



Developing and applying a customer relationship management model

Rachel Wikaksono puts forward the case for a customer relationship management strategy at the British Institute, Indonesia.

1 Customer Relationship Management (CRM)

1.1 Why CRM is relevant to us

I have been interested for some time in CRM as both a teacher and as the Principal of The British Institute (TBI), an English language school in Indonesia (www.tbi.co.id). When the South East Asian economic crisis hit Indonesia, and TBI, in 1997, all of these issues suddenly became a matter of the utmost importance. We lost half of our students within a few weeks and are still, now, in the process of getting back to pre-crisis student numbers. During this time the question we have repeatedly asked ourselves is, 'why do students come (or not come!) to TBI?' We have been forced to think seriously about how to find out what students like and dislike about our school so that we can promote our good points to potential students, and improve our weaknesses to avoid deterring potential students and keep existing students longer. CRM strategies seemed worth investigating for what they could offer our school in a time of crisis.

1.2 Aims and methods of CRM in industry

CRM has recently been a popular topic of discussion in a variety of industries. The aim of CRM is often described as being to ensure the generation of maximum profit for a company by

achieving the optimum balance between corporate investments (marketing, sales and service outputs) and the satisfaction of consumer needs.

In order to achieve this balance, the following are some of the different methods advocated by the management consultants and companies that practise CRM:

- Maximise the value of your customers for your company by building customer relationships with a view to selling more, cross-selling and keeping your customers longer;

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- Focus on the needs of your customers, rather than on the features of your products;
- Integrate your customers' needs into your company's design, development, manufacturing and sales processes;
- Involve all your employees in the business of building customer relationships. Make CRM a cross-departmental concern. Coordinate the

objectives of individual departments with the needs of the organisation as a whole;

- Be prepared to build good relationships not only with the people that buy your product or service, but also with: your suppliers, professionals who might recommend your company (local High School teachers for example); other people that might influence your customers' decisions, existing customers who will talk about your products/services, and your employees;

- Acquire and continuously update knowledge about your customers' needs, motivation and behaviour over the lifetime of the relationship;

- Use your knowledge of your customers to continuously improve your company's performance by learning from successes and failures;

- Implement appropriate systems to support customer knowledge acquisition, and measurement of CRM effectiveness.

(European centre for customer strategies 2001: Customer concepts
http://www.eccs.uk.com/resources/customer_concepts.asp)

3 CRM in education

Feelings about students as customers range from outright rejection of the concept, to a general unease, to full

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confidence that it is the students who 'create' and 'own' their learning experience. In an example from the mid-eighties, Jack Richards wrote, "Needs assessment has developed within a political climate which demands accountability and relevance in educational programmes. From this perspective, it can be seen as something which was foisted on the teaching profession, and which has little to do with educational values." (Nunan D. 1988: *The learner-centred curriculum* CUP)

Fifteen years after Richards' paper, when 'accountability' and 'relevance' no longer seem necessarily incompatible with 'educational values', politicians were indeed demanding such qualities. In the December 1999 edition of the *Times Educational Supplement* an article on home schooling quotes Tony Blair on the crossover between business and education, "The revolution in business... will, over time take place in education too. We will move away from a system that assumes every child of a particular age moves at the same pace in every subject, and develop a system directed to the particular talents and interests of every pupil," (Meighan R. December 1999: *Home or away? Times Educational Supplement*, Tony Blair originally quoted by Barber M. January 30, 1996: *The Guardian*.)

The Malcolm Baldrige quality assurance award, for excellence in education, also interprets CRM for schools as 'learner-centredness'. In giving us his opinion on the future of schooling, Blair might almost have been quoting the Malcolm Baldrige award quality assurance criteria, understanding that students may learn in different ways and at different rates. Also students learning rates may differ over time, and may vary depending on subject matter. Thus the learning-centred school needs to maintain a constant search for alternative approaches to enhance learning. The school also needs to develop and utilize actionable information on individual students that bears upon their learning. (www.quality.nist.gov/docs/edpilot)

English language schools with their mixture of necessary 'commercial' awareness and penchant for 'alternative' methods, are perhaps more likely than mainstream education to consider how their programs fulfill students' needs.

A recent example of CRM, fifteen years on from Richards' paper, was a "humanistic" end-of-conference questionnaire described in the *English Language Gazette* of August 1999 by Mario Rinvoluceri as an alternative to the "[typical] questionnaires that UK EFL school managements offer to their students [which] focus on the service [the students] may have been offered as though it were a product, and ask the students to evaluate this thing or object. (Rinvoluceri M. Issue 235, August 1999: *Humans or consumers: who are we talking to? EL Gazette*)

Rinvoluceri claimed that, "with the humanistic questionnaire we achieve real 'customer care' by focussing on the person's own work, not on our work that set this inner process in motion. We focus on the outcome for them, not on the trigger offered." (ibid) This claim sounds similar to a CRM 'method' identified by the management consultants on section 1; focus on the needs of your customers (and their satisfaction), rather than on the features of your products.

3 CRM at The British Institute (TBI), Indonesia

3.1 Why are we thinking about CRM at TBI?

The main reason for thinking about CRM at TBI was to try and see the school experience through our students'/customers' eyes so that we could rebuild it and regain profitability. This section looks in more detail at some of the specific benefits of CRM for TBI, (adapted from Pickering G. 1999: *Roads to quality street: perspectives on quality in ELT* ELT Management, IATEFL Special interest group newsletter No. 28).

Cutting out irrelevant costs

CRM should help us find out more about our customers' expectations and perhaps reduce our costs in certain areas, by spending on the equipment, staff and facilities our customers value and reducing spending on those things they do not. Reduced costs at TBI could result in cheaper services for customers, or, through re-allocating spending according to their priorities, an improved standard of service in the areas they value. If we increase the standard of our services in the areas they define as critical, we may be able to sell more courses to our existing customers, either simultaneously or over a longer period of time. We may be able to attract new customers with a lower price or with our better standard of service. Knowing more about our customers should also limit our over-spending on the provision of services for and marketing to 'low value' customers and under-spending on 'high value' customers.

Better marketing

Good CRM should also help improve the effectiveness of our marketing campaigns. By increasing our knowledge of our customers' behaviour and motivation we will be able to improve the specificity of our marketing. By matching the marketing strategy more accurately with the segment (customers who share a similar profile: behaviour, demographics, interests, profitability etc), we avoid wasting money on wrongly or vaguely defined campaigns.

Rising customer requirements and increasing competition

TBI now competes with more English language schools offering similar services than ever before. In Bandung, for example, TBI was the only English language school to employ expatriate teachers when it was established in 1987. In 2000, there are five schools offering similar services. Better customer care is one way of raising standards in line with the demands of increasingly sophisticated customers and achieving the difference that makes the difference to our customers.

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By surveying our customers on their experience of TBI we can let them know that, unlike our competitors (possibly) we value their input, thereby enhancing our company's image and reputation. Asking our customers questions about our service could also help us pinpoint opportunities to improve those services while uncovering ways to reduce customer attrition.. Furthermore, it is possible that routinely asking customers for feedback, and thus involving them in the business of running our school, results in customers that become committed to the success of TBI.

Providing a common goal for all departments in the school

Unbalanced objectives within departments at TBI has, in the past, frequently led to conflict and contradictory activities. Generally conflicts have been between staff responsible for academic decisions and those responsible for financial policy or administrative procedures. At TBI this has led, at best, to management spending more time on internal conflict resolution than on goal setting, and, at worst, to ongoing conflict! Without a common focus on the customers' needs, it is likely that different departments will continue to pursue their functional goals regardless of the objectives of other departments or of the customer.

Helping management prioritise issues and action-plan resolutions

There are always a million and one things that could be started or improved at TBI. The primary challenge faced by the management of the different departments of the school is how to decide which tasks to work on, in what order and how much time to spend on each one. Deciding that the customers' needs are the primary focus of the organisation may make prioritising tasks easier, and listening to our customers' voices may also help in determining more efficient and effective action plans when we attempt resolve these issues.

Meeting the expectations of our owners

A general feeling of uncertainty about the 'professional' standards at TBI has, from time to time, been expressed by our university owners. This doubt seems to be caused by the feeling that a commercially run school cannot be a 'good' one, and that attempts to maximise profitability inevitably mean 'cutting corners' and delivering a sub-standard service. By getting more information about our customers' expectations and constantly working to improve our performance to match, and exceed, these expectations we could demonstrate to our owners that

we are serious about and able to implement 'international' standards of corporate practice.

Academic excellence

Teachers at TBI, as in most schools, have always been aware of the need to help our students achieve academically by teaching useful, motivating lessons. To a certain extent, good CRM is another way of looking at what we have always tried to do, help students learn the English they need in a pleasant environment.

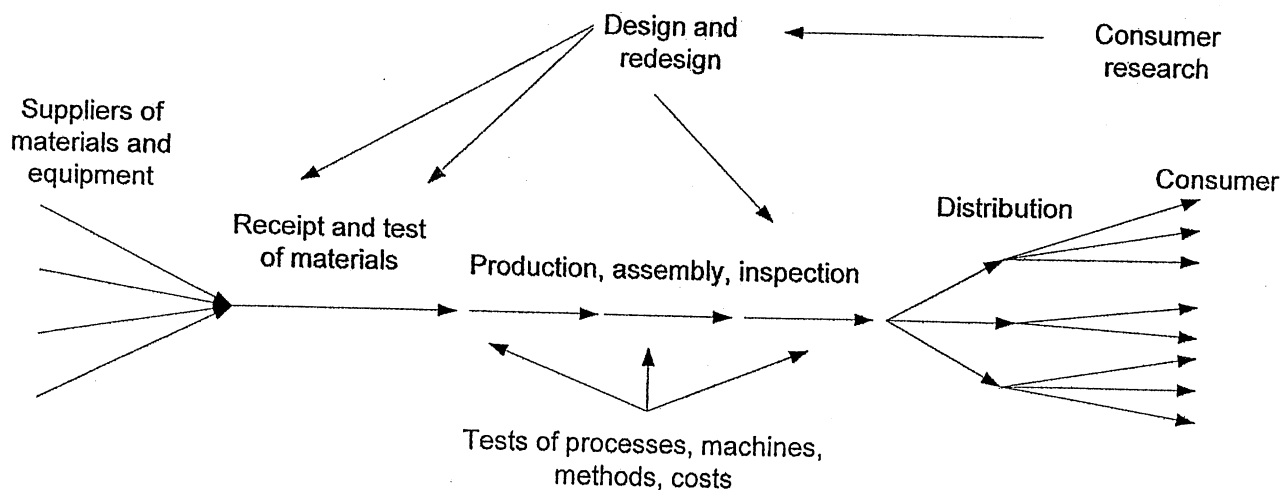
4 Developing a model of CRM at TBI

4.1 What are the aims of the CRM model?

The model should generate some ideas on how well, or badly, TBI listens to its customers, prioritises issues, action-plans resolutions and evaluates costs versus benefits.

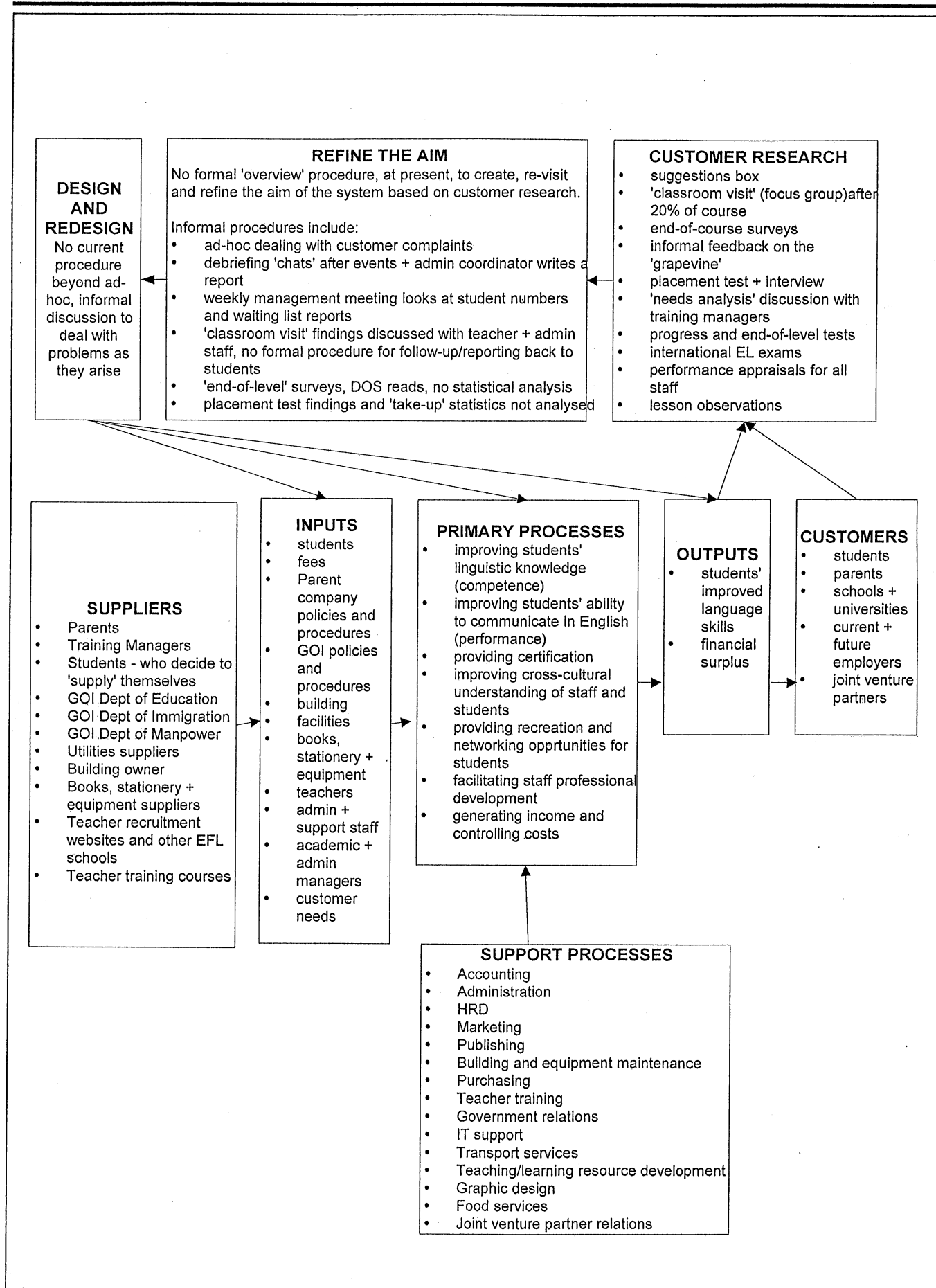
4.2 A description of the model

W. Edwards Deming, the originator of many of the ideas that are commonly grouped under the heading of 'Total Quality Management', advised that an organisation be viewed as a 'system', or a series of interacting processes. Deming defined the duty of a manager to work on this system, and to improve



(Deming W.E. 1982: 4 **Out of the crisis** MIT Press, CAES, Cambridge, Mass.)

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it continuously with the help of the people who work in the system. In *Out of the Crisis*, Deming describes how all an organisation's activities need to be examined in the context of the 'system' and draws the following diagram to illustrate this concept.

Deming's concept of the organisation as a 'system' was applied initially to manufacturing industries, but has since been used in service industries. For TBI, I adapted a version of Deming's system that had been developed for education, (Torres E. 1999; Partners in profound knowledge, in Tribus M., 1999b *Quality Management in Education*)

5 Some comments on the model

5.1 What does the model show about CRM at TBI?

TBI conducts customer research in all the ways listed in the 'customer research' box of the model. We have, up to now, been reasonably satisfied that we are listening to our customers. What the model reveals, however, is that when we put our CRM procedures into our diagram of the school system, there are a number of problems. Firstly, the almost total lack of a connection between our customer research efforts and the next box on the diagram, 'refine the aim'. We do have weekly coordination meetings with the Principal, Office Manager and Directors of Studies in which we may discuss a conversation one of us had with a Training Manager, or a complaint passed on from the SAs, or a suggestion from an employee's performance appraisal. There is, however, no planned, systematic review of the findings of our customer research and a great deal of valuable information is lost or ignored. The lack of a consistent link between our customer research and the other parts of the system is probably the biggest shortcoming of our current CRM at TBI. Clearly, we need to start thinking about how to make better use of the information we already have.

A second problem with our CRM is that customer feedback has never been used to assist with any refining of the

aims of the school. As a result, there is a missing link in the system.

A third problem is that the customer research procedures listed above are not linked either with the preceding boxes on the diagram. The things we choose to ask our customers about and the ways in which we ask them have evolved in a random manner over many years. We have never previously considered the connection between our customer research and the ideas that customers have about the things worth finding out about and the best way to find out about them. It is possible that we are surveying our students, for example, on things which they do not consider important and omitting to ask them about issues that they consider crucial. It is also possible that, if consulted, students would prefer certain methods of collecting data, for example, the group discussion of the mid-course classroom visits rather than the end-of-level questionnaire.

As a result of the 'gaps' in our system between customer research and the adjoining boxes, there is little 'design and redesign' of our CRM and other procedures at TBI that impact on our customers. The emphasis within the school tends to be on working 'within' the system, carrying out existing procedures as efficiently as possible. Because of the gaps, the lack of connection between customer research and other parts of the system, we tend not to work 'on' the system, using the customer research findings as a source of inspiration for improvements. Any changes that we make are generally a result of an ad hoc meeting or discussion to solve a problem that has arisen. In actual fact, the emphasis of our CRM, despite all the customer research we already do, tends to be on fighting fires rather than preventing them. Improving the linkage between all parts of the model should improve our CRM, and therefore, the chance of us being able to achieve the 'recovered' school we desire.

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