are demanding to be recognized and serviced as individuals. The new "service" culture means that suppliers need to put themselves in the shoes of the customer, understand their perspective and recognize that "the customer may not always be right but is still the customer."***

### **2.3 Customers, Contacts and Consumers**

In "*Profiting From Tomorrow's Customers*"<sup>3</sup>, the second title in VISTA's "*Publishing in the 21<sup>st</sup> Century*" research series, we recognized the complex relationships that exist across the publishing supply chain:

*"For many publishers, intermediaries stand between themselves and the ultimate customer, the real buyer of the product. For as long as this is the case – and we predict no end to it – we believe that it is critically important to recognize that the publisher's business should no longer be defined as ending at the warehouse door. Customers need to be managed in partnership through the entire chain, end-to-end. Service to the customer is dependent on the efficiency of the total chain, an efficiency which can only be achieved through partnership."*

Each publishing sector has its own unique chain of relationships. In most cases, the identity of the reader is not known to *anyone* in the supply chain; even when the reader is known, this information is not shared in partnership across the chain. Some publishers believe that, in the networked environment, servicing the needs of the end customer directly is both a desirable and an achievable objective; they seek to achieve a direct relationship with their ultimate customer, the reader.

What is clear is that the vision we expressed in 1996 about working in partnership across the supply chain is even truer and has become mandatory today.

If publishers create a potentially more powerful value proposition that provides the basis of a strong, direct relationship with end users, but in the process fail to establish this proposition in their customer's mind, then the result will simply be "business as usual." If you want different results from your customers, you have to change something you do or that you do for them.

***Different outcomes are the result of different actions.***

## **2.4 Information is everywhere and nowhere**

In "*Information in Action: Putting knowledge to work in the publishing industry*,"<sup>4</sup> the fifth title in VISTA's "*Publishing in the 21<sup>st</sup> Century*" research series, we highlighted the issue that information in publishing is all too often held in departmental silos: "It is extremely difficult to correlate data that is essentially unmanaged."

If we look specifically at *customer* information, the very different functional processes and perspectives as they relate to the customer compound this difficulty. Many publishers today have several separate customer databases that are aligned with different sales and marketing activities. Often the field sales team has contact information supplied to them from the main back office database – but does not feed information back.

If a business is unable to consolidate these different views of an individual customer, it can only offer inconsistency and duplication. We appear (from the customer's viewpoint, be they bookseller or reader) to have forgotten who they are, what business they have done with us, 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 organization.***

## **2.5 Revenue minus Cost equals Profit**

In the same way as every other business, a publishing company must constantly seek out and assess opportunities to increase their revenues and/or control their costs through the management of relationships across their supply chain.

CRM has been heralded by many as a revenue-generating opportunity, offering cost savings, improvements in service and customer loyalty. However, the issue facing any potential adopter of "Customer Relationship Management" is the identification of the most appropriate focus to achieve the greatest return. Increasing revenue, if it brings with it a disproportionate increase in cost, does not deliver increased profit. Increasing the cost of servicing customers without increasing the revenue that they generate simply reduces profit. If closer customer relationships result in granting greater discounts, then the economics need to be properly understood. An example offered by Simon Caufield of Mitchell Madison Group, puts this into perspective: "a 1% increase in discount, at a 20% margin, needs to be compensated by a 5% uplift in sales just to break even."<sup>5</sup>

Organizations have spent heavily on back office systems that have enabled them to reduce overhead and optimize economies of scale. As a result, supply chains have become more efficient; this has fueled consolidation that has delivered greater cost benefits.

***The emphasis is now shifting towards the search for increasing revenue.***

## 2.6 Creating the super-efficient supply chain

Supply chains consist of a string of supplier to customer relationships that end with the final and ultimate customer: the consumer. In recent years much has been done to remove waste and cost from the book supply chain. Although significant benefits have been achieved, most have been realized through the automation of sending and receiving of machine-to-machine messages in a standard format, EDI (Electronic Data Interchange). In many cases the processes across the supply chain have not changed; the communication that drives those processes has been improved. Some organizations have taken significant steps to alter their internal processes that have lead to flatter and more responsive organizations and business processes. However processes that cross organizational boundaries have often remained entirely unchanged.

Management guru Michael Hammer, in a recent Harvard Business Review article <sup>6</sup>, referred to streamlining cross-company processes as "the next great frontier for reducing costs, enhancing quality and speeding operations." Relationship Management involves both business processes and communication.

Sam Walton, the founder of Wal-Mart stores wrote in his book "Made in America" <sup>7</sup>, on the efforts that corporations go to, to understand their customers, but that they don't share with their trading partners.

***"We both decided that the entire relationship between vendor and retailer was at issue. Both focused on the end user - the consumer - but both did it independently of the other. No sharing of information, no planning together, no systems co-ordination. We were simply two giant entities going our separate ways, oblivious to the excess costs created by this obsolete system. We were communicating, in effect, by slipping notes under the door."***

## 2.7 Understanding and targeting the customer

CRM has the potential to increase revenues by enabling a business to better understand its customers' needs, wants and behavior and then use this information to serve them better, thus generating additional revenue. It can identify which customers and which types of customers are the most fruitful targets and allow the business to seek to increase the value and frequency of purchases among the most profitable of their customer groups. At the same time effective CRM implementation should decrease the investment in marketing to and servicing unprofitable types of customers. CRM can help to retain existing customers, at the same time reducing the cost of acquiring new customers.

We need to recognize that the same customer fulfills many roles in their own lives, and may therefore show many different patterns of behavior relating to those different roles. As the customer migrates online their behavior will change. The product and navigation will not be limited by the constraints of the physical product. This is perhaps most obvious in the academic, who may be simultaneously a researcher, a teacher and a student; their patterns of behavior may prove incomprehensible if there is a failure to grasp this simple fact.

Will the publisher have to consider grouping their customers in such a way that they present them with a template that is appropriate for them? Will they go so far as to offer the customer to create and manage their own preferences via "My Web" personalization?

***When the customer goes online, their behavior will change and they will want this to be recognized.***

It is important not to be deceived into believing that the 80% of customers who only constitute 20% of revenue are not worthy of attention, and that it is only the key customers that matter. While many smaller customers may be less profitable on a fully allocated costing basis, the

majority will make a positive contribution. Without them, the business may be unable to support its overheads.

In addition, we must also recognize that the 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 behavior of a customer.***

## **2.8 The Impact of e-publishing**

Digital or "e" publishing has introduced new formats and started to blur the boundaries between products and rights, which up to now have been separate business offers, supported by entirely different business processes. In many markets, the consumer can now acquire content in different formats; consumers may also be able to define precisely which elements of content they wish to acquire (rather than accepting the prepackaged concept of the "book" or the "subscription.") The rights that are granted to the consumer can be embedded in the digital product and control its use.

The immediate result has been the attempt to create new supply chain models with new partners, each optimized to deliver a specific format. This approach is both understandable and logical from a supply perspective but seems to make little sense from the consumer's point of view. Any customer will already have established their own purchasing relationships and behaviors, and will often have consolidated these to make them more effective. They simply do not want or expect to get different formats of the same product from different suppliers, some of whom may be supplying only one format. They want consolidation and intermediation now more than ever before. However, they want this to be appropriate to their usage and behavior.

The product format has in the past had a great influence on the supply chain and the channel to market. For example, the physical constraints of the paper journal, of the number of journal titles available, and the fixed relationship between articles and issues were major considerations in establishing the supply chain and the partners who participated in it. However, little was understood (or considered) about user behavior: did the undergraduate use the information in the same way as the researcher, was academic use the same as corporate?

The ownership and use of behavioral information about what the user actually did online is just starting to be understood and exploited. It is clear that behavior will change online, but it is still early to understand how this will impact subscriptions, document delivery, user navigation, online linking and the product itself.

An interesting comparison about "linking" can be made between CrossRef<sup>8</sup> and SFX<sup>9</sup>. Both provide a service that links citations to associated references and materials but each does this from a different perspective, CrossRef from the publisher's and SFX from the librarian's. The real difference is not the technology or the process but their perceived value to the user. SFX attempts to give the librarians the power to determine where the user should "go" to find material, potentially minimizing the cost and maximizing the use of available content.

Many questions remain to be resolved. What is the value of information about user behavior? Who "owns" this information – the publishers, intermediaries such as document delivery services, or the users' institutions themselves? Each add value in different ways and offer different views of and aggregations of content. As the market migrates to dealing in subscriptions to bundles of journals or databases, this information is a powerful indicator of the value to the subscriber.

***Digital distribution is now allowing everyone to understand how this type of content is actually used; this has significant implications for understanding the most appropriate product and pricing models. This in turn allows for a greater segmentation of markets with packages designed to meet specific customer needs and usage patterns.***

## **2.9 Authors and contributors**

One problem with using the acronym "CRM" to delineate what we are talking about in this paper is that the term "Customer" is too limiting. It is confusing to partners in the supply chain, it is confusing to the ultimate customer, the consumer and in publishing it is confusing to the author, who is also the publisher's customer. We believe that "Contact" Relationship Management would be more appropriate to reflect the multiplicity of relationships in the publishing supply chain.

In "*Profiting From Tomorrow's Customers*"<sup>3</sup>, the second title in VISTA's "*Publishing in the 21<sup>st</sup> Century*" research series, we recognized the paradox – the author as a customer.

*"Yet, with little consideration we believe it becomes clear that the author relationship is perhaps the key customer relationship for many publishers. Not all authors get to select their publisher. But many – from the blockbuster trade author at one end to the academic writer of journal articles at the other – have precisely that choice, and make it from the same perspective as any customer choosing a supplier. It is instructive to note that it may be precisely in areas where authors have the greatest choice of publisher where the profitability of publishing is at its highest."*

Again, in "*Supporting Creativity: Bringing Technology to Front Office Operations*"<sup>10</sup>, the fourth title in VISTA's "*Publishing in the 21<sup>st</sup> Century*" research series, Hugh Look in his chapter "The Author as Star" identified that "the key driver is still the personal nature of the relationship." He also recognized that the agent is also "a critical part of the process." In STM academic publishing, as with the other sectors, publishers have to compete to retain authors, but in this sector it should be noted that the author is virtually always also the customer.

One major academic publisher said that they are trying to build a "club " where authors can access information pertinent to themselves, and build a stronger relationship with their publisher. This publisher believes that their authors are very important to them, and they can reasonably "expect to be recognized and receive service."

Similarly, a major religious publisher reported that some of their authors were now stars and more approachable from their competitors. For them, "Author Care" has now become a big issue and they intend to provide a full web service for authors.

Another major academic publisher reported that they recognize 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 recognize that customers, be they authors, supply chain partners, or consumers, can be different things at different times and at different points in the publishing life-cycle.

***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 may miss the other interactions that make that relationship what it is and enable it to be fully leveraged.***

## **2.9 CRM is not a panacea**

As publishers interact more closely with their customers, be they partners across the supply chain or end consumers, access to timely, authoritative customer information becomes increasingly essential. Publishers' systems are often rich with customer data, but this is fragmented through different departments and applications from customer service to sales and marketing to the accounting department. Which data can be relied upon to be accurate? Which data is the most current? And which data is most appropriate to analyze?

To gain advantage from a CRM implementation, the organization – from the top down – must embrace CRM as *the* way of doing business.

In considering a CRM solution, publishers should ask themselves:

- Where should I begin in understanding the costs and benefits of a CRM initiative to my business?
- How does CRM fit into my overall business and technology strategy?
- What information would I like to have about my customers but cannot currently access?
- How will CRM add to both my top and bottom line?
- Which particular solution can meet the specific needs of my particular business?
- How will this solution help me better serve my customers?

***Publishers should also recognize that implementing CRM is not easy and often fails but can deliver substantial benefits. They should be prepared to commit the appropriate resources, time and effort to ensure that the cultural and processes changes are taken to make their CRM initiative effective.***

### 3 What is Customer Relationship Management (CRM)?

#### 3.1 Defining CRM and its Value

One of the more perplexing aspects of Customer Relationship Management (CRM) is its definition. Gartner Research defines CRM as “a business strategy designed to help an enterprise understand and anticipate the needs of its potential and current customers.”<sup>11</sup>

CIO's CRM Research Center takes a somewhat different, process-centered approach: “There are many technological components to CRM, but thinking about CRM in primarily technological terms is a mistake. The more useful way to think about CRM is a process that will help bring together lots of pieces of information about customers, sales, marketing effectiveness, responsiveness and market trends.”<sup>12</sup>

DM Review suggests that, “Customer Relationship Management aligns strategy, business, culture and technology in order to manage customer interactions to the mutual benefit of the customer and the enterprise.”<sup>13</sup>

The key common denominator in all these definitions is the provision of services that **add value for and deliver benefit to the customer**, creating financial benefit for the enterprise. Ultimately, this implies transforming information into customer-focused action and relationship building. To quote again from DM Review: “Relationship is the key word. Relationship, by its very meaning, implies trust between two parties such as an enterprise and its customers.”<sup>14</sup>

A CRM strategy requires the organization to have a more comprehensive view of the customer, and the customer to have a similar view of the organization. These views improve the ability of an organization to achieve its key goals:

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

It is clear that each organization needs to set its individual CRM vision, strategy and goals, and establish the right metrics to measure its performance and the effectiveness of its implementation.

***CRM is a fundamental cornerstone of any business strategy and is cross-functional in its impact. It is not an IT project, but a business strategy that affects business processes and culture.***

#### 3.2 Identifying the CRM Components

There are three basic system application components to a CRM implementation:

- The database
- Operational applications
- Analytical applications

## The Database

In the past CRM initiatives were all too often "functional perspectives"; they supported a customer service environment, or a sales force, or a marketing department. The databases that underpinned these systems were little more than data silos that shared little and duplicated much. One US publisher we talked to in our research has six customer databases outside of their core back office system: segmented customer listings covering college sales, library sales, trade sales.... If CRM is to present a consistent customer interface, then it is important that all customer data is consolidated. This does not mean that everyone will automatically have access to everything nor that they will be presented with much greater detail than they require.

Publishers often have many thousands of trading relationships, multiple "touch points" within each of these relationships, and a number of different databases that capture and maintain the relevant information relating to each of these. It is not surprising, for example, that the problem of duplicate accounts exists in most publishers. De-duplication is never simple, as there are often no standards even for name and address structures between different systems.

To consolidate customer information, we need to map the entities involved and their relationships; we also need to be aware of and incorporate any commercial or industry standards that may prevail. Importantly, we need to understand the sources of the data that we have – and its validity, accuracy and timeliness. Once underpinned with this fundamental architecture, it is possible to consolidate the data, identify the most authoritative source, implement effective and controlled maintenance processes, and eliminate duplication, re-keying, uncertainty and inconsistency.

A number of publishers we talked to were taking steps to clean up their customer data. De-duplication of names and addresses is both a time consuming operation and a repetitive one. This is exacerbated by the inconsistency of name and address structures between various systems.

One academic publisher commented that "we need to recognize 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.

Removing duplication at source and verifying data at source must be the goal. As long as customer data can be captured by multiple systems, if these are not properly integrated duplication will occur.

Several publishers we talked to extract customer data from various systems, clean it and then 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 repeated, again and again and again.***

## The Operational and Analytical Applications

It is important to understand the difference between the "Operational" and the "Analytical" applications in CRM terms. Both approaches to customer information are required within any organization, but they are significantly different from one another in terms of users, the information they require and the business functions they support.

**"Operational" CRM** is about using customer data to process transactions or access the data in order to perform a focused task centered on an individual customer. This applies to all those processes associated with customer contact such as sales force automation, telesales, call center management, sales campaign management and mailings.

**"Analytical" CRM** is about leveraging historic customer information, collected from operational applications, to gain – through aggregation of the data – an understanding of trends and behavior 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).



The diagram above shows examples of Operational and Analytical CRM relevant to publishing.

**"Closing the loop" between Operational and Analytical CRM**

Operational CRM applications process transactions and manage the individual customer interface, while analytical ones aggregate and analyze the information generated from these "touch points." It is essential to understand the relationship between these and ensure that their respective strengths are harnessed to work together. This is often referred to as "closing the loop" – "turning Information into insight, insight into action and learning into profit."<sup>15</sup>

***"Closing the loop" involves creating a cycle of activity that improves business tracking activities, improves the analysis of what has happened, in terms of trends and performance, seeks new ways of modeling decisions and as a result modifies actions such as changes to pricing or the launch of promotional campaigns to restart the cycle.***

### **3.3 Identifying the CRM Technology Issues**

#### **Web versus Client based applications**

The emergence of the Internet and the associated communications technologies have clearly fuelled the potential of CRM to service everyone, wherever they are. A new generation is now emerging that has been educated and grown up with the Internet, mobile communications, MP3, PDAs and satellite television. When they buy an electronic device, one of their first questions is "How does it connect?" Everyone now expects connectivity; stand-alone devices are not good enough. In this context, we particularly have to think about the field representative – and even the customer.

The web browser has made significant advances in recent years and now can compete with the functionality offered by the PC client environment. In fact, the two are converging with products such as Microsoft's XP.

***However there remains a question of true platform independence that can only be effectively offered today within the browser environment.***

#### **Mobile communications**

We have already raised the issue of connectivity. The issue of providing connection "anywhere, anytime " goes further than just the application. The devices used to connect are converging at considerable pace. We now see the PDA that is a mobile phone and a phone that is becoming a PDA; both are capable of supporting a comprehensive "digital environment." The laptop is shrinking and becoming the device of choice as more workers become mobile. The email address and the business telephone number are no longer adequate identifiers. Contacts can have many telephone numbers, a number of email addresses and can need to make connections via a number of different devices.

Privacy is another issue that needs to be considered. Customers now have many options to communicate and some of these may be only available under certain conditions and time windows. Having a mobile phone, pager, email address or fax number doesn't mean they will accept the call at anytime.

***Security and identity authentication are among the many issues that now have to be considered as a result of this changing communications landscape.***

#### **Data Warehousing**

Achieving one single authoritative database of everything is a laudable goal but often more a vision than a reality.

Operational needs dictate localized views of data that, for a variety of technical reasons, may be best serviced by localized databases. It is important that these are not data silos, but are properly related, sharing data; equally there can be only one authoritative source for any individual item of data. However, irrespective of how consolidated and well managed these localized databases may be, when we look at the need to support queries, analysis and reporting across an enterprise, they are inadequate.

Analytical applications require data consolidation that is different from that required for operational use, often accommodating "external" data and using data optimized for analytical performance.

A major college publisher we spoke to sees their goal as creating the database that will enable them to "join the dots between the academic, the inspection copy, the adoption and the sales" and, by doing so, better understand the relationships between them and the implied market trends.

A major US information publisher told us that they need to "understand the intersection between historic transaction data, their contact with the customer and external data about the customer that is not transactional."

A major UK information publisher told us that if all their information were centralized, shared effectively and made available for analysis, they estimated the effect could, "add up to 15% additional revenue growth." Interestingly this was the same figure quoted by an academic publisher who wanted "access to simple and effective tools that would provide a proper analysis of the business."

***It is crucial that the data schema has been well designed and is properly mapped to the necessary data import and data export capabilities. The data schema has to reflect industry relationships and standards and be extensible to new entities as they arise.***

## **Data Modeling and Forecasting**

The data warehouse contains "historic data." What is often required is an understanding of potential impact of actions, "what if?" routines. This may vary from the simple "spreadsheet" approach of changing the value of a field and observing the impact, to much more sophisticated applications that support models based on complex variables such as price sensitivity.

One major US publisher told us that they are now starting to use RFM (Response Frequency Modeling) analysis. As a result of analyzing the "cost effectiveness" of some of their customers (in terms of cost of service measured against return), the organization is actively migrating them to a more cost effective Web-based self-service model. Another analysis has persuaded them to change their policies on free freight to certain locations: "The competitors can have them if they want these costs."

## **Email communications**

Everyone recognizes that telephone calls demand an immediate response, even if it is a voice mail box or an automated call routing service. The response to post or fax can be delayed; senders do not expect immediate reply. However, email is different. Email is unstructured, is too convenient to send, gets copied to others on the basis of "copy in" as opposed to "copy out," and expects a swift response.

Conversely, facilities for sending email messages to customers can be viewed as providing a very efficient and cost effective way to promote and alert them to new products or services.

A major UK STM publisher told us that they were using email to distribute tables of contents and a major US religious publisher has told us that nearly 30% of their mailings are now undertaken using email.

Another UK publisher, recognizing the importance of email communication, reported that they were currently investigating Artificial Intelligence technology to analyze 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 company's policies regarding the issues of privacy, data protection and "permission marketing" also have to be carefully considered as part of any CRM initiative.***

### **Web activity management**

As Web activity increases, understanding the behavior of customers on the web is growing in importance. This can involve identifying the navigation route taken, understanding which "pages" were the most popular or interesting, and correlating sales to activity on the site.

***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.***

One information publisher, heavily reliant on cross selling to their customers every time they call, told us that they now find that a significant number of customers are 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 behavior while the customer is logged on and generate an interactive "Web chat" communication with a Customer Services rep online, reestablishing the personal relationship and the opportunity for cross selling.

### **Online Payments and reconciliation**

Secure online credit and debit card processing is now commonplace across the Internet. The technology to enable a customer to prepay for a defined amount of future usage is also available.

***It is now possible to clear, reconcile and manage all types of electronic payment without manual intervention.***

### **Technology Summary**

The technology is now available to make "**anytime, anyplace, anyhow**" a reality. However the issues that prevail are not technological:

- Presenting information in a consistent, platform independent and relevant manner to all but enabling it to be personalized for the individual.
- Managing the "instant" communications world of email and mobile communications while ensuring security and respecting privacy.
- Consolidating data into an authoritative database that enables the wealth of data to be effectively analyzed and resultant actions generate revenue
- Understanding the behavior and interaction with the customer and learning and adapting to their changes
- Developing customer driven permissions-based marketing

### **3.4 Potential CRM benefits**

Technology by itself is only an enabler. The real drivers of CRM are cultural, commercial and strategic. To quote Gerald Shields, CTO of LifeWay Christian Resources again,

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

A study by the Insight Technology Group <sup>16</sup>, found that “successfully” completed CRM projects:

- Increased revenues by up to 42%;
- Decreased sales costs by up to 35%;
- Reduced sales cycle time by up to 25%;
- Increased customer satisfaction ratings by up to 20%;
- Improved margins by 2% on average; and,
- Provided better information for management decision making.

In a recent article in "Learned Publishing" <sup>16</sup> Lloyd Alan Fletcher (Institute of Physics Publishing) says that the impact of a CRM project will vary both by industry and by the scope of the particular project. However, he suggests that the costs and benefits of adopting a CRM strategy should not be judged on the basis of its immediately quantifiable bottom line impact alone: “This [the benefit] could include not just incremental gains in sales or reduced attrition, but the possibility that without CRM you might not be in business in 5–10 years time.”

It is of at least equal importance to ask the question: “What will be the added value of this investment from the customer perspective?” Based on our research and interviews of many experts, we have found that the benefit is nearly always viewed from the investor's perspective.

However, such a "win-lose" approach may be short sighted. It does not maximize the global value, enabling everyone to create both individual and common benefits and in doing so make the justification more compelling.

***For a customer to change behavior there also has to be an incentive.***

## 4 Who is the Publisher's Customer Anyway?

We find ourselves asking many questions about our customers, for example:

*Do we know who they are?*

*Do they want to be served directly?*

*What is the effect on supply chain partners, the secondary customers?*

*Who are the real "influencers," the players who affect demand but who neither supply nor buy the product?*

*Do we know enough about our customers' behavior?*

*Do we know what drives them to make one decision rather than another?*

*Could we cope if all our customers suddenly wanted to deal direct? How could we support them?*

*What is the profile and segmentation of our market and where is our greatest opportunity for profit and growth?*

*Who creates demand – who drives whom?*

*What are the new markets?*

*What is the cost of acquiring a new customer?*

*How do we increase the longevity of the relationship?*

*Is every customer a reference?*

In this next section we aim to review the various publishing sectors and summarize the relationships from a publisher and customer perspective. It is impossible to understand CRM without appreciating the difference between different sectors of publishing and their relationships with their customers. There are many different sectors but we have chosen to review the trade, learning, academic and information sectors.

### 4.1 The Trade Sector

The trade sector has traditionally operated in total ignorance of the identity of the consumer, and with very limited information about customer demographics and behavior. Publishers have poor information about real sales volumes, even with the increased penetration of services BookTrack<sup>17</sup> in the UK (providing extrapolated sales data for the domestic market). Unless the retailer operates a loyalty scheme that identifies customers to sales, they are normally equally blind to the identity of the consumer. This can often lead to a "top ten" approach to selling to the customer, which may help selection but can be viewed as "a dumbing down" which fails to maximize sales potential.

One major UK publisher told us that "the UK retail market appears [to us to be] hopeless. They used to be inefficient, but have a high product knowledge. They have moved to being questionably more efficient, but have appeared to have lost their knowledge base. They have lost their stock management skills: getting the right product in the right place at the right time."

### Online Customers

There are "trade" segments where the customer and potentially their behavior can be known. Online retailers clearly know their consumers, they know what they have bought and even what they looked at but didn't buy. They also understand their behavior in terms of past preferences and can judge their sensitivity to pricing and promotions. However, they currently do not share any of this data with publishers, supplying only unit sales data. In addition, their ability to interpret the data often appears to decrease the more they collect. There can appear a gap between the data, the analysis and turning the information into action.

## **Book clubs**

The special sales channel is dominated by book clubs, which, like online retailers, have intimate knowledge of their customers' buying behavior. Book clubs were in effect an alternative direct channel for the publisher but have often failed to see the new online opportunities and as a result have lost ground to online retailers. The difference between a book club and an online retailer is cultural. It is not just about the customer, nor is it just about what they buy. In both cases these could be the same. It is about the relationship with the customer and about selection of titles available.

Book clubs, be they generalist or specialist, focus on selling new titles and current stock. They are similar to the high street retailer in that they sell the stock in hand. But they create a "club" where the customer joins to get value from selection, price and convenience. They often commit to purchase over a period of time, or pay a subscription.

Today online bookstores such as Amazon are starting to create their own clubs. They don't ask for subscriptions nor do they require guaranteed purchases. They sell the widest range, often partnering with wholesalers to provide stock on a drop ship basis. This small but fundamental difference has a significant impact on their relationship with their customers and how their customers view them. They can offer "member" reviews and selection based on previous purchases or online selection. They have moved closer to the customer and have redefined the relationship.

It is somewhat surprising that it took until this year for Bertelsmann to establish the obvious synergy between its online and book club businesses. Book clubs have in general failed to rise to the challenge of the Internet.

## **Religious Publishing**

The religious publishing sector is wide and diverse, spanning the many denominations and cultures. It is often regarded as a separate sector and in the US could be viewed very differently than the trade sector.

The publishers are typically very close to their specific market and supply not just the written word but a wide range of products: software, videos, gifts and even services such as training. Some also own their own bookstores and will distribute other publisher's products into their markets such as the CBA (Christian Bookseller's Association) bookstore members' stores in the US.

The sector shares the same problem as others with respect to channel conflicts. Publishers would like to sell more direct to consumers but this could upset their supply chain partners who will continue for the time being at least to be a more important channel. They face similar conflicts with selling direct to churches. One of the changes that is fuelling this issue is the acceptance of the web as a way of doing business in the religious sector.

One major US religious publisher told us that they are currently experiencing explosive growth from their Internet service, with over 100 new churches registering each week. The volume of sales currently projected through this channel is measurable in tens of millions of dollars.

## **Direct Marketing**

Where trade publishers have tried to build a direct market, they have been aware of the potential conflict that this could have with existing channels. Because of the relatively small perceived size of the direct market, publishers have tended to trade at list price to avoid any sense of competing with the channel.

The emergence of the ebook has again awakened trade publishers to the opportunity of selling direct. However, existing retail intermediaries have been stepping up to the challenge; all things being equal, it seems likely that the consumer will identify existing retailers as the source of "books"; they will not identify the publisher as a potential source of supply; above all, they will not want to select from a more selective "publisher's range."

While there may be new wholesalers and distributors appearing in the chain, such as Lightning Source<sup>18</sup>, it is difficult to see ebooks eliminating retail intermediaries.

The primary focus of trade publishers' marketing and selling has traditionally been the supply chain – for the publisher, the customer is the bookstore or the wholesaler, not the ultimate consumer. It is about getting the books into the stores and onto the shelves. Promotion to consumers is based on a "mass market" approach and not focused at individuals. It is about creating "word of mouth" and reviews and media exposure are an essential ingredient. An UK trade publisher told us that the majority of marketing expenditure, some 65%, was aimed at "creating bookseller demand."

One US publisher, who has established a consumer database of over 200,000 customers who have bought direct from them, told us that they are now finding that their sales to these customers are dropping. They send them catalogues, and have competitively priced their titles, but are finding that the customers are now migrating to retailers such as Amazon and B&N.com to complete their purchases.

One major UK trade publisher told us that they receive over £250K direct telephone sales "more by accident than design." They service these at full list price plus postage (and therefore generate maximum margin) but do not undertake any follow-up or proactive selling activity. These are treated as cash sales to unknown customers. This publisher is getting Web users to register but makes no attempt to reconcile these identities with other direct customers and "if they buy via their office PC, they will not be recognized when they log on from home."

## Market Research

The general trade publisher has little understanding of the behavior of its ultimate customers.

Such consumer sales data as exists is typically at a unit level and can only provide rather basic information about *what* has sold, *when* and *how much* was paid. This is, of course, valuable information that can be consolidated to provide sales charts and title profiles and is provided by BookTrack<sup>13</sup> in the UK and Bookscan<sup>19</sup> in the US. Some wholesalers also provide similar information to publishers. In addition there are many publications that collate and analyze the market, the major players and the trends.

Book Marketing Limited (BML) in the UK undertakes syndicated consumer market research in the UK market and provides a subscription service to a number of the UK's leading consumer publishers. Launched in 1989, *Books and the Consumer* has now been developed to provide detailed continuous purchasing information via a panel of 7,000 households. In the US a similar research, using 16,000 households, is performed by the NPD Group and is published by the Book Industry Study Group.<sup>20</sup> Both provide:

- Information on market sizes and segmentation by brand, price, retailer, genre and format
- Coverage of the total consumer book market from all sources
- Purchasing by and for both children and adults
- Insights into the changes taking place in the market and their impacts
- Comprehensive profiles of consumers, including spending habits and loyalty
- The effects on consumers of discount offers, personal recommendations, advertising etc.

Some publishers have strong ties with retailers; for example, some religious publishers have retail outlets. A US religious publisher is now receiving comprehensive EPOS data from stores and also market statistics from 300 Evangelical Christian Publishing Association (ECPA) member bookstores. They believe the detailed EPOS information that these partnerships give them offer real competitive advantage and access to valuable behavioral insights.

## **4.2 The Learning Sector**

The learning sector is diverse in its customer relationships. Frequently the selector and purchaser and/or the purchaser and the consumer are different (and may have significantly different interests). Some parts of the sector (for example, UK schools publishing) are primarily direct markets, with more-or-less precise knowledge of who their customer is. Others, though, (college textbooks, for example) share distribution channels with trade publishers and therefore have little information about their real customers (leading to the familiar problem of linking the distribution of “inspection copies” with sales performance). Second hand markets for college texts have become much more significant in the US in the last 15 years, and there are very active attempts to emulate that trend in the UK.

Some parts of the sector have traditionally managed considerable product complexity, with requirements for “sets” and “packs” made up from individually-identified components; customization-driven product complexity looks likely to become increasingly marked in this sector.

Selling and marketing primarily targets the educator. A major international publisher in this sector described their business as being about "helping teachers to teach and learners to learn." However, when identifying their customers they cited "institutions, teachers, students and potentially parents." Are they in danger of being all things to all people? What do their customers think of them?

### **Online**

A wholesale migration to online delivery has been widely anticipated, but this is not yet having a measurable impact. When it comes, the migration may have a considerable effect on business models. For example, institutional purchasing may rapidly replace individual purchasing of textbooks in Higher Education. Equally significantly, teaching and learning “content” may become just one component of computer-assisted-learning packages; new intermediaries such as Blackboard<sup>21</sup>, providing the managed learning environments, will become influential in the process. Such intermediaries could significantly distance publishers from their markets, turning them essentially into “learning object” producers and packagers.

### **Direct Marketing**

Direct selling – including face-to-face – plays a major part in the school sector. Large part-time sales forces are widely used to ensure the product is correctly positioned and sold.

### **Market Research**

There are many publications that collate and analyze data relating to the US and UK learning sectors, the major players and market trends. However, the majority of publishers in this market conduct their own in-house research through use of surveys, focus groups and panels. Market research is very important in a sector where understanding what is required and getting the product right and adopted is critical.

### 4.3 The Academic Sector

Academic book and journal publishing has traditionally been a securely profitable sector. Publication of "must have" information in serial form has enabled publishers to generate very high margins, although academic book publishing has become much more difficult over the last two or three decades, as library budgets have been increasingly strained by journal price inflation. This is a constrained, mature market where the battle is for market share. The migration to *primary* online delivery, for serials at least, is rapidly approaching the tipping point.

The 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 behavior has been little understood by either publisher or library (although this may be somewhat less true in the corporate sector). However one major academic publisher stated that "targeting down the channel with a view to applying direct pressure back up the channel does not always work within an institutional environment."

The role of intermediaries has obscured the publishers' understanding of their library customers. The customers for books sold through library suppliers are as invisible as the customers of any other bookstore. While publishers may typically know the identity of the institution subscribing to journals, the presence of Subscription Agents in the supply chain has made it extremely difficult to distinguish real subscription churn from the background noise generated by libraries simply switching agents.

There has been massive consolidation in the market among both publishers and subscription agents. This has led to the equivalent "consolidation" among the libraries, through the formation of purchasing consortia, particularly for the purchasing of access to online resources. The supply chain is reshaping significantly, and the role of the Subscription Agent is increasingly pressured. A number of publishers are now reintroducing sales forces in a sector from which they had largely disappeared.

#### Online

The use of information online might be thought to provide much better opportunities for the understanding of individual behavior. However, 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.

#### Direct Marketing

Academic publishers undertake extensive direct marketing campaigns into their marketplace, which is typically very well defined. Publishers typically maintain extensive in house lists of academics and their specialties, and mail these lists extensively. Since the academics have long been a heavily wired community, email marketing offers considerable opportunity. However, there may be a significant difference between influencer and purchaser in this market: the individual academic will normally need to influence the institution (either departmentally or through the library) to purchase the product. This complicates the measurement of effectiveness of direct marketing.

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, though, been much less careful about their relationship with journal 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 individualized, journal publishers have been employing active sales forces for the first time in decades.

## **Market Research**

There are publications that collate and analyze the US and UK academic sectors, the major players and the trends. However, the majority of publishers in this market conduct their own in-house research through use of surveys, focus groups etc.

### **4.4 The Information Sector**

The Information sector is an accumulation of niche business-to-business markets. Although purchasers may be corporate rather than individual, both individual users and their corporate affiliations are known, and information publishing is highly oriented to direct sales and marketing. Much of the business, as with the academic sector, has been built on must-have information sold on subscription – and is therefore very profitable. There has been substantial consolidation.

Many parts of the information sector are well established with digital products, with an established (but not always precipitate) trend away from “tangible” electronic products (CD-ROM, diskette) to online. Electronic products are a particularly good substitute for inconvenient and expensive loose-leaf products. The aim of publishers is to provide comprehensive information services that can become an established part of their customers’ workflow. This implies considerable flexibility and customization of the product offer.

Even where print remains important, short print runs and relatively simple products may provide substantial opportunities for Print on Demand (PoD).

## **Direct Marketing**

Information publishers undertake extensive direct marketing campaigns into their marketplace, which is typically very well defined. Publishers typically maintain extensive in house lists of their appropriate professional memberships, governmental agents and other bodies, and mail these lists extensively.

The product is constantly developing and the “currency” of information is often critical. The content itself is now quickly migrating online and the professional corporate user has long been connected. However as more communication goes online, the human interaction becomes harder to control and maintain. As a result, email-marketing and Telesales are now quickly becoming the communication and marketing channels of preference.

## **Market Research**

There are publications that collate and analyze the information sectors, the major players and the trends. However, the majority of publishers in this market conduct their own in-house research through use of surveys, focused groups etc.

## 5 The Customer Interface

### 5.1 Holistic Customer Care

In "*Profiting From Tomorrow's Customers*"<sup>3</sup>, we recognized the need to create a total picture of the customer that is consistent across all the various "touch points" with them. We used the term "Holistic Customer Care." The focus at that time was to get technology adopted and used in a consistent manner. We commented that, "It is not only in publishing that sales and customer service departments are the last parts of the business where information support is properly applied. In all too many industries 1990s (market) battles are being fought with 1970s weapons."

Although we made those comments only five years ago, they now seemed dated. The changes we outlined earlier in this paper have changed the requirements.

This means that we can overcome the "Marketing Amnesia" discussed earlier. Even though the views may be customized to fit their usage, everyone will see the same "total" picture of the customer. The representative in the field, the telesales operative, the customer service assistant, the sales director, the marketing department, the credit control clerk; they all can see the customer as one.

In the past, the focus was entirely on transactions. Detailed information about the sales history was presented, orders based on specific contractual terms were captured, all accounts receivable and the status of orders could be reviewed, along with much more transactional data. However we were often blind to a customer's last ten service calls, we could not relate to their business structure, we did not have ready access to information about the roles of each of our contact and we did not have details of the products and services that we should be selling to them. Only sales history was seen and as a result the business remained predominantly reactive.

***What is now clearly required is truly "Holistic" in its presentation, analysis and management of customers.***

### 5.2 Self Service

When the banks close at the end of the day, ATM's stay open all night; they enable customers to service themselves. In fact, many customers use the ATM's even when the banks are open. Today, many customers manage their banking over the Internet. As result, banks now offer better service to their customers and offer it 24 x 7 instead of within limited working hours.

In the last few years we have seen many self-service developments in the publishing market. Approximately 70% of calls to trade publishers are regarding the price and availability of products and the status of their orders. PubEasy<sup>22</sup> was one of the first to offer an Internet community service, based on the self service model. The service provides access to the live publisher's database and enables bookstores to transfer from publisher to publisher, at a click, seeing up to the minute information and importantly doing this when it is convenient to them. The growth and success of the service has been significant. The original idea for the service was based initially on the information gathered for "*Profiting From Tomorrow's Customers*"<sup>3</sup>.

Other community services have followed; batch.co.uk reconciling and facilitating payments between publishers and bookstores, WhitakerWeb<sup>23</sup>, which is to launch next year and will offer a similar service to PubEasy. Wholesalers such as Ingram developed "ipage"<sup>24</sup> and Baker & Taylor "TitleSource II."<sup>25</sup>

Equally, many publishers have themselves developed their own Extranet, self-service offers.

***The Internet has enabled the customer to effectively bypass the traditional interface. No longer do they have to communicate through an "interpreter;" they can do it themselves.***

### **5.3 eSales**

An extension of self-service is the integration of this into an online Extranet environment that can provide access to online content, and sales. Many content providers have developed this vision as an extension to their technology. However, what often happens is that the sites are very effective for the content but not necessarily the commercial integration. As a result sales accepted online could be rejected by the back office systems.

Many publishers have developed their own eSales Extranet. However the effectiveness of these sales propositions is tightly bound to the proportion of the share of the customer's business and the number of other sites the customer has to access in order to fulfill all their information needs. Customers are impatient about the boundaries between different players.

### **5.4 Field Sales Automation**

In these cost conscious times, it is easy to understand why the field sales force effort may be focused entirely on larger accounts, which offer the greatest return in terms of volume and value. Smaller accounts are receiving less attention from publishers and are either being serviced by an intermediary (a wholesaler) or are buying entirely on their own judgement and knowledge of what is available, what is selling or what is being heavily promoted in the marketplace. Large accounts, such as book chains, tend to buy centrally and therefore reduce the need for individual local store visits. However this is not consistently the case, certainly across the total range of titles published. Nevertheless, in the book-chain environment, the individual branch can fail to "make the grade" for a visit from a sales representative.

Every minute the bookshop buyer spends with a publisher's rep has to be balanced against spending the same time servicing a customer. A buyer has to balance buying time and effort with that expended on merchandising and selling. How many visits from publishers can a store effectively absorb? The dilemma facing every publisher is the cost that they incur with every store visit. Every penny of cost has to be balanced against the profit achieved. However, understanding the buying decision process is often critical to successful selling; the knowledge gained from a visit can be invaluable. Getting the balance right can ensure that products are correctly purchased, positioned and promoted. Getting the balance wrong can result in lost sales, cost and waste for all.

The larger accounts produce lower percentage margin; the rep's job is often to ensure maximum sales at minimal discount, with minimal returns on advantageous payment terms. The rep's task with smaller accounts may be significantly different. These customers often order very low volumes on a more frequent basis but offer much higher margins if the cost of service can be minimized. Getting things wrong in a small account will have minimal effect on the overall operation or costs; whereas getting the same thing wrong in a large account could have a devastating effect on the business as a whole.

Wholesalers often service the smaller book trade and specialists' accounts, and thereby minimize the cost of service to the publisher. The publisher continues to achieve the sale, albeit at a much reduced gross margin and with minimal (perhaps no) direct contact with the store. Although this is arguably a more efficient way of servicing these accounts, it currently results in the publisher being blind to the real demand and sales within this important sales channel.

The US market has the added complexity of size in all dimensions, product, publishers, geography, distribution and bookstores.

Several large publishers have significantly cut the size of their trade sales field force, reduced the accounts serviced by reps, and even eliminated the differentials between different rep forces that have traditionally serviced only certain types of accounts. Certain publishers have adopted a policy of cross training and cross allocation of reps to service all customers within a given geographic area. This has resulted in the rep, who may have only previously dealt with large accounts, having to now additionally service other accounts that could have a completely different commercial profile and buying process.

The professional, academic or educational rep has a different marketplace to service. Here personal contact can make a real difference, but the customer base is often large and diverse. In education, we still see large field sales forces but the service they perform is somewhat different from that in a trade environment. The rep has, for example, to deal with free inspection copies and may have several different unique buyers within the same institution who each could have different interests and buying processes. The process often involves selling the “package,” the product set that could cover associated materials such as teacher notes and other aids.

In the same way, international sales forces are significantly different from domestic ones. Sales may, for example, be subcontracted out to a third party who may operate on a “commission only” basis and could represent a number of publishers’ interests.

Here are some sample questions we might ask with respect to sales force information:

- Should a rep have everything in digital form, including for example jacket images and blurbs, on a laptop or should they continue to use physical copies and samples and be limited by the weight and size of what they can carry? The “buying” experience is clearly different, as is the value presented to the customer.
- Should they use their laptop in front of the customer or should they do all their preparatory account work and post visit processing online but limit the use of technology during the visit? What is the purpose of the visit?

There is no “right answer” to these questions that can be applied to all customers in all sectors. Some cultures, such as the US, are more responsive to technology than others. Some sectors, such as information publishing, and some types of customers, such as corporate libraries, are similarly more receptive. On the other hand, some products, perhaps children's and highly illustrated books, can only be fully appreciated through physical handling. Providing the information that allows a rep to service an account is little different from enabling customers to serve themselves. Indeed, some accounts may be well capable of serving themselves.

***The key to Sales Force Automation is not providing the rep with a laptop and merely swapping their physical samples for a CD-ROM or online access.***

## 5.5 Telesales

The US has in recent years witnessed the growth of a relatively new type of rep, the telesales representative. Publishers, such as Random House in the US, have a telephone sales department of 24 and are embracing the concept. This route has an understandable appeal to publishers in that it can generate orders and maintain dialogue with customers while providing a cost-effective service for smaller accounts. There would be no need to adopt new approaches such as telesales if the face-to-face sale could be achieved cost effectively. The reality is that the representative is just not cost effective in many of the smaller accounts. However, telesales can not always satisfy the need of the bookstore to see and feel the quality or presentation of the product. The article “*Telemarketing: Pros and Cons*”<sup>26</sup>, clearly showed that these new approaches could be successful but can fail if the new service is viewed as mere order taking. This report also highlights the problems of selling books with a strong visual element, such as those aimed at children, by this approach.

## 5.6 Call Center Management

Customers telephone an organization for one of three reasons: they want information, they want to buy something, or they want to complain. Contacting an organization to lavish either compliments or praise on them is almost entirely unknown!

From VISTA's own research, we know that over 70% of calls to book publishers' Customer Service Centers are to establish the availability and price of a title, or the status of an order. We also know that a high proportion of calls to subscription publishers' Customer Service Centers are similarly associated with raising claims and chasing delivery and dispatch details. It has been estimated that up to 70% of subscription claims could be negated if the appropriate publication schedule and dispatch information were made available to the market in a timely manner.

Users expect a "one stop" service from the call center. They do not want to be "passed around the organization": they look for a single point of contact, empowered to meet all their needs; they want to be recognized, having provided the minimum necessary information about themselves. Their expectations, whether as individuals or as businesses, are being set not by what a publisher can provide but by their best call center experience.

There are many options now available to service customers at call centers. These range from the traditional human interface, through many technological call vetting options, to full online self-service. The problem is that every customer is different and wishes to interact differently with their suppliers. They may be happy to deal with an automated call center for certain calls, or at certain times of the day, and to serve themselves for other calls, or at other times of the day. All too often, Call Center strategies have been driven by a cost reduction approach – it costs about one percent of the amount spent on taking a phone query to redirect that call through the Internet. Unfortunately, you are effectively telling your customers that you don't want them talking to sales assistants in your shop! Online chat boxes, automated call handling, online self-service, faxes, emails and manned service desks are just some of the resource options now available. What is clear is that one option will rarely suffice and in almost every case a combination of different contact options will be required to meet customer expectations.

When a customer is engaged on a call, there is always an opportunity to up-sell other products or increase awareness to new catalogues or services. However, effective up-selling is reliant on being able to relate available products to a particular customer's behavior and interests, thus ensuring that offers are relevant to that customer and not considered intrusive.

***There is a requirement to enable call center staff to identify callers and with seamless and automatic access to all data as it relates to both that customer and to the products and services that may be of immediate interest to them.***

## 5.7 Campaign Management

The trade market spends the greater part of its marketing budget "selling to the channel" and is far removed from the direct consumer. Where consumer campaigns are undertaken, they are frequently driven and managed by intermediaries. Evaluating mass market promotion is difficult as apparent "sales" down the supply chain can be returned weeks, if not months, later; such sales information as is available is often extrapolated and not true EPOS information.

In the academic and textbook market it is very difficult to align actual sales with inspection copy distribution. Publishers believe that in the academic market, demand can be stimulated by direct marketing. But the marketing campaign is not aimed at the buyer but to the person who influences the sale by adoption. When an adoption is made, tracking the sales that relate to it can be very difficult. The actual sales could be "off campus," through a different channel (the Internet) or in a completely different geographic location.

The Journal and Information markets are substantially direct although the “user” may not be the customer in financial terms. Although it may often be possible to establish the definitive audience for a specialist title, the more general the title the wider the potential audience. Campaigns are increasingly involving email alerting services, providing sample content and limited service access. Many campaigns are in fact starting and finishing online.

## **5.8 Contact Management**

The representative in the field who captures subjective information about a customer may uncover key issues that are of great interest; these may not be directly related to a potential sale but may be valuable in establishing or maintaining the relationship. Should this information be shared, qualified and used by others? Unless such information is shared, it can unquestionably become very parochial, its accuracy questionable and its usage minimal.

Contact management systems are often the hardest to integrate, as they are the most personal to the user and often contain subjective information. A Field Sales Representative may sometimes share this type of customer information with colleagues within the sales function but that is usually as far as it gets. Alternatively the information is not really personalized, is shared by all, but loses the value of personal analysis and application.

The greatest challenge in contact management is the ability to identify the different roles that a single individual may have in his or her relationship with a publisher. In STM publishing, for example, a "customer" could be an author, a reviewer, sit on a library panel – and be a reader too. They could be a customer in their own right, be associated with more than one institution and also be a member of a learned society.

***In this complex environment, it is important to know and understand the total picture.***

## 6 Information, Technology and Integration

### 6.1 Information sources and authority

Customer information, like other types of information, is characterized either by scarcity or over abundance. All too often, the information is "local" and is not shared across the enterprise let alone across the supply chain. As in any marketplace, it is impossible to analyze channels (customers), without also analyzing products and sales and therefore it is essential that not only customer but all information is available.

Publishing has historically been a business of long life cycles. The time between a manuscript being acquired and the book being published, or the time between a title being "sold into" a bookstore and it being either "sold through" (or returned to the publisher) are both examples of this. In this environment, analyzing historical decisions can be of secondary benefit; however using historic information to further improve the decision-making process can be more immediately beneficial.

The sheer volume of detailed information in a publishing operation, and the lack of effective mechanisms for summarization, results in what may at first sight appear to be a request for a very high level report soon becoming a very detailed one. The data model and the database need to be specifically "publishing-centric"; a generalist approach to customer data is sure to prove ineffective and inefficient.

Some aspects of publishing are difficult to analyze, due to the complexity of the variables and the diversity and volume of the data. In a subscription environment, for example, renewals and claims analysis are notoriously difficult; similarly, useful profitability analysis has always proved taxing to publishers in all sectors. It must be clear that there is no generic "silver bullet" analysis report that can be applied in all circumstances. A comprehensive understanding of the data and its inter-relationships is critical to the provision of effective analyses.

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

### 6.2 Names and address

As we have already discussed, the ability to unambiguously identify a customer is central to CRM, in terms of both efficiency and, increasingly, of meeting the customer's expectation of service. Capturing new customer details correctly, while ensuring these are indeed "new" and that any relationship with an existing account is properly reflected in the data, is pivotal to achieving accurate identification and thus avoiding duplication.

#### **Address structure**

There has long been a need to identify different addresses for individual customers against different "ship to", "invoice to", or "statement to" parameters. These can then be applied to all or selected transactions. However, the overriding problem related to addresses is not that of holding multiples for different purposes but rather that there is no standard address structure and, as a result, that there is often significant variances between addresses held in business systems within the same organization. Often addresses are truncated for convenience or to fit into fields. There are approximately 194 country address formats in "Global Sourcebook of Address Data Management"<sup>27</sup> and even European countries are significantly different from the US and UK in the way they habitually structure their addresses, with their own nuances and constraints. Accommodating these variances relies on disciplined and consistent data capture.

Take the following example of three buyer records:

<b>Name</b>	<b>Street</b>	<b>City</b>	<b>Zip</b>
Smith John	216 B City Road	Pittsburgh	01773-4603
J Smith	216 City Rd Ste B	Pittsburgh	01773-4603
John Smith	216 City Rd	Pittsburgh	01773

To the individual it is obvious that these are all the same customer. To a computer this would not be the case. For fulfillment these are all valid and serviceable addresses. For marketing they could be viewed as unique customers and locations. For the customer it means he may not be treated as one and may have multiple accounts. DM Review <sup>28</sup> commented that, "When data serves multiple users and processes, there is great risk that some users will be misinformed as they interpret data collected for different purposes."

Many organizations verify addresses using an integrated PAF (Postal Address Facility) that enables them to capture information based on unique features of the address such as the zip/post code. However, to deploy a global address PAF is expensive and publishers often opt for selective deployment in major markets such as the UK and US.

***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.***

### **Multi-tier Account Relationships**

Individuals may exist simply as an individual, may belong to multiple departments (not always within the same organization) and could also have connections with multiple organizations. If we are to respect that they now require to be recognized as individuals, they will also wish that recognition to include all of these relationships and not the ones associated with a single transaction or account. For example if an individual belongs to a society and an institution, they may receive a preferential rate through their membership of either of these and therefore need to be offered the choice. Equally, a publisher may wish to analyze performance of society memberships against institutional ones, where duplications exist or specific mailings or contracts have been agreed. In addition, an organization similarly could belong to a purchasing consortium that has no other logical relationship with it. ***An individual's "web" of relationships is often more complex than any automated profiling function can accommodate and aggregating data of this kind will lead to inaccuracy. The issue to resolve is how reliable is the data and how important is it to the overall profile.***

### **Roles and Relationships**

We have already highlighted that the same individual can have many different roles. Similarly organizations may be consortia with many members or holding group "parents"; they may also (and at the same time) be "peers" or "children" in relation to other organizational structures.

***The challenge of understanding and expressing roles and relationships is not limited just to operational applications but is also central to enabling organizations and individuals to be effectively segmented and analyzed.***

### **Email**

We have already highlighted the growth in email and electronic addresses and the need to manage these. They need to be carefully related to physical accounts and have the same complexities.

***Software to manage email marketing and communications is available and can be integrated with other systems. As with the format of emails, verification of email addresses is a difficult proposition as there are often no steadfast rules.***

### **6.3 Profiling and behavior information**

Profiles can be built by capturing information directly from the customer at an individual or organizational level. This type of information tends to be "binary" and based on how the publishers segment their own products or market. Also, interests and profiles often reflect memberships and society affiliations and demographics.

Profiling information can also be collected based on sales activity. Amazon.com has already shown that customer-buying habits can be tracked and as a result, proactive purchase suggestions offered based on similar products.

The online environment can extend profiles to offer detailed behavioral insights – who entered the site and when, where they went while on the site and their trail through the site, even where they went when they left. Everything *can* be tracked. The questions that must be asked are, "What is it useful to track?" "What will I do with the data once I have it?"

One major academic and professional publisher that we interviewed told us that he believed that behavior information is "still growing up" but that they were using Knowledge Management technology to offer customers "personalized navigation and profiled information – and additional information" where this is relevant.

Another US information publisher commented that, "As customers migrate onto the web it becomes harder to sell to them and their buying behavior can change and be influenced by many factors."

They went on to say that they looking at behavior recognition software that "recognizes sign off activity and triggers an automatic interface with their sales staff and the customer online."

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

### **6.4 Telephone integration**

There are many specialist facilities that enable seamless integration within the Call Center or Help Desk environment. These are aimed at automating telephone integration with the business systems. They tend to be used in the larger call center environments but as the technology becomes more pervasive and affordable is now starting to be used within publishing.

Call centers increasingly are making outbound calls as well as receiving inbound ones, which is increasing the complexity of the technology deployed. These include Interactive Voice Response (IVR), Computer Telephone Integration (CTI) and Automatic Call Distribution (ACD). These technologies can identify callers on screens, enable call response to be analyzed, optimize call routing, provide call prompts and offer many other call support functions.

The interface with the web is still evolving but includes facilities such as making a web request to make a return call, request an email, request to speak in real time and or engage in interactive text-based "chat."

***Before publishers invest in integrating telephone technology, they need to understand how their customers wish to be approached and interfaced with.***

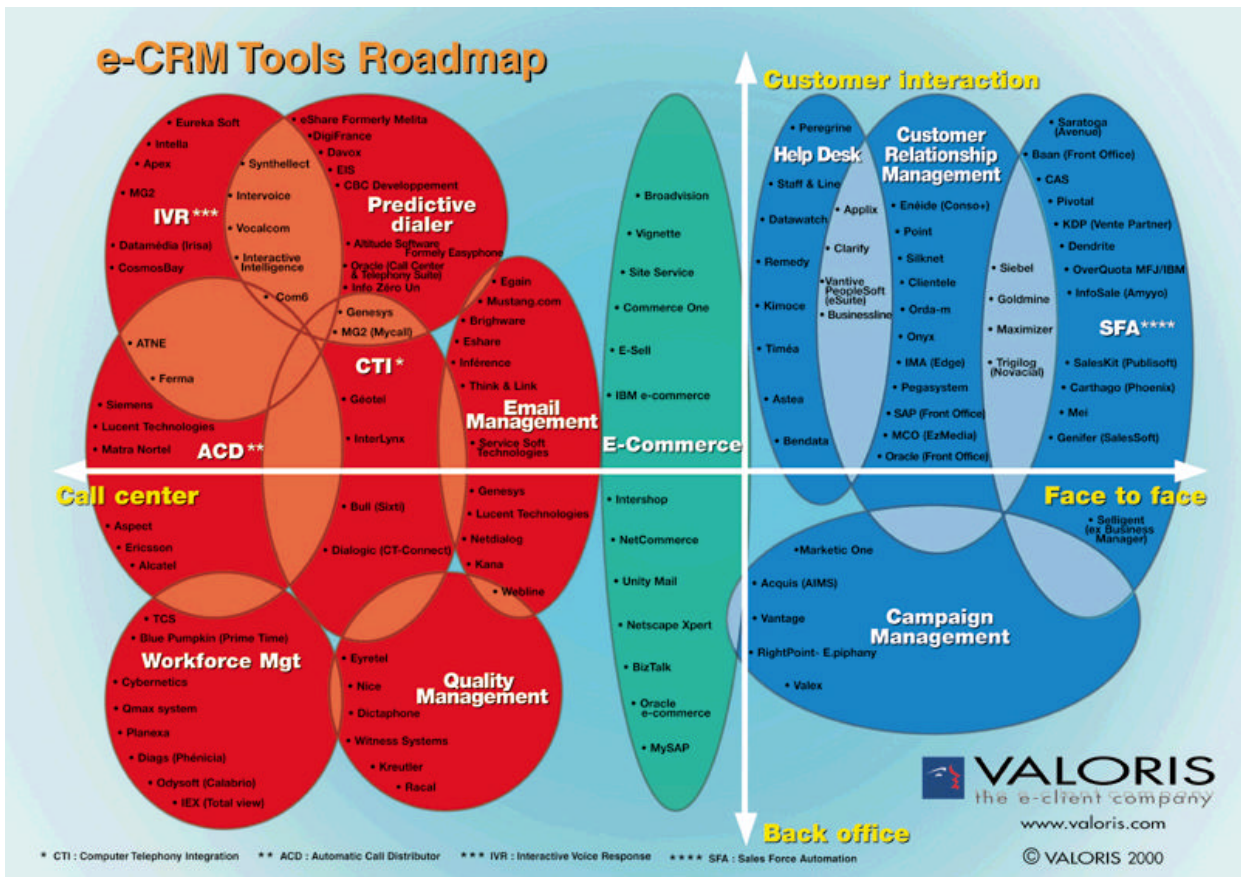
## 6.5 Technology integration

The Venn diagram below is one company's<sup>29</sup> view of the components of CRM and how they can be grouped. What is clearly shown is the significant number of specialists that cover their CRM landscape. It is interesting also to see where overlap takes place and the limited number of vendors who effectively cover a wide spectrum of functionality. Integration is therefore important both on a technology and an information basis.

Professor Merlin Stone, Bristol Business School<sup>30</sup> asserts that, "the companies that have made the most progress [with CRM] have identified that the architecture of their technology is the problem, and they have understood which systems need to talk to each other. They have also invested in software to get systems to talk to each other in real time, as opposed to just getting a system to handle all needs."

"Companies are realizing that you don't necessarily need one system to do everything, rather new systems that talk to each other based upon an appropriate architecture."

It should also be noted that the vendors in this diagram are generic industry ones and that the diagram falls short of the total environment that is required to support full customer interaction.



## 7 Implementation and Approach

### 7.1 "Big bang" versus a phased approach

Any CRM strategy in publishing must take into account the uniqueness of the industry and of the particular business. CRM has many components, all of which must be integrated and customized to fit a publishing business. This holds true equally for small and large CRM projects, because each step along the way should move toward an overall corporate goal.

Few publishers would be able to cost-justify the "big bang" approach to CRM that has become commonplace among those companies that deal intensively with individual consumers on a daily basis. It can be an enormous feat of integration that unites enterprise resource planning (ERP) systems, databases, web applications and customer service software.

Bob Chatham, chief CRM analyst of Forrester Research <sup>31</sup>, states, "CRM is of the same scale as ERP initiatives that firms spend millions of dollars on and needs—and deserves—the same level of attention. After all this is how a firm expresses its personality to its customers."

However, there is much to be said for taking a modular approach to CRM, tackling priority tasks – those offering the greatest benefits – first. If properly planned and architected, Customer Relationship Management can be implemented in many small steps rather than one giant one.

Indeed, we believe that publishers should be cautious of the "big bang" (and high-risk) approach.

According to a recent report from Meta Group Inc. in Stamford, Conn. <sup>32</sup>, a staggering 55% to 75% of CRM projects fail to meet their objectives. According to the report, this is often "as a result of sales force automation problems" and "unaddressed cultural issues—sales staffs are often resistant to, or even fearful of, using CRM systems."

We recognize that there are many reasons why CRM initiatives fail:

- **Corporate commitment** - internal politics often departmentalizes the initiative and can result in it being disconnected from core business processes and organizational strategies.
- **Scope and phasing** - the initiative is not focused and not prioritized to deliver maximum return and as a result loses support and direction.
- **IT** – a focus on large consulting reports or leading edge technology can detract from the cultural and process changes that are needed.
- **Data** - is not recognized as being at the core of CRM and is not given due consideration
- **Customer Centric** - the initiative is viewed internally, presumptions are made about the customer's needs and the customer is not seen at the center.
- **Customer relationship** - the initiative does not consider how to change the customer's behavior or relationship and hence does not achieve change.
- **Business processes and metrics** - these are not analyzed or understood. The initiative is ambiguous, its performance metrics unclear and results in inefficient processes being automated.
- **Training** - even the best CRM solution will fail if the training and skills are not there to support it.

There is no "silver bullet." Technology is only one element; culture and business processes are equally important, and an evolutionary and phased approach offers the best option. Simply put, a phased approach is highly recommended, concentrating on priority requirements first.

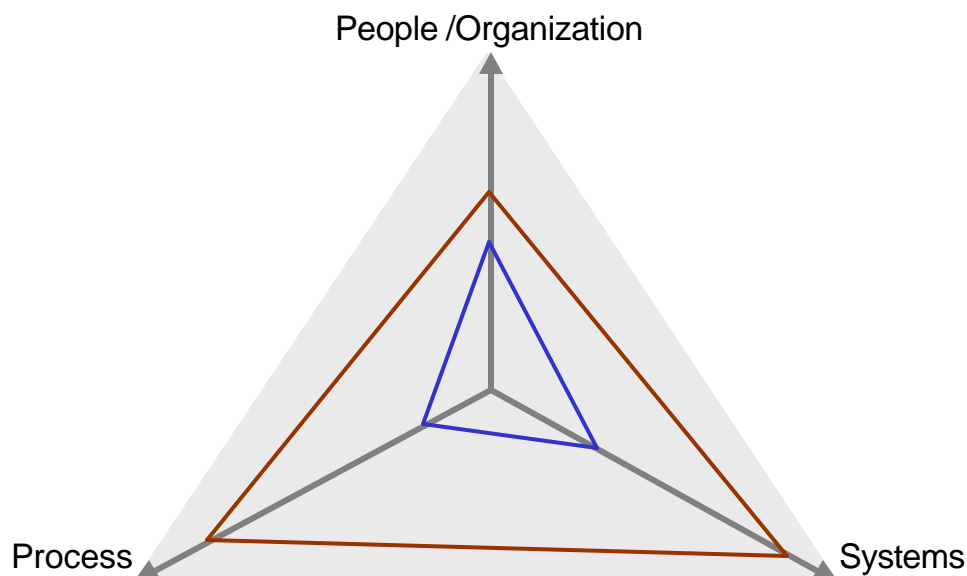
The publishers we spoke to reflect this view. One international academic publisher told us that they were looking at CRM as "a focused evolution." Another US academic publisher who had

issued a formal CRM Request for Information (RFI) 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 "vaporware." They are also "cynical of the maturity of the CRM environment."

## 7.2 Systems, Processes and Organization

It may be relatively easy to install a system but for it to be effective there inevitably needs to be changes in the culture (organization) and also the business processes. However changes in business culture can take longer than simply installing a system. It is therefore important that the relationship between these three areas is understood with respect to time and effort.

Leading European CRM analysts, the Hewson Group<sup>33</sup>, produced the diagram below. It shows the current situation (the inner triangle), the situation achieved at roll out (the middle triangle), and the desired position (the outer triangle). Although the system and process gaps between today and roll out are significant they are a relatively small gap to that which will be required within the cultural area.



## 7.3 A Recommended Approach

The following five steps are recommended to any publisher moving forward with a CRM initiative. All five steps should be followed, irrespective of the size of the initiative but the level of activity and timing of items 4 and 5 will depend on the priorities adopted.

1. **Gain corporate commitment** – CRM is more than technology; it is a business strategy that impacts the fundamental way in which the typical publishing company does business.
2. **Identify the costs and benefits** - Focus on the areas that will create the most value for the business. Then begin migrating the organization over a period of time to effective customer relationship management.

3. **Establish the business processes and metrics** – All business initiatives must understand from where they will start, the planned path and how performance is to be measured. A business process analysis will provide the framework, locating where a solution will best fit and what changes to business processes, systems and organization will be needed. It will identify the aspects of the business that will be most improved by better customer relations, and will provide metrics by which the initiative can be measured.
4. **Close the marketing loop** - "Turn information into insight, insight into action and learning into profit." Create processes that improve the business by tracking activities, analyzing what happened, trends and performance, modeling options and as a result adjusting actions such as prices, campaigns and other activities to restart the cycle.
5. **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. Fundamental to CRM is a data initiative that: removes duplication, captures and validates at source, establishes authority, ownership and maintenance processes and also is integrated throughout the business and its applications.

CRM is not a panacea, but it can bring real value to the business in terms of maximizing customer relationships, analyzing customer trends and behavior and improving service levels. With a clear strategy and a phased approach, mindful of the unique characteristics of the publishing industry, the business can realize the promise of CRM.

This paper encapsulates the core issues for publishers when they are considering a CRM initiative, but it does not set out a specific strategy or task list for implementing CRM in a publishing environment. VISTA would be happy to work with your company to discuss what we consider to be the "best" possibilities in the CRM arena and help to estimate the effort and resources needed to accomplish better contact relationship management.

Please feel free to contact us at our offices in North America, Europe or Asia-Pacific, or via email at [solutions@vistacomp.com](mailto:solutions@vistacomp.com).

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- 20 Book Industry Study Group - gather, analyze and disseminate information about US Book Industry sales and trends and also establish technical standards for improved communication across the industry. ([www.bisg.org](http://www.bisg.org))

- 21 Blackboard an integrated learning solutions provider within the eEducation market providing full online learning ([www.blackboard.com](http://www.blackboard.com))
- 22 PubEasy a global booktrade ebusiness service with bookstores in over 100 countries and representing over 3000 individual publishers in the UK and US ([www.pubeasy.com](http://www.pubeasy.com))
- 23 Whitaker Web an integrated Whitaker service site for the UK booktrade planned to be launched 2002
- 24 Ingram I (ipage) - is a Web self service site that provides Ingram's customers access 24 x 7 to their account information, and ordering (<http://www.ingramcustomersystems.com/title/ipage.asp?title=ipage>)
- 25 Titlesource II; is a Web self service site that provides Baker and Taylor customers access to search and order 24 X 7 to 3.5 million books, 85,000 videos and 240,000 music titles. ([www.btol.com/supplierdtl.cfm?mode=3&cat=1&sc=3&sv=42&sca=3,5](http://www.btol.com/supplierdtl.cfm?mode=3&cat=1&sc=3&sv=42&sca=3,5))
- 26 "Telemarketing: Pros and Cons" Publishers Weekly, 11<sup>th</sup> January, 1999
- 27 Rhind Graham; "Global Sourcebook of Address Data Management"; Gower Publishing; ISBN 0566081091
- 28 Atkins Mark: DM Review, "The Hidden Role of Data Quality in E-Commerce Success": 27 July, 2001 ([www.dmreview.com/editorial/dmdirect/dmdirect/article.cfm?EdID=3796&issue=072701&rec0rd=1](http://www.dmreview.com/editorial/dmdirect/dmdirect/article.cfm?EdID=3796&issue=072701&rec0rd=1))e
- 29 European Center for Customer Strategies; Valoris CRM Roadmap; ([www.eccs.uk.com/productfinder/map.asp](http://www.eccs.uk.com/productfinder/map.asp))
- 30 Prof. Merlin Stone, Bristol Business School; ECCS 2001, May 2001 ([www.eccs.uk.com/advice/faq.asp](http://www.eccs.uk.com/advice/faq.asp))
- 31 Conlin Robert; CRMDaily.com; "Report: Waste rampant in corporate CRM initiatives;" May 1<sup>st</sup>, 2001
- 32 Meta Group Inc: "CRM Failures Are Low, But Indicate the Nature of the Problem" July 2001
- 33 Hewson Group: CRM design and delivery stream ([www.hewson.co.uk](http://www.hewson.co.uk))