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Successful CRM

CRM has been described as the most powerful marketing tool of the millennium. But what are the benefits for publishers? What are the traps to avoid? Here is a step by step guide to implementation across the newspaper organisation, from the newest subscriber to the newsroom.

www.wan-press.org/ready.project/index.html



All these strategy reports are available to subscribers on the WAN web site

The best industry practice, in the SFN project

This report on the application of Customer Relationship Management (CRM) in the newspaper industry is the second study in the WAN project on Shaping the Future of the Newspaper.

The SFN project will deliver a series of strategy reports presenting a comprehensive examination of business models and case studies on newspapers implementing new ideas and strategies.

The first reports are:

> The tailored newspaper

This report examines the case for the tailored newspaper concept, including an economic evaluation of its potential and an overview of the latest technological developments in printing and mail room capabilities.

> Successful customer relationship management

This report provides a five-step approach to successful CRM that can be implemented in newspaper sales, advertising or editorial. It outlines the implementation process of each of the three key components of CRM – knowledge, technology and people and draws on case studies by industry leaders for examples of winning strategies.

> Strategies for a converging world

The SFN report will discuss both the concept of convergence and the actions of publishers in response to the rapidly changing technological environment. The report examines changing practice in terms of editorial, commerce, product development, technological implementation as well as wider strategic issues.

> The outsourcing conundrum

While consultants and practitioners continue to debate the merits and pitfalls of outsourcing, we examine the practical benefits to newspapers in terms of quality, flexibility and reduced cost.

> Hype-free Internet strategies for newspaper publishers

At a time when many publishers are radically revising or even reversing their internet strategies, we take a cool, practical look at the options ahead and how publishers can rejoin the rapidly evolving life-cycle of this still immature medium.

> Editorial measurement

The last great shibboleth of our industry, that editorial activities are somehow un-measurable either in terms of quality or efficiency, is debated and analysed. The study will include a series of research and reporting tools that can be applied to measuring and improving editorial output.

FOR YOUR COMMENTS
OR INPUT ON THIS
PROJECT, PLEASE
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Successful CRM

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7 benefits of CRM for Newspapers

- > Long-term circulation stability, through improved customer acquisition, higher levels of purchase frequency and better retention;
- > Greater understanding of readers' attitudes and behaviour through access to inexpensive research solutions;
- > Improved awareness in the newsroom of readers' needs through better communication, feedback and response to readers' concerns;
- > Higher advertising volumes and yields through better prospect acquisition, and improved field and telephone selling, enhanced by reduced errors through integrated invoicing and production systems;
- > Demonstrable returns on internet investment through the ability to sell-up internet users to print products;
- > New product development opportunities, delivered through better analysis of customer needs and the ability to target selected groups;
- > Better decision-making processes due to greatly improved knowledge of the customer and sales processes.

7 ways to make your newspaper business better through CRM

- > Maximise profitability by concentrating on those readers and advertisers that bring you the biggest return, improving the efficiency of your marketing investment;
- > Reduce the cost of sale, by making sales calls more efficient and effective;
- > Put the customer first. Ensure your products and services are precisely tuned to the needs of your readers, advertisers and other stakeholders;
- > Improve efficiency by providing more detailed information about the readers' and advertisers' relationship with you and the implications of your actions;
- > Encourage greater interaction and understanding between different departments;
- > Continually improve your products and processes through ongoing measurement of performance;
- > Improve staff morale by making successes more visible and problems more resolvable.

7 key points on implementation of CRM

- > CRM will only work if all staff are working together on the common goals of reader and advertiser satisfaction. CRM will help to break down any barriers or silos within the company.
- > There is a shift in emphasis away from product and process toward customer and care. The tradition of putting the newspaper above all other concerns is outmoded. The readers and advertisers come first.
- > You must invest in a single data-warehouse that provides a complete view of everything you know about your customers and prospective customers. This requires investment in marketing information, and in systems that integrate all the different systems within your company into a single customer view.
- > Good technology is an essential element of CRM since integrated knowledge and action are the drivers of success. But “good” does not mean “expensive”. Many companies have implemented good CRM practice through “off-the-shelf” or internally developed systems.
- > Success is driven by measurement and clear communication of, and reaction, to results.
- > The need for a collective approach and central database is not an excuse for centralisation. CRM devolves responsibility and decision-making down and through the organisation.
- > There is no excuse for some departments to opt out of the drive to put the customer first.

1. Introduction

1.1 What is Customer Relationship Management (CRM)?

Customer Relationship Management (CRM) is about building such good relationships with our customers that more people want to become our customers, want to stay our customers, and are happy to do more business with us.

CRM, like any human relationship, is all about understanding. By understanding people better – who they are, what their needs are, what their criticisms are, and what they think we can do better – we gain and retain their loyalty.

In the case of newspapers, the value of this process is particularly significant. We have two groups of customers to satisfy:

| | |
|----------------|--|
| Readers | who are seeking the most relevant and enjoyable content in its most accessible form. |
|----------------|--|

| | |
|--------------------|---|
| Advertisers | who are targeting specific groups of people with whom to communicate. |
|--------------------|---|

The stronger we make our relationship with our readers the greater our ability to bring our advertisers and readers together.

There are two important reasons why newspaper publishers must establish closer reader relationships than ever before:

- > Readers are increasingly turning to other media for their information and advertising needs – new media are intrinsically more interactive. We need to understand readers' needs in order to improve our current products and establish new alternatives.
- > As well as seeking alternative means of communication, advertisers are adopting CRM themselves, in order to establish direct relationships with their customers, bypassing the role of the media. We must exploit our relationships with our readers more effectively in order to service our advertisers more effectively.

CRM enables publishers to identify, select, acquire, develop and retain their most valuable customers.

Publishers are adopting database systems that not only ascertain all the prospects in their marketplace, but allow them to identify those that offer the most potential in terms of readership and advertising benefit:

- > These databases can be further exploited, either to assist advertisers in targeting their prospects or to allow publishers to develop, sell and distribute new services to selected target groups.
- > These databases form the basis of subscription systems for contacting new readers, building new circulations, and in particular managing subscriber retention and minimising cancellations.
- > In parallel, company databases can be used to develop advertising markets, and to identify and extend understanding of media expenditure, not only in competitive media, but increasingly in other areas of marketing expenditure.
- > CRM encourages greater communication between the publisher, readers and advertisers. This greatly improves feedback about readers' needs and new content ideas and improves the ability to undertake research about readers' consumer behaviour to support advertising sales.
- > A number of publishers are now merging their editorial libraries and archives, business directories, and household information into single-source systems. These are greatly assisting journalists in story generation, as well as creating content services that can be sold on as new products.
- > CRM enables publishers not only to secure their current customer streams, but also increasingly forms the basis for the next generation of media products.

1.2 The threats and opportunities of CRM –inside and outside

Merchants were once content to trade on a local, individual basis. Retailers would know their customers individually; including their needs and prejudices. One-to-one marketing was the norm.

The development of advertising in newspapers and television allowed traders to widen their communication to a one-to-many basis, reaching larger and more widely spread communities. Intermediaries would undertake the transaction on behalf of manufacturers.

During the seventies and eighties, traders did business anonymously either through middle-men, or through large outlets such as supermarkets. ‘Many-to-many marketing’ enabled manufacturers and retailers to reduce their costs to market and greatly widen the range of goods available – but the concept of service was lost.

In recent years many companies have embarked on customer relationship programmes in an attempt to regain that personal relationship with each of their thousands, or even millions, of customers.

In most cases this has involved companies transferring resources, capital, people and marketing expenditure from mass-marketing communication – advertising – to more direct one-to-one communication.

While the introduction of CRM by others is a direct threat to our advertising revenues, so the adoption of CRM by us is a means of developing new relationships with our advertisers that we can exploit.

UK MARKETING EXPENDITURE BY MEDIUM. 2000

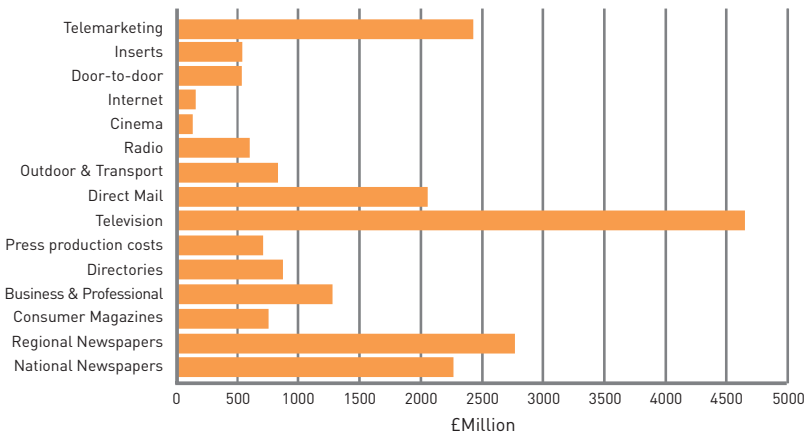


CHART 1
ANALYSIS OF
MARKETING
EXPENDITURE BY
MEDIUM

Source: WARC,
IDMA, eVolt.

1.3 The value of CRM to the newspaper business

Those people who question the value of CRM should consider the following facts:

- > 'It is ten times more expensive to acquire new customers than it is to keep existing ones!'
- > 'Increasing customer retention from 10 to 15 percent can double profits²'
- > In 2000 there were more than 14,000 media mentions on the topic, compared with just one in 1989ii.
- > In 2001 72% of senior executives expected to use CRM - more than twice as many as had used it the year before, according to Bain and Company's Global Management Tools Survey of senior executives 72% of respondentsii.

Airlines charge passengers up to five times the price of a regular airline ticket merely to have the flexibility to change their seat and the chance to sit in an airport lounge. Those who question the value of CRM in the newspaper business should consider the following:

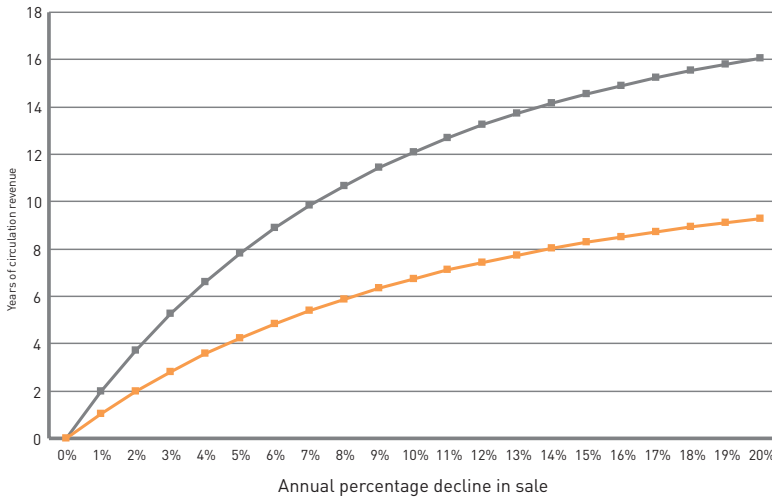
- > One newspaper increased advertising call rates by 50% and the number of advertisers by 30%.
- > Another cut the number of disputes reaching its legal department by 30%.
- > Another newspaper generated nearly 70,000 new subscription orders by e-mailing users of their website.
- > That newspaper also increased levels of retention from industry average of 60% to 94%.
- > Another found that the cost of converting internet users to the printed product was a tenth of the cost of traditional canvassing.
- > A newspaper losing 3% of its sales per year will reduce the lifetime value of its circulation by 26%.
- > An annual loss of 3% of sales has a net present value of 2.82 times the circulation revenue.

1.3.1 The benefits to circulation

CRM can greatly enhance circulation performance by:

- > Identifying the most likely and most profitable new prospects to sell to.
- > Determining which customers are reducing purchase or canceling and when the best time to retain customers is.
- > Creating more effective promotions and incentives through a better understanding of readers' needs and interests.
- > Measuring the impact of different pricing systems on purchase and retention.

VALUE OF LOSS OF CIRCULATION GIVEN ANNUAL LEVELS OF CIRCULATION LOSS


CHART 2
 MEASURING THE
 VALUE OF
 CIRCULATION LOSS

Source: eVolt
 calculation. NPV
 discount of 5%

■ Life time loss of value
 ■ NPV of loss

In many single-copy newspaper markets, circulations are not declining because of lost readers; readers are merely choosing to buy less frequently. In subscriber markets, there is evidence to suggest that readers may be continuing to subscribe, but are in truth reading less intensely and less frequently, with average readers-per-copy levels also falling. Both are signaling problems in the future.

1.3.2 The benefits to advertising

CRM in the advertising department offers the following benefits:

- > Greatly increased revenues per sales call, leading to greater operating margins.
- > Improved retention of current advertisers
- > Better servicing of advertisers to include targeting of key prospects with known social or consumer traits. This can include direct mail services, niche publications, or events.
- > Reduced error rates in pricing and production.
- > Creation of new profits through the provision of added-value services to advertisers.
- > Identification of new prospects from advanced tracking of business types and marketing activity.

As media, particularly broadcast and magazines, become more segmented, advertisers are reverting to newspapers for mass-market coverage. However, publishers must recognise that advertisers are seeking to

According to INMA, one major newspaper in America discovered that more than 45% of 1999 display advertisers were not customers in 2000. Those former advertisers accounted for 15% of total 1999 ad revenue.

maximise the coverage of their target markets within the newspaper. Publishers must provide better research on different parts of their paper if they are to lever full advantage from its content.

A further opportunity is for publishers to undertake the CRM role for advertisers. A missed opportunity for publishers was their inability to migrate what was once a unique ability in tele-marketing into the call-centre revolution.

1.3.3 The benefits to editorial

The application of CRM principles to the newsroom can bring a number of benefits.

- > Improved product quality through feedback of readers' needs.
- > More interaction with readers.
- > Better relationship with story providers.
- > Better story-gathering capabilities.
- > Improved contact records, through the integration of customer and business databases with journalists' record systems.
- > Quality control and measurement of attitudes and story accuracy.
- > Better awareness among journalists of readers' needs, interests and attitudes.

In CRM, journalists must regard both their readers and the contacts with whom they deal every day as stakeholders in the success of their newspaper.

1.3.4 The benefits to new revenue generation

CRM also provides an excellent means of identifying new revenue and product opportunities:

- > Feedback regarding upcoming market requirements.
- > Tracking of trends in readership and advertising.
- > Identification of sub-markets, niches and interest groups that can be satisfied through new services.
- > The creation of new content services, through the merging of 'dynamic' content (news and advertising) with 'static' content (archives, databases and community information).

1.3.5 The benefits in operational efficiency

Perhaps the greatest benefit to publishers is in reduced costs and improved operating efficiencies:

- > Improved cost per new order, by applying new technologies to sales activity.
- > Reductions in the cost of identifying new readers and advertisers.
- > Improved call rates in circulation and advertising.
- > Better systems for resolving problems and removing causes of frequent error.
- > Reductions in editorial legal costs.
- > Better levels of waste-control through increased purchase frequency.

2. The CRM process

2.1 The ingredients of successful CRM

Some might argue that success in our industry is simply a question of producing a good newspaper. We have all heard this argument. But CRM, well applied, will lead to a much-improved publication, more in tune with its readership, enjoying greater loyalty, and profiting from far more effective marketing.

There are three ingredients in successful CRM:

- > Good information
- > Good technology
- > Good people

2.1.1 Good information

The first key to success for publishers is knowledge – to retain detailed information not only of all customer contacts, outcomes and future requirements, but also details on every prospective customer. This knowledge is held at four levels:

| | |
|-------------------------|---|
| Marketing data | This should hold data on all prospects and their potential, including coordinates of potential subscribers and details of all businesses, as well as those who may subscribe, advertise or appear in the paper. This should be linked to targeting systems that analyse and group prospects, according to set criteria. |
| Transaction data | This would hold details of all transactions done with the company and other contacts, perhaps relating to a query or complaint. The two challenges here are to integrate customer data from each different department and to encourage editorial staff to see participation in such knowledge systems as beneficial. |
| | This is the information that is required to complete the order. This includes distribution details and materials for producing advertisements. Also included here are payment details. |
| Fulfilment data | Analysis and modelling tools track trends and patterns among customers and prospects, identifying opportunities and possible threats. This may be tracking the time of, and reasons for, subscriber cancellations, loss of advertising expenditure to other media or loss of exclusive stories. |

“Start with a clear idea of your customer strategy, and make sure your business processes fit the strategy. Only then should you choose the technology that will enhance those processes. We know it’s not simple. But it works.”

Bain and Company briefing

2.1.2 Good technology

The second key is the adoption of technology that addresses three components of the CRM process³:

| | |
|----------------------|---|
| Operations | The business processes and technologies that can help to improve the efficiency and accuracy of the day-to-day customer-facing operations, such as subscription or advertising sales, editorial contacts or online interaction. |
| Collaboration | The components and processes that allow an enterprise to interact and collaborate with their customers. These include subscription fulfilment, distribution, complaints handling, advertising copy production, etc. |
| Analysis | The portion of the CRM process that provides analysis of customer data and behaviour in order to improve decisions. This would support the analysis requirements outlined above. |

To be successful, this CRM technology must not only draw together all the knowledge systems in the company with the data on the marketplace, but also enable each process to be undertaken effectively, with each part of the company fully aware of each others’ actions and their implications.

2.1.3 Good people

The third key to successful CRM lies in ensuring that all staff appreciate the process and the importance of building good customer relationships. Many publishers’ CRM activities have failed because too few staff participate, or even believe, in the process. An integral part of implementing CRM is a means of engaging all employees.

CRM involves refocussing staff away from the processes they engage in, toward determining how best they can improve the value they provide to their readers and advertisers, through continually improving their newspaper and services.

Staff need to work collectively on this, and some reorganisation is required to spread responsibility down through the organisation, while maximising awareness of common goals.

2.2 Overview of the five-step CRM process

The CRM process of any organisation involves five distinct steps:

- > Knowledge of the market and prospects
- > Acquisition of customers
- > Retention of customers
- > Enhancement of customer experience/participation
- > Measurement, feedback and continuous improvement.

The table summarises what each of these steps means to the newspaper organisation within its main functions, namely reader marketing, advertising and editorial.

STEP OBJECTIVES OF THE CRM PROCESS

| STEP | OBJECTIVES | ISSUES |
|--------------------|--|--|
| Knowledge | To develop as comprehensive a database as possible of all prospects in the market, ranking each in terms of their revenue/profit potential and likely level of conversion | It is not always possible to gather a complete database of every prospect, household or business, due to either data protection legislation or lack of reliable information. Publishers should strive to develop as comprehensive a database as possible |
| Acquisition | To maximise the acquisition of new customers through a range of structured contact methods, i.e. telesales, direct mail, events, above-the-line advertising | Publishers should measure the effectiveness and efficiency of different methods, incentives, timings, etc. Different approaches show different results depending on local market conditions |
| Retention | While many customers remain loyal, it is inevitable that some will either stop their business or continue at a diluted level. Retention is achieved both through the provision of good service and by anticipating any causes of loss and setting up procedures to pre-empt any movement | Publishers need to develop a detailed understanding of the reasons for, and timing of, cancellation or dilution, by tracking patterns and undertaking research. From this a programme of tailored actions can be introduced, monitored and improved. |

| STEP | OBJECTIVES | ISSUES |
|---------------------------------|---|--|
| Enhancement | To provide customers with additional products or services either through added value, such as attending events or access to an archive, or through additional sales of advertising or special offers. The purpose is to enhance the experience the customer has with your company | Given the dual revenue channels of newspapers, it is often possible to provide additional services to readers, or advertisers, through funding from the other channel (e.g. reader event funded by advertising). This can in itself lead to new product development. CRM enhances the sales process through a deeper understanding of customer needs |
| Measurement and feedback | To ensure that all aspects of service provision are monitored in terms of results and impact on customer attitudes and behaviour. These results are then fed into: <ul style="list-style-type: none"> > the CRM process and across the organisation, to encourage operational improvement > the planning process to assist in redirecting future strategy and product development | The measurement process will involve: <ul style="list-style-type: none"> > statistical tracking of quantitative behaviour and response to activity > implementation of research to monitor qualitative issues such as customer needs, attitudes and motivations feedback and improvement need to be encouraged through: <ul style="list-style-type: none"> > staff briefings and training > setting of targets > regular reviews of company processes and methods |

CASE STUDY: ALMA Media, Finland

ALMA Media are preparing for the revolution in interactive TV by developing a central data warehouse from which they are successfully cross-selling their wide range of products.

Alma is the second biggest media group in Finland, and was formed three and a half years ago by merging newspaper, press and TV activities into one organisation.

Everyone in Finland enjoys at least one of the services of Alma Media, whether television, newspapers or, increasingly, the internet. The management of the company realised some time ago that the interaction with their online visitors could form the basis of a far stronger customer-focussed philosophy that would benefit all of the company. It was agreed that implementation of CRM should commence in the new media division under the Senior Vice President, Raimo Mäkilä.

The company's online activities extend across the MTV3 site, Finland's most popular media internet service, the country's leading free ISP with 120 000 users, sites for most of their 30 newspapers and specialist sites, for example in classified advertising.

In total Alma have over 800 000 active online customers, almost half of Finland's internet homes. Like most other media owners, the services

have been largely dependent on advertising revenues, and like most others they began questioning their revenue models some time ago.

From the start, Alma have seen what Raimo calls ‘the big picture’, realising that each strand of the company could benefit from access to the customers from other divisions. While the short-term goal is simply to build customer relationships and to multi-sell as many products and services as possible to each prospect, the longer-term ambition is to lead the market in the interactive world of digital television.

Raimo’s analysis revealed that many of their online users used several of their services, and a starting point was to simplify their usage by providing common tools and simpler navigation. There was also a need to start charging for content, and this required linkage with an appropriate payment system.

This integration would also lead to common technological solutions which, in turn, would result in reduced operating costs.

The initial database of online users enabled Alma to identify each customer as a prospect for other services, online and in print, and also for television in the future.

In addition to this, Alma have developed their own customer profiling system. Information is gathered about every customer, both from registration questionnaires and from their online usage patterns. The data from each user is stored in a central data warehouse from which cluster analysis is used to segment the customer base into different groupings. This profiling offers a number of distinct benefits:

- > Better targeting capability for online advertisers (by linking to appropriate ad-serving tools).
- > The ability to identify prospects for other online and print products. This can also be used to prepare appropriate scripts and offers for each profile type.
- > Information to identify target groups and new product opportunities.
- > The system can also be applied to lapsed customers to either resell them or identify alternative offers.

While the profiling system is currently in use for almost all online users, it will in time be applied to digital television and the new interactive commerce systems.

The central CRM system is then used to manage a range of marketing activities. One example is the web site for Kauppalehti, Helsinki’s evening paper. It has many users who do not subscribe to the newspaper. Non-subscribers receive e-mails that positive them to subscribe – with encouraging results.

Another interesting application is in the use of the postal service to lapsed online customers. Since they provide address details at registration, they can still be contacted and resold, with very encouraging results.

Like many new media operations, the online team at Alma must cost-justify. The ability to generate new print and TV customers from the database of online users is a key demonstration of the value of online to the company.

Under Finnish data protection regulation, people have to consent to their records being used for other marketing purposes. The experience at Alma is that 60% of their ISP users and 80% of users of other online services consent. But unlike many publishers, Raimo Mäkilä does not see data protection as a barrier: 'Strong privacy policies are a good thing since they let customers decide. We need to respect our customers and legislation protects them. Even if legislation was liberal we would need to be strict with privacy.'

Having consolidated their databases, Alma are now selling their data on to third parties, providing a useful additional revenue stream for the business. Other opportunities are the creation of a national web-address directory.

Alma believe the central approach to their CRM implementation provides a number of benefits:

- > Considerable cost-savings due to single technology solution.
- > A central overview to ensure effective use.
- > Each part of the company benefits from accessing data from the other parts.
- > Ability to centrally track the activity directed at each customer and sector, minimising overload.
- > Lessons learned can be applied to other parts of the company.
- > They can test different ideas.
- > The profiling data drawn from one area can be applied to another.
- > Intervention in wider group technology specifications and purchase.

While CRM definitely benefits from a centralised approach, it is not without its problems. Inevitably, many managers prefer to retain control of all aspects of their work, and the central coordinator needs to be sensitive to this. In addition, the need for standardisation of data collection and storage can reduce departmental flexibility.

Within Alma, site registration is essential, but some business unit managers prefer non-registration since it is known to reduce traffic.

‘The challenge is to spread the knowledge and get everyone to buy-in. One person may be eager to get one feature moving. When someone starts making money then others buy in.’

Critically, while all data is held centrally, each business unit ‘owns their own data’ and all analysis of results is undertaken within the business unit.

One area of sales activity which has benefited from a group approach is key accounts. Here, a small group of senior sales people market the company to major businesses. But their role is to open doors:

‘It doesn’t work well if they sell. They act more as consultants providing introductions. They identify the needs of the customers, in terms of markets and media applications.’

The CRM system comprises a central data warehouse that links to the legacy systems in the other operating companies.

The company undertook a major internal audit of their long-term CRM requirements and compared these to their current systems. An in-house team of about ten Oracle programmers have since built, and continue to develop, the system for the company.

The company’s objective is convergence in both departmental operations (e.g. multimedia newsrooms working with common multipurpose tools across print, broadcast and online media. In the future, meta-data will be applied to content and marketing information, enabling each business to achieve their own goals from central data sources).

Already all companies in the Alma group operate with Oracle databases on Sun workstations, ensuring both compatibility and scalability. Raimo Mäkilä’s team oversee all Alma’s technology development and purchase, to ensure systems compatibility.

2.3 The role of campaigns

A vital component of any CRM implementation is the use of campaigns.

A campaign is a coordinated programme of cross-functional activities aimed at a particular sector of the market, for example students or people in a particular town, or to promote a specific section of the paper, such as a relaunched business or property section, or encourage sources for a particular story. During a campaign, all the departments in the newspaper work together to produce and implement a campaign programme through each of the five CRM steps.

Each department sets its own objectives and activity plans for the campaign, to ensure that the opportunities are maximised and each function benefits from the actions in other departments.

CAMPAIGN PLANNING – LAUNCHING A NEW BUSINESS SECTION OF THE NEWSPAPER

| | READER MARKETING | ADVERTISING | EDITOTIAL |
|---------------------------------|---|--|--|
| Knowledge | <ul style="list-style-type: none"> > Identify all business prospects to receive newspaper > Establish most effective means of communication by sub-group > Establish any competitive comparisons for sales proposition > Determine means of distribution | <ul style="list-style-type: none"> > Identify all advertising prospects for new section > Identify competitive media and sources of new prospects > Prepare sales packages, arguments, added value | <ul style="list-style-type: none"> > Determine exact needs of business audience > Ensure awareness among staff of key issues and personalities |
| Acquisition | <ul style="list-style-type: none"> > Test marketing and communications proposals, including direct mail, call-centre, above the line, in-paper, event marketing, incentives, etc > Finalise budgeted activity programme > Implement marketing and communications plan > Monitor non-reader awareness and attitude | <ul style="list-style-type: none"> > Establish marketing and communications activity programme > Monitor conversion levels and prospect reaction to propositions and to product | <ul style="list-style-type: none"> > Determine prospect base for story sourcing > Establish effective communication with business readers |
| Retention | <ul style="list-style-type: none"> > Monitor prospect reaction to activity and to product > Monitor distribution (given problems of delivering to businesses) | <ul style="list-style-type: none"> > Prepare case studies of advertising response and success stories | <ul style="list-style-type: none"> > Revise product in line with reader reaction and feedback re cancellations |
| Enhancement | <ul style="list-style-type: none"> > Research all cancellations and feedback into process > Develop spin-off products such as books, guides, events, etc | <ul style="list-style-type: none"> > Implement advertising service enhancements > Build added-value products, such as events, supplements, etc | <ul style="list-style-type: none"> > Develop added-value services such as specialist briefings, archive access, financial databases, etc |
| Measurement and feedback | <ul style="list-style-type: none"> > Continually track reader reaction > Establish any points of weakness over time | <ul style="list-style-type: none"> > Monitor competitive response > Track market share in volume and advertiser count, by sub-category | <ul style="list-style-type: none"> > Monitor reader and advertiser reaction |

3. CRM in the reader marketing function

Along with profitability, circulation is a primary concern of most publishers. Circulation is the measure of the newspapers' success and respect in the market. With advertising revenues directly linked to circulation penetration, circulation is also a key driver of advertising revenue.

However, behind a newspaper's basic circulation figures lie a number of complex factors.

| | |
|---------------------------|--|
| Purchase frequency | Not every purchaser buys the newspaper every day. For example, in the UK, a largely single-copy market, the average reader of The London Times reads on average just over two issues a week out of six ⁴ . |
| Churn | A vital factor is the rate at which new purchasers appear and current purchasers stop. Given the issue of reading frequency above, this is not simply a matter of starting and stopping. |
| Demographics | These are vital for a number of reasons. Some groups are more attractive to advertisers. Less well known is the relationship between readers wealth and their reading frequency. Younger readers are less likely to read newspapers than their parents. They tend to enjoy different lifestyles and require different marketing approaches. In many markets newspaper readership often increases when people become parents. By accessing data of recent parentage, it is possible to target prime prospects. Conversely, readers often stop reading when children leave home. |

One publisher discovered that sale suffered disproportionately in the summer because a high proportion of readers were playing golf. This led them to introduce a series of initiatives aimed at golfers.

| | |
|---|---|
| Service quality | A primary reason for subscriber cancellation is the quality of delivery. |
| Competition: | Inevitably, competition is a major factor. But how much do you know about the detailed impact of competition in terms of readership loyalty? |
| Outside influences | Competition goes beyond newspapers. For example, evening newspapers suffer disproportionately in summer months because readers find other activities. |
| Price | Price affects sale in four ways: unit price relative to other goods, price relative to competitors, change in price, price discount applied either to single-copy sale, or as a subscription incentive ⁵ . |
| General circulation trends | There are three forms of circulation trend: weekly, where sale varies by day of the week, seasonal, and long-term. Analysis can reveal that factors in particular parts of the cycle can have a disproportionate effect on circulation performance. Understanding these factors can have a radical effect on long-term circulation performance |
| Perceived value of the newspaper | Busy readers increasingly value their newspaper relative to other uses of their time. Rather than competing for time, newspapers should be enhancing these other time-consumers. Publishers can increase this perceived value by offering other benefits such as retail offers, access to events, added-value services such as archive access and advertising offers. Readers also welcome the opportunity to influence the content and changes in the newspaper. |

Every publisher must establish:

- >What are the key factors that drive my circulation?
- >What are the key factors that inhibit my circulation?

CASE STUDY:

Bounty, UK.

An example of innovative targeting from outside the newspaper industry can be drawn from a leading insurance company, Scottish Widows, who identified prime prospects for life insurance and pension policies, by tracking the relationship between policy purchase and the birth of child.

In many countries, “Bounty Data” is collected from health authorities on every new child that is born. In the UK, 93% of mothers opt to receive a pack of baby products and educational literature in return for providing their details to a national database of new mothers. Currently this generates 2000 new parents’ addresses every day.

Data Discoveries, a leading aggregator of direct marketing data, set out to demonstrate to Scottish Widows that they could dramatically improve targeting and conversion of prospects for insurance policies by utilizing this information to determine not only who should be targeted but, just as critically, when.

They started by comparing 84,000 customer records from the Scottish Widows database. This was narrowed down to a sample of 12,000

homes from which they were able to correlate the relationship between childbirth and policy purchase. DD concluded that policy purchase was mostly likely to occur within 2 years, either side of childbirth. In some cases the arrival of the child signaled the purchase of a policy, in others, the reverse was the case, with house movement another common feature (both, coincidentally, are critical determinants of newspaper purchase).

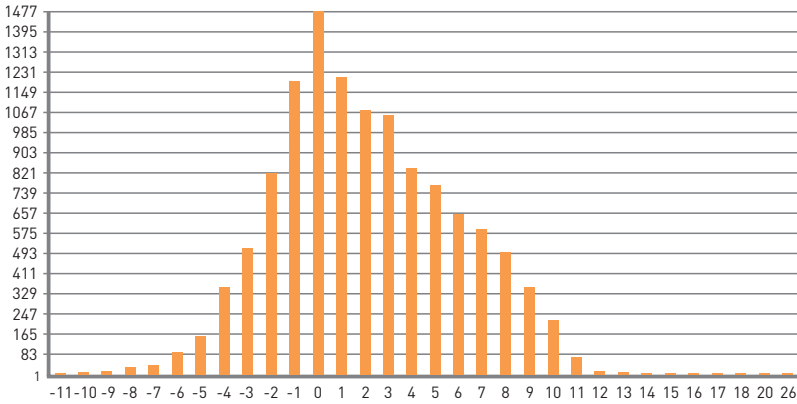


CHART 3
INCIDENCE OF INSURANCE POLICY PURCHASE WITHIN YEARS BEFORE OR AFTER CHILDBIRTH

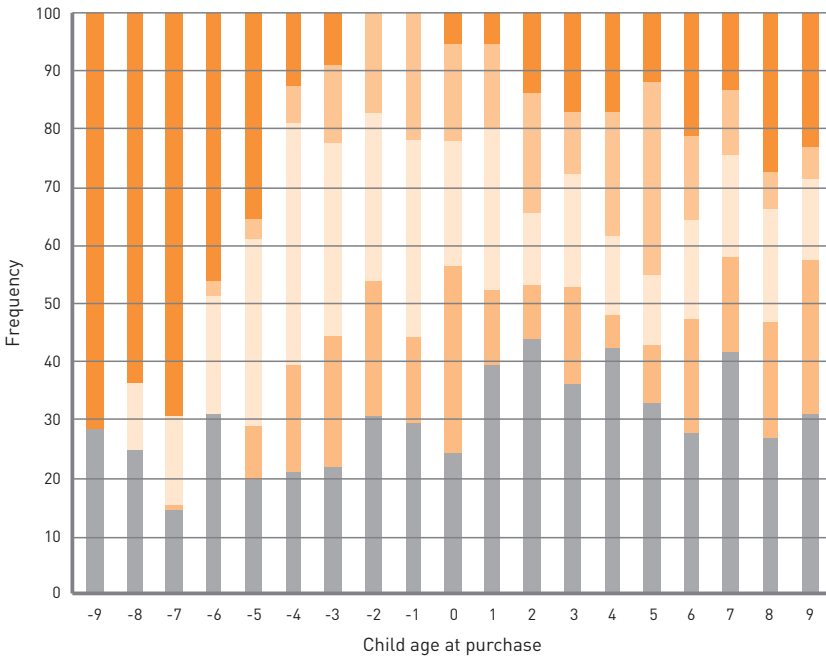


CHART 4
ANALYSIS OF RELATIONSHIP BETWEEN CHILDBIRTH AND PURCHASE OF DIFFERENT POLICIES

- Group Personal
- House Purchase
- Individual Personal Pensions
- Protection
- Regular Savings

The company was also able to correlate the relationship between childbirth and the purchase of other policies: pensions, which were predominantly started long before childbirth, savings plans, which tended to follow the birth, and health protection, which strongly centered on the year of birth. This enabled Scottish Widows to refine their up-selling strategy both in terms of sales activity and product pricing.

According to Marcus Brook, Director of Business Development at Data Discoveries: “Overall, our model was able to correctly guess which product a person would buy 40% better than chance and, in the case of buying a pension, got it right almost 50% of the time, two and a half times better than chance.

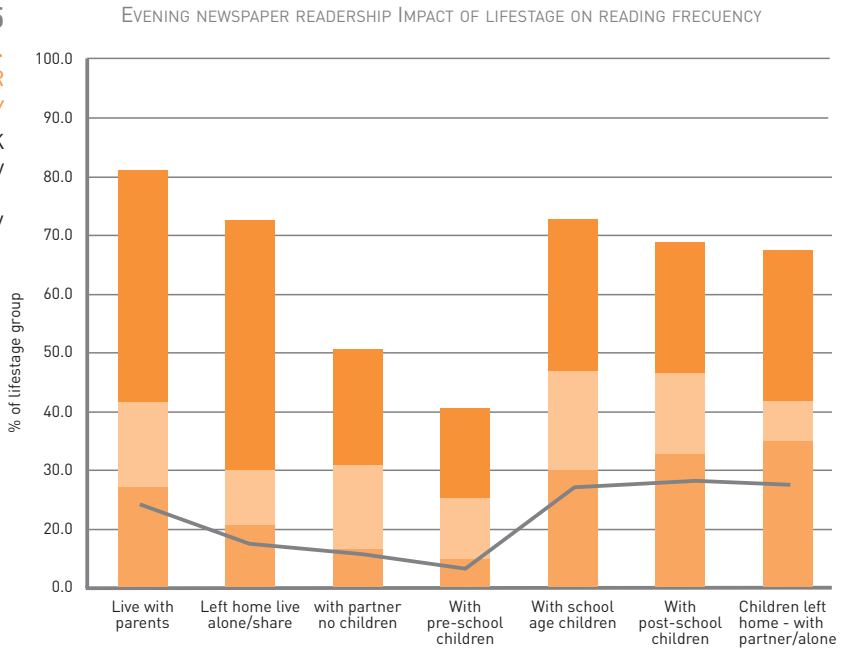
“Obviously, we can’t guess when somebody is 3 years off having a child! But their life-stage can give us a lot of clues and this can work equally for newspapers.”

The use of childbirth data is equally applicable to the newspaper industry, as the table below demonstrates.

CHART 5
GRAPH OF LIFESTAGE.
EVENING NEWSPAPER
FREQUENCY

Source: UK
 Newspaper Society

- Only occasionally
- Quite often
- Almost always
- Regular Savings



The New York Times realized the importance of cross promoting their printed paper and website over two years ago.

In converting on-line users to print subscription, they exploit two main opportunities:

- > Banners are placed in prominent positions on the website offering a number incentives, including 50% discounts and special offers for students.
- > Targeted e-mails promote the newspaper and website to special interest groups, for example in travel, baseball or wine and dine.

During 2000, this generated 49,000 new subscription orders. Between January and October, 2001 they generated 69,000 orders.

CASE STUDY:

The New York Times, USA.

FIVE-STEP PROCESS OF CRM IN READER MARKETING

| Step | GOAL | PROCESS | DETAIL |
|-----------|---|---|--|
| Campaign | Agree campaign theme and objectives | | |
| | Define target markets | <ul style="list-style-type: none"> > Who are the main reading groups of the paper? > Which sub-groups require targeting? | |
| | Set ranking criteria for subscriber prospects | <ul style="list-style-type: none"> > Which readers are most likely to subscribe to the paper? > Which groups will generate the best advertising return? > Which groups can I service most cost-effectively? | |
| | Source and establish database of prospects | > Source data and establish useable database | <ul style="list-style-type: none"> > Build database of every address in the circulation area > Augment with details of subscribers and prime prospects > Establish means of regularly updating information > Identify possible data partners |
| Knowledge | | <ul style="list-style-type: none"> > Upgrade data for campaigns > Establish verification system | <ul style="list-style-type: none"> > Source alternative information relevant to the campaign > Introduce software to ensure accuracy of incoming data |
| | Identify alternative points of concentration of prospects | <ul style="list-style-type: none"> > How or where else can I reach my target prospects? > What lifestyle or behaviour factors can I exploit? > Are there implications for advertising or editorial? | <ul style="list-style-type: none"> > Public events or venues > Clubs or associations > Web-sites |
| | Clarify interest areas (in the paper) and other potential drivers of sale | > These are required for presenting the benefits of the newspaper to the reader in the marketing activity | <ul style="list-style-type: none"> > Research the target group to establish marketing and content opportunities for the newspaper > Establish any potential barriers or prejudices to sale |
| | | | |

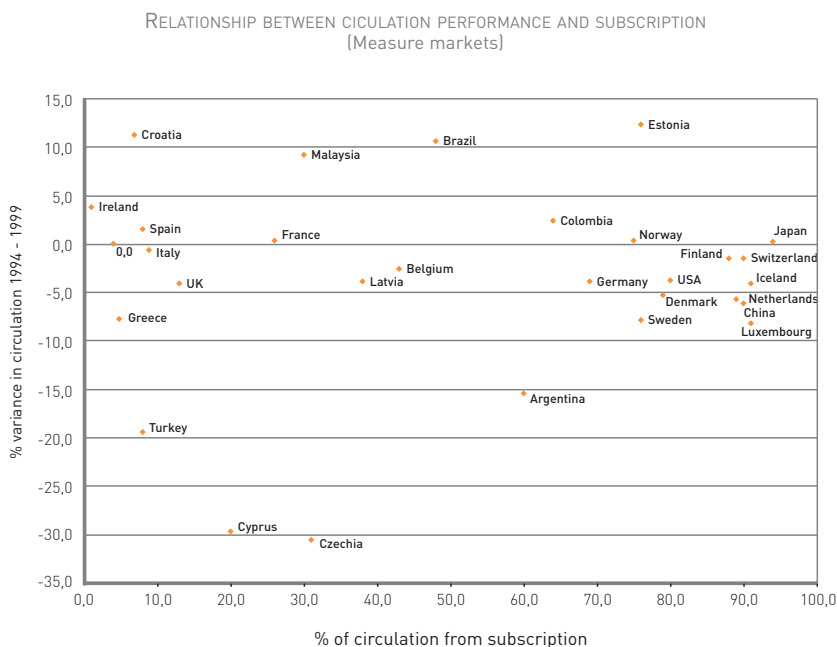
| Step | GOAL | PROCESS | DETAIL |
|---|--|--|--|
| Acquisition | Set up programme for marketing activity | <ul style="list-style-type: none"> > Utilise the most effective marketing methods to reach each readership group. This may involve direct selling, but it may be more effective to use an event where target readers are gathering | <ul style="list-style-type: none"> > Call centre > Direct mail > Sales force > In-paper promotion > Content activities |
| | Test market campaigns | <ul style="list-style-type: none"> > The objective is to tune the campaign before investing heavily in a full programme | <ul style="list-style-type: none"> > Events > Incentives > Scripts > Activities > Pricing |
| | Review and revise activity programme | <ul style="list-style-type: none"> > Measure results | <ul style="list-style-type: none"> > Compare different activities, incentives, scripts, market sector responses, to identify most effective |
| Retention (of subscription) | Measure cancellation factors | <ul style="list-style-type: none"> > Scale and nature of cancellation > Identify cancellation points | <ul style="list-style-type: none"> > When do people cancel > What types of people cancel > Opportunities to cancel > Reasons to cancel |
| | Install pre-emption methods | <ul style="list-style-type: none"> > Automate renewal procedures | |
| | | <ul style="list-style-type: none"> > Test communication and alternative procedures to prevent cancellation | <ul style="list-style-type: none"> > Different timing periods > Different invoicing procedures |
| | | <ul style="list-style-type: none"> > Introduce added-value incentives to encourage loyalty | <ul style="list-style-type: none"> > Special publications, targeted to reader groups, funded by advertising > Events aimed at subscribers > Added-value packages such as discounted goods, etc |
| | Introduce programme for resale | <ul style="list-style-type: none"> > Establish most effective contact programme > Script most effective means of resale | <ul style="list-style-type: none"> > Test alternative approaches and suppliers |
| <ul style="list-style-type: none"> > Evaluate procedures to ensure continuing profitability | | <ul style="list-style-type: none"> > Avoid discounting for renewal | |
| Install method of tracking reasons for cancellation | <ul style="list-style-type: none"> > Collect data on every cancellation | <ul style="list-style-type: none"> > Ensure record includes detailed reason for cancellation. | |
| | <ul style="list-style-type: none"> > Feedback into departments | <ul style="list-style-type: none"> > Content changes > Pricing > Distribution | |
| | <ul style="list-style-type: none"> > Set up action plan and targets to minimise loss | <ul style="list-style-type: none"> > Introduce targets and incentives where appropriate to reduce cancellations (including editorial). | |

| Step | GOAL | PROCESS | DETAIL |
|--------------------------|---|--|--|
| Enhancement | <ul style="list-style-type: none"> > Identify added-value services from current resource > Seek reader benefits along the newspaper value chain > Target new products aimed at sub-groups of readership > Link with NPD process in organisation | | <ul style="list-style-type: none"> > Archives > New targeted publications in print and online > Events > Reader offers/retail/travel/etc |
| Measurement and feedback | <ul style="list-style-type: none"> > Measurement of all stages of process | <ul style="list-style-type: none"> > Quantitative results of different offers and methods > Qualitative measures of attitudes and values | <ul style="list-style-type: none"> Integrated analysis techniques Simplified reporting of results |
| | <ul style="list-style-type: none"> > Continuous analysis | <ul style="list-style-type: none"> > Tracking systems Benchmarking (against other titles) | |
| | <ul style="list-style-type: none"> > Research of market needs and attitudes | <ul style="list-style-type: none"> > Programme of external research of market > Programme of reader-feedback | |
| | <ul style="list-style-type: none"> > Cross-functional feedback system | | <ul style="list-style-type: none"> > Action orientation and key task setting |
| | <ul style="list-style-type: none"> > Commitment to continual improvement | <ul style="list-style-type: none"> > Target-setting for improved results > Regular review of systems, procedures and structures as part of ongoing change-management process | <ul style="list-style-type: none"> > Incentivise both improvement and ideas for improvement |
| | <ul style="list-style-type: none"> > Input to management process and strategic planning | | |

3.2 CRM and the single-copy sale

For publishers in markets that are dominated by single-copy sales, the issues surrounding CRM are very different but no less relevant. It remains essential to clearly understand the behaviour patterns and motivations of readers. A database of the most loyal and most attractive readers leads to a range of other marketing and product development opportunities.

CHART 6
RELATIONSHIP BETWEEN CIRCULATION PERFORMANCE AND LEVEL OF SUBSCRIPTION TRENDS.
 Source: World Press Trends.



A number of newspapers, based in predominantly single-copy markets, have developed profitable CRM strategies that have not only secured their circulation, but have led to the development of a number of profitable new business activities.

Subscription is regarded by many as a far preferable system for circulation compared with single-copy sale. In truth there are advantages and disadvantages in both.

Subscription may be more common in markets with higher penetrations and indeed it generally results in higher levels of purchase frequency, but as the chart above shows, there is no evidence that it engenders loyalty or indeed secures long-term growth or even stability. It could be argued that newspapers' share of advertising is stronger in markets where subscriptions are predominant, but this is largely due to the historical evolution of different media forms.

While the costs of distributing a subscription copy tend to be higher than those of vended sales, the benefits in terms of customer knowledge, security of sale, and the ability to manage retention, far outweigh those of vended sale where readers' purchasing patterns are often erratic.

For the circulation manager of a single-copy newspaper it is important to understand the nature of his/her readers' buying behaviour patterns.

One common misconception is that more prosperous readers are somehow more loyal. In many markets this is not the case. For example, the chart below compares average income with reading frequency of newspapers in the UK.

Here it can be seen that while readers of the mass-market tabloids Sun, Daily Record and Mirror all have readers who read the paper ‘almost always’, the up-market broadsheets show far lower levels of reader loyalty.

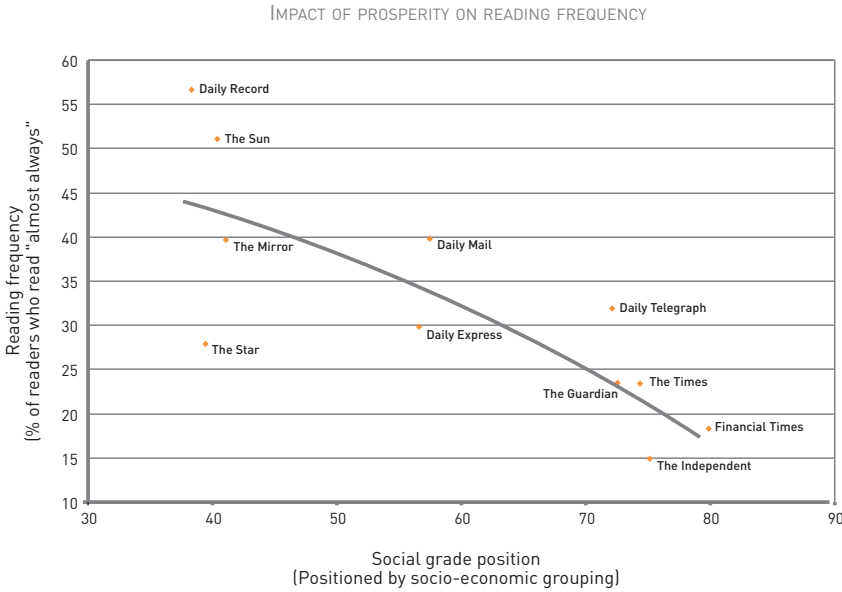


CHART 7
RELATIONSHIP BETWEEN READERSHIP DEMOGRAPHICS AND READING FREQUENCY

Source: UK Newspaper Society/National Readership Survey

CRM can offer a number of distinct opportunities for publishers operating in single-copy markets.

| | |
|---|---|
| Know your customer better | Build databases of readers, through recording contact points such as competition entries, readers letters, reader offers, clubs, etc Understand the different values and purchase behaviour that readers demonstrate depending on their life-stage |
| Incentivise daily purchase | Offer special incentives (such as clubs or event entry) Reward frequent purchase (without devaluing the product) |
| Develop cost-effective direct distribution | Work with specific vendors or retailers to deliver to the reader Partner with distributors of other products to share infrastructure and marketing |
| Exploit your database | Develop new products or add value to your service to advertisers |

Here are some issues that a publisher of a single-copy newspaper should ask when considering CRM:

- > What proportion of my readers do not read the paper every day?
- > How much would circulation increase if my irregular readers each read one more issue a week?

- > At what life-stages do readers change positions on my loyalty ladder?
- > What is the difference in cost in serving infrequent readers (for example waste copies are a consequence of irregular readership and should be measured accordingly)?
- > What are the costs/benefits of introducing a CRM programme aimed at eradicating infrequent purchase?
- > What additional revenue streams can I develop by understanding my readers better?

CASE STUDY:

Telegraph Group, UK.

The Telegraph Group's success in retaining its leadership of the UK's quality newspaper market against ferocious competitive discounting has been widely reported. It is a classic example of well-executed CRM. From an initial objective of building a database of loyal readers, the programme is now fully engaged in attracting new readers from its formidable competitor.

In 1993, News Corporation reduced the price of The Times initially from 45p (€0.73) to 30p (€0.48) and then ultimately to 10p (€0.16).

As market leader, the Telegraph team realised the folly in following The Times cut for cut down the price ladder (at one point it is estimated that The Times was losing 9 pence (€0.15) on every copy sold.) The Telegraph refused to fall below the critical 30p mark (at which point circulation gross profit would fall into loss) and instead embarked on an ambitious programme that would exploit the assets they had built up in customer database management.

Reading frequency is a critical factor in the UK, as it is in many markets. Only 24% of quality newspaper readers are what are described as regular (reading three out of four issues), and as a general rule, the more up-market the newspaper, the lower the average reading frequency.

In what is largely a single copy market (only 15% of UK newspapers are delivered, and this is mostly done by independent local retailers) readers of quality newspapers switch from one newspaper to another regularly and the Telegraph team realised that the key to a secure circulation was to encourage and reward reader loyalty.

Both The Times and Telegraph publish Sunday newspapers and a second aspect of the battle was to encourage daily readers to remain loyal on Sunday.

Initially, the company had developed a transactional database, recording details of everyone who entered competitions or took advantage of one of the

newspaper's popular reader offers. As well as recording all direct contacts, the newspaper also gathers names and addresses from companies who partner with the Telegraph to deliver these reader offers. The partners' fulfilment houses are provided with templates to ensure that the data captured is consistent and compatible.

Over time this transactional database has grown to 2.7 million adults.

The next stage in their strategy was to encourage loyalty and frequency in two ways:

The voucher scheme was set up to introduce prospects to The Daily Telegraph and The Sunday Telegraph without the need to make a pre-payment. Discount vouchers are mailed to prospects. The vouchers cover specific issues and are dated. They frequently refer to in-paper promotions to encourage trial.

To encourage readers to subscribe to the newspaper directly with the company, again at a discounted price, the company then arranged for the paper to be delivered through one of 20,000 accredited newsagents. From this everyone benefited. The newspaper had the contact details of the subscriber and the security of daily purchase. Both the newspaper and retailer benefited from improved cash flow from advance payment. The reader then benefited from seven-day delivery at a reduced price. There is almost total redemption of vouchers.

In common with other national newspapers, the Telegraph maintains a national newsagent database which keeps daily information on every outlet it supplies. But unlike the others, it also holds information about each newsagent's home delivery area and this database is linked into the prospect mailing file. Of the total 55,000 agents on their system, 20,000 are classified as "Telegraph

Preferred Delivery Agents". Every new subscriber's address is matched to the TPDA list so that a newspaper delivery can be arranged. The system also tracks the redemption of vouchers by outlet.

Newsagents gain points for increased sale and for displaying promotional materials. An incentive programme exists which rewards good performance.

Having successfully established the subscription and delivery processes, the Telegraph then turned to attracting readers of other newspapers, with a very ambitious direct marketing programme.

Their first step in this process was to acquire readership information from a range of national lifestyle surveys. Over time this has provided a prospect base of 12.5 million newspaper readers.

These prospects are then filtered according to the newspapers they read, their age and their interests. The company also uses neighbourhood definition

data to describe the type of home. This is useful where the company has names and addresses but does not have lifestyle survey data. The data is verified, to ensure accuracy (and that the respondent still lives at the same address) immediately prior to use.

Campaign programmes include what Anne Gowan, Director of Direct Marketing, calls a “control pack.” Here a standard offer is mailed to different targeted groups of prospects with a “straight offering”. This provides a base line result against which other campaigns can be benchmarked. A range of different test campaigns are then run to establish the most effective combination of creative design, incentive, etc.

The most successful campaigns target readers of specific age and interest groups - for example sport, gardening, business - and promote the specific benefits to the reader of the Telegraph.

On some occasions, mail shots are followed up by telephone utilising the Telegraph’s own call centre.

Anne says the company is delighted with the levels of conversion (in such a competitive situation she is understandably reluctant to share these details). Having gained a subscriber, her next objective is to maximise price over time. Here the company introduces a small price increase at every renewal. To date, retentions have been good and there is little adverse reaction to increases. Their experience is similar to others. Subscribers on direct debit and those with longer subscription periods, show the highest levels of retention.

Another way of attracting new readers, either as subscribers or through the voucher programme, is to target commuters, or people at sports events. Here the company distributes a brochure which introduces the benefits of the newspaper. It includes discount vouchers and readers are offered an incentive to give newspaper purchase information that is tailored to the means of capture, for example a travel season ticket or a gift relevant to the event.

The company also run campaigns with partners, for example offering a trial to a finance magazine as part of the package to readers interested in personal finance.

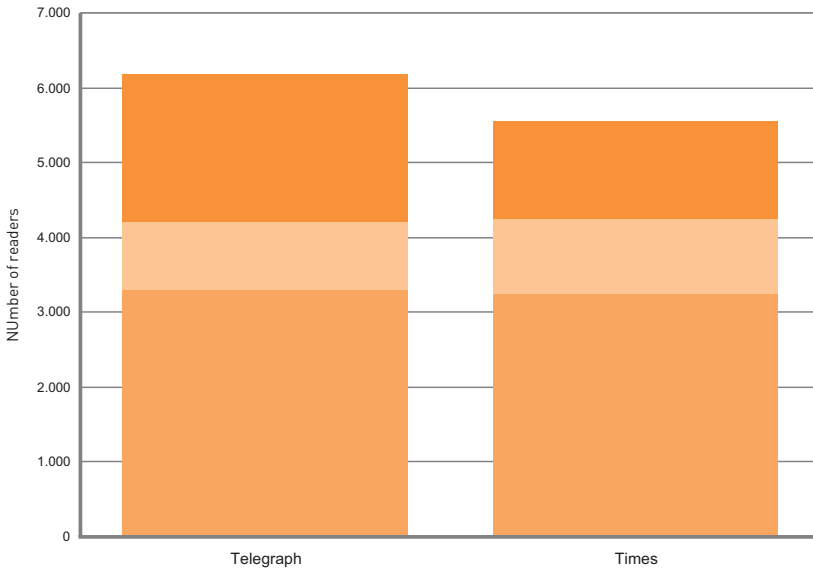
Most importantly, every campaign is measured and benchmarked against previous activity to track incentives, offers and creative treatments.

The programme is continually being tuned and new tactics introduced. One current objective is to target younger readers. On the day The Telegraph was visited, the priority was how to respond to an initiative by a competitor.

Today the Telegraph has 450,000 people on their subscriber database of whom 315,000 are current subscribers. According to the UK’s National Readership Survey, 32% of its readers are regular, compared with only

23% of Times readers. This would suggest that while the Telegraph's sale in the UK is 48% ahead of The Times, 37% (three-quarters of the difference) is accounted for by higher reading frequency.

COMPARISON OF READING FREQUENCY OF THE DAILY TELEGRAPH AND THE TIMES



Source: Newspaper Society National Readership Survey.

CHART 8
 COMPARISON OF READING FREQUENCY OF THE DAILY TELEGRAPH AND THE TIMES

Source: Newspaper Society National Readership Survey

- Read almost always
- Read quite often
- Read only occasionally

The Telegraph Group are now one of the UK's most respected exponents of direct marketing, employing 18 people in their Direct Marketing unit, 8 in their subscriptions team and an in-house call centre of 100 canvassers.

The company has invested heavily in these activities, but the costs are revisited regularly and are clearly justified. At budget time, a market forecast is produced, which in the UK will suggest decline. The objective of the direct marketing programme is to cost-effectively off-set any likely decline from the market. Life-time value calculations are produced, and these of course include any likely impact on advertising that a loss of circulation (and therefore share of readership) might produce.

Anne and her team see technology as a secondary issue. "We are people and process led. Remember this started as a competitive response. We're not hung up on technology." A system was bought off-the-shelf and then developed. "If we saw the need to have a technology solution

first then the ROI would be far too long. I'm quite happy to use a basic package and adapt it to my requirements and attach various software tools to cope with specific needs."

Perhaps the greatest testimony to the success of their activities is that News Corporation has now responded in kind. They too are building a subscriber prospect base and are developing their own campaigns programme.

3.3 Understanding churn

Churn is a common problem for all newspapers and the word refers to the fact that readers join and leave the newspaper all the time. It is defined as the percentage of readers that need to be replaced every year to maintain the same level of circulation.

For subscription newspapers the problem is relatively easy to define and measure, since the subscriber base is known. But the problem is equally applicable to single-copy newspapers.

In a major study of churn conducted in 1995, the Newspaper Association of America identified four forms of churn⁶. To this, one other may be added to cover single-copy readers.

| | |
|-----------------------------------|--|
| Core | Those readers who are most loyal, buying the paper every day for significant periods of time (defined by the NAA as at least 1 year) |
| Incentivise daily purchase | Readers who may be loyal but have shown periods in which they have stopped reading (commonly because they wish to exploit new subscription offers) |
| Natural | This is caused by external factors such as people moving in or out of an area and is largely uncontrollable |
| Controllable | This refers to those readers who drift away, either permanently or, in the case of single-copy, who may read less frequently. This group is manageable (providing the reasons for stoppage or drift are known) |
| Irregular loyalist | There are many single-copy readers who buy consistently but only on certain days, for example for a certain supplement |

It is vital that publishers understand the nature of churn, its impact on sale, and its structure in terms of the proportion of sales fluctuation caused by the different types of churn, and any known remedies. Having measured the nature of churn, publishers should set targets for eradication.

4. CRM in the advertising function

4.1 Determinants of advertising success

For most newspapers, advertising is the determinant of profitability. A good advertising economy sees profits rise. A lean period, as we are seeing currently and profits are removed. Competition for a share of the advertiser's budget is becoming more intense. Newspapers, together with other traditional media, are finding budgets being shifted below the line. So what are the factors that determine success in advertising?

From the advertiser's perspective:

| | |
|-----------------------------------|---|
| Market coverage | Few advertisers are now seeking mass markets. Most have identified specific target groups, and measure the newspapers ability to reach them. Quality readership data is key |
| Measurable response | Advertisers are increasingly measuring response, and the trend toward direct marketing is encouraging advertisers in this direction. Indeed many advertising agencies are now remunerated according to results. Newspapers can extend their CRM processes to their advertisers, for example by offering coupon collection via their own fulfilment units. |
| Quality of the environment | Advertisers want their advertisements to appear alongside appropriate content. In most markets, too little research is available regarding readership in different parts of the newspaper. This is a primary reason given by major advertisers for not using press more often. |

| | |
|--|---|
| Quality of the advertisement | This refers to those readers who drift away, either permanently or, in the case of single-copy, who may read less frequently. This group is manageable (providing the reasons for stoppage or drift are known) |
| Quality sales and service | There are many single-copy readers who buy consistently but only on certain days, for example for a certain supplement |
| Competition, other media | CRM can enhance the sales process by ensuring that sales quality is monitored and continually improved. Intelligence and analysis encourages in better results from less activity. |
| Additional services | CRM can provide publishers with a means of measuring their paper against other media in terms of both the advertising and the sales service. Advertisers want response, by whatever means. The newspaper can add value to the advertising package by offering more direct communication, for example mail-shots to targeted reader groups, or setting up advance visits to store-sales as a special offer to subscribers. |
| Perceived value by the advertiser | Advertisers judge value by much more than the levels of response they receive. They value good advice on ad copy, data about their particular market, and feedback from journalists who report on their market, ideas about new opportunities. |

From the newspaper's perspective:

| | |
|---|--|
| Knowledge of the potential customer base | A central database of all businesses within a marketplace can greatly enhance the effectiveness of an advertising sales team, by accelerating call activity and identifying new prospects. |
| Understanding of advertisers' expenditure | This database can be appended with details of advertising expenditure for every advertiser in a market. This can also include any knowledge of below-the-line activities. |
| Understanding of advertisers' marketing objectives | The knowledge and ability of the sales person can often be enhanced by giving them access to agency wire services that provide details of different commercial markets, through a central information service. |
| Quality and efficiency of sales force | Sales activities can be improved in a number of ways, from securing customer records in a central system to automating field sales calls through remote access and data transfer. |
| Sales systems | Sales systems that are integrated with data warehouses, production and finance systems, enable the sales person to make better knowledge-based calls. |
| Cost to market | Improved efficiency can greatly reduce costs per call to improve net margins. |

Barbara Cohen and Craig Kaczorowski, writing in INMA's recent report on Newspapers and CRM⁷, listed a number of questions that publishers and advertising directors should be asking when considering CRM implementation. These are reproduced below:

On market knowledge:

- > Who are our high value customers today? Who will be our high-potential customers tomorrow?
- > What value do we create with these customers? What advantages do we have over current and future competition?
- > What IT infrastructure do we have in place today to offer multi-service channels? What systems will we need to support future needs?
- > Do we recruit, train and retain a technology-savvy workforce that can develop high-level customers?

On service:

- > Do we know who our top 100 customers are and the percentage of our (and their) business they represent?
- > Do we treat these top 100 customers as well as they deserve?
- > Does our organisation have a well-researched, shared vision of its readers?
- > Which consumer segments is our newspaper reaching?
- > Which segments should we be targeting?

On product development:

- > Does our portfolio of products and services meet the needs of high value advertisers?
- > Which advertising categories might be better served by other media?
- > What categories or consumer segments would be profitably served with new product offerings?
- > Are there any new or emerging, viable advertiser segments?

| Step | GOAL | PROCESS | DETAIL |
|-------------|--|---|--|
| Knowledge | > Identify and database all potential prospects | > Source public database of businesses | > Establish standard method of defining clients, categories |
| | > Rank by current and potential expenditure | > Gather data on advertising expenditure in competitive media | > Rank prospects by potential value |
| | > Review all competitive media, and establish competitive advantages | > Benchmark newspaper with all competitors. > Establish strengths and weaknesses | > By category and market > By opportunity > By service levels |
| | > Prepare knowledge of individual categories, market conditions, needs, etc. | > Estimate revenues, by advertisers, media and category [industry sources exist] | > Try to match categories to any standard industrial classifications > Endeavour to include below the line |
| | > Match category needs to platforms in the paper and other added value opportunities | > Correlate levels of reading interest with levels of advertising expenditure | > Introduce product development plan with editorial > Consider linking with web-site activities |
| Acquisition | > Establish sales force structure or supplier | > In-house sales force > External sales agency | > Structure department around customers and markets, not products |
| | > Establish systems for cold and current prospects | > Identify prospects similar to current customers > Tier sales force around customer potential | |
| | > Establish parallel marketing activity. | > Establish range of activities, including presentations, direct mail, events, client workshops, etc | > Track effectiveness of alternative approaches |
| Retention | > Measure revenue mix by loyalty and frequency | > Track and rank customers by spend, volume, frequency, loyalty, potential | |
| | > Track advertiser churn | > Research reasons for turnover > Establish alternative marketing choices | > Review means of insuring against loss of major advertisers |
| | > Review advertising offer | > Sales method and quality > Current package of prices, service > Should I be packaging the internet? | > Review means of maintaining yields with biggest customers, through added value |
| | > Track advertising effectiveness | > Set up ad effectiveness research > How can I repurpose our advertising offer? | > Feedback to client relative effectiveness of his advertising > What other marketing activity of my advertisers can I support? |

| Step | GOAL | PROCESS | DETAIL |
|-------------|--|--|--|
| Knowledge | > Identify and database all potential prospects | > Source public database of businesses | > Establish standard method of defining clients, categories > Rank prospects by potential value |
| | > Rank by current and potential expenditure | > Gather data on advertising expenditure in competitive media | |
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| Enhancement | > Prepare knowledge of individual categories, market conditions, needs, etc. | > Estimate revenues, by advertisers, media and category (industry sources exist) | > Try to match categories to any standard industrial classifications > Endeavour to include below the line |
| | > Match category needs to platforms in the paper and other added value opportunities | > Correlate levels of reading interest with levels of advertising expenditure | > Introduce product development plan with editorial > Consider linking with web-site activities |
| Acquisition | > Establish sales force structure or supplier | > In-house sales force > External sales agency | > Structure department around customers and markets, not products |
| | > Establish systems for cold and current prospects | > Identify prospects similar to current customers > Tier sales force around customer potential | |
| | > Establish parallel marketing activity. | > Establish range of activities, including presentations, direct mail, events, client workshops, etc | > Track effectiveness of alternative approaches |
| Retention | > Measure revenue mix by loyalty and frequency | > Track and rank customers by spend, volume, frequency, loyalty, potential | |
| | > Track advertiser churn | > Research reasons for turnover > Establish alternative marketing choices | > Review means of insuring against loss of major advertisers |
| | > Review advertising offer | > Sales method and quality | |
| | | > Current package of prices, service > Should I be packaging the internet? | > Review means of maintaining yields with biggest customers, through added value |
| | > Track advertising effectiveness | > Set up ad effectiveness research > How can I repurpose our advertising offer? | > Feedback to client relative effectiveness of his advertising > What other marketing activity of my advertisers can I support? |

CASE STUDY:

Helsingin,
Sanomat,
Finland

Helsingin Sanomat became Finland's biggest advertising medium by increasing its client base by a third, through better identification of customers, and increasing sales activity by 50% by shifting its focus from the advertising product and processes to the client.

Background

At Helsingin Sanomat (HS), Jarkko Kyttänen has overseen the introduction of a CRM process as part of a radical overhaul of the advertising sales operation. Since the start of the process the newspaper has become the biggest advertising medium in Finland, a position they did not hold five years ago, when the company began to examine how they could increase their share of a very competitive advertising market.

HS is the morning newspaper of the Finnish capital, Helsinki, though 20% of its circulation is enjoyed by readers across the rest of Finland. It is part of the Sanoma Corporation which, in turn, is a part of Sanoma Wsoy Group.

The process

Back in September 1998, the company began to realise that, as Jarkko put it, 'Our sales and service culture was not good enough'. Critically, the management concluded, 'There was no competitive advantage yet realised from our relationships with our advertising clients'.

'Previously, the emphasis had been only on short-term selling and services, rather than client management. This was not strategic nor designed to encourage a long-term partnership. We started to think, 'how do we see our clients?'. It used to be the case that we were concentrating only on our biggest clients and we did not know enough even about them. In truth we knew where our clients were and what they did but not who they were and what their objectives were. Our smaller clients were simply lines in our advertising production system.'

HS began improving its client strategy and wanted to develop models and systems to support it. The main objective of the change was to produce added value for HS clients and partners, but the company also believed that by exploiting the key components of the CRM process – technology, knowledge and, of course, people, both staff and clients – they could realise cost reductions in the longer run through more efficient and effective operations.

'We previously segmented clients into silos: the key accounts, and then everyone else. We only had sales activity, we did not have a programme to develop our relationship with their business.'

In November 1999, HS commissioned consultants who set out to clearly differentiate the company's activities, not by product line (subscription, display, classified, internet, etc) but by client-type. Their first decision was to clearly differentiate between business-to-consumer clients,

whose business lines were primarily circulation, internet, classified and increasingly events – and business-to-business clients, whose primary but not exclusive concern was advertising. The second decision was then to structure the advertising business into major accounts, split by category, which would require direct account management, and minor and irregular accounts that could be handled primarily by call centre.

| | MARKETING SERVICES | BUSINESS SUPPORT | PRODUCTION | | | | | | |
|-------------|--|--------------------|------------|------------------|-----------------|-------------|------------------|------------|--------------------|
| | BRAND MANAGEMENT | PRODUCT MANAGEMENT | RESEARCH | BUSINESS CONTROL | IT AND SERVICES | SECRETARIAL | SPACE & MATERIAL | PRODUCTION | TECHNICAL SERVICES |
| Client type | Structure | | | | | | | | |
| Business | Key account management process: <ul style="list-style-type: none"> > Field sales structure split into teams with specific industry focus (but only some major industries) > Major recruitment company kept as distinct category. SME process: <ul style="list-style-type: none"> > Call Centre structure with multiple channel approach, three teams 200 biggest. > Recruitment and new customers > Others (some clients have moved from field to telesales, but they now get more contact (though not only from the same person) | | | | | | | | |
| Residential | Residential processes | | | | | | | | |

Each of these sales teams were then supported by a range of back-of-house services, in three areas:

- > marketing services
- > business support
- > production

The HS team defined the project with five levels:

- > Servicing of large clients
- > Establishing leadership among all advertisers in Helsinki
- > Developing classified through better prospecting and sales service
- > Promoting the Sanomat Brand image to the advertising community
- > Ensuring the systems infrastructure optimised these activities in the marketplace

HS could now concentrate on providing a quality service to their major accounts while energising the process of attracting and building smaller accounts.

The HS team quickly realised that organisational and technological changes are interlinked. Both require the other for successful implementation.

Another factor was the reorganisation of the key accounts team to ensure that major accounts enjoyed a single contact-point. Major advertisers often have different departments with different budgets, often with different advertising advisors. Here the focus on the overall needs of the client resulted in considerable streamlining of account handling. Rather than the business benefiting from different sales people selling individual services, the clients now benefit from being provided with the most appropriate advice on how to generate business.

Advertising customers are defined at five levels:

- > **Non customer** – those who have never advertised with HS.
- > **New** – those who have advertised for the first time within the last 6 months.
- > **Active** – those who have advertised in the last 12 months.
- > **Inactive** – those who have advertised 12–24 months previously.
- > **Passive** – those who have not advertised for over 2 years.

INDEX OF AD SPEND ROLLING 12 MONTHS

| Size of account (FIM) | % of accounts |
|-----------------------|---------------|
| 1 000 000 + | 10% |
| 500 000 – 1 000 000 | 15% |
| 200 000 – 500 000 | 10% |
| 50 000 – 200 000 | 25% |
| 10 000 – 50 000 | 15% |
| 0 – 10 000 | 25% |

(numbers adjusted by publisher to protect detail)

INDEX OF AD FREQUENCY

(Time since the last insertion)% of client base

| | |
|--------------|-----|
| 1 month | 20% |
| 1 – 2 months | 5% |
| 2 – 4 months | 15% |
| 4 – 6 months | 25% |
| 12 months | 15% |
| 12 months | 20% |

(numbers adjusted by publisher to protect detail)

The sales force is no longer split between display, classified or leaflet sales (a factor which has severely limited many newspapers over the years). Today the sales person is expected to provide whatever is the most effective solution for the clients' needs.

On smaller accounts, greater emphasis has been placed on identifying and contacting new customers.

One of the central features of the new customer management system is the introduction of campaign management. Targeted programmes are planned well in advance, covering all aspects of the product, service and marketing including:

- > Call activity
- > Direct mail
- > Major presentations and events
- > In-paper promotion
- > Trade press advertising.

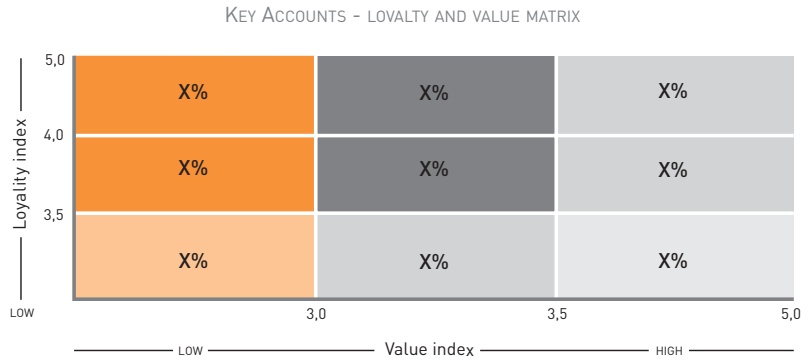
The level of outgoing calls to customers has risen from almost zero-level to 10 000 per year. As a result of more, and more focussed, activity the number of advertising clients has risen by an estimated 30% since 1998. This is despite considerable commercial consolidation and the growth in competitive alternatives.

Throughout this process, the efforts of the whole marketing organisation have been carefully monitored through a client satisfaction survey, which monitors advertisers' attitudes and response to the service they receive.

Clients welcome these surveys. They not only see them as a means of raising concerns and ideas, but also regard them as a demonstration of the company's commitment to them. 'Clients like to have a moan, but they also welcome being able to make suggestions.' Surveys can also identify new product or service opportunities.

Among other things, the client-satisfaction survey measures two key criteria, namely the clients' claimed loyalty to the paper, and the value that they believe they receive from the newspaper.

CHART 9
KEY ACCOUNTS
 -LOYALTY AND VALUE
 MATRIX



The results of the survey segmented the clients into nine segments on a 3x3 matrix (see above) according to their scores on each criteria. Different relationship techniques were then applied depending on where the client sits in the matrix and the value of their spend with the paper.

The results have been dramatic

Last year HS overtook TV channel MTV3 as Finland’s leading advertising medium. This at a time when newspaper advertising has been severely depressed by the fall in recruitment (up to 50% decline).

Technology

Typical in CRM implementation, HS have created an integrated technology environment that links their various internal systems with a new CRM data warehouse. Here the systems in sales, accounts and production all interface with a new warehouse of client information which in turn is linked to external data-sources. This ensures that comprehensive records on every client are maintained in one central location, including client history and spending patterns and a history of any problems.

The main contact management system was created by leading e-business systems supplier Siebel. This, together with the Atex Enterprise order and billing systems, has an Oracle database with the main data warehouse developed in Sybase.

One feature of the system is computer–telephone integration, which means that the system recognises a caller’s number and provides all known client information onto the screen automatically.

Information

HS are fortunate in that their parent company Sanoma WSoy also owns the Finnish ‘Blue Book’, which provides address data on all companies in Finland. Accessing this data ensures that HS can hold comprehensive

and up-to-date details on every company. In Finland, data protection legislation allows for the collection and storage of such information, which is not the case in some markets.

In addition to address and telephone details, the company also collects information on key contacts (such as the CEO, marketing director, personnel director) and the date of incorporation. It also enables the sales person to record 'soft information' about a client, such as objectives, problems, competition, direction, etc.

The next phase will be to interface with data on advertising expenditure, which is collected by an independent national supplier.

Conclusion

The Finnish newspaper market is crowded and competitive and well advanced in electronic, interactive media. For Sanoma the big strategic issue is owning the relationship with the customer. HS realise that from now on, 'we need to accept that organisational change is the norm, since future needs will be very different. Our offices are designed to allow for people to change and structures to move around.

'The nature of our organisation and environment is a central part of becoming client-centric.

'This needs to extend right across. Newspapers are not good at this. We have traditionally been product and production focussed. Now we need everyone to concentrate on the customer...'

4.3 The role as CRM provider

An opportunity exists for publishers to provide CRM as a value-add to advertisers' services. It is ironic that newspapers were probably the first group to identify the value of 'telesales' and call centres, yet when the call centre concept took off, we as an industry failed to maximise one of our core competencies to exploit emerging trends in marketing.

Of course publishers need to be careful that they do not lose focus on what their core activities are, but it is a fact that there has been a shift in marketing expenditure away from above-the-line advertising and into direct marketing. Every publisher must ask themselves two questions about their future role as a newspaper company:

- > How can we secure our relationship with our advertisers by getting them more response for every dollar they spend?
- > What shifts in business practice are emerging that we can profitably exploit?

One publisher recounted how as a young advertising manager he watched as a major airline company opened a call centre in his town, and recruited 10 of his best staff. 'Even then I failed to realise that I could have been providing these services to other local companies, thereby increasing my turnover, securing my staff and strengthening the dependency on me of my clients'.

Examples of how publishers can contract out CRM services are:

- > Provide fulfilment services for advertisements (such as coupon redemption, brochure distribution or free-phone services)
- > Sub-contract call centre services to advertisers
- > Offer other printing and design services
- > Assist with research
- > Give readers access to wire and archive services for an agreed fee
- > Produce magazines or other corporate literature for clients

5. CRM In the newsroom

5.1 Determinants of editorial success

To many journalists, the concept of CRM is anathema. Yet there are many stakeholder groups with whom good relations are essential if a newspaper is going to be successful:

- > Readers
- > News contacts
- > Interest groups, such as politicians, sportsmen, business-people,
- > Vital organisations like the government, the police, etc
- > Researchers, analysts, commentators

Traditionally, too many journalists have shied away from contact with their readership, other than in the letters pages. But given the increasing emphasis on interaction and two-way communication, this is resulting in competitive weakness. Journalists are now responding to a demand from their audiences to be participative rather than offer a one-way message. Indeed it could be argued that the newspaper which builds the best relationships with its stakeholder groups is in the strongest position to deliver the best stories, in the most appealing product.

One newspaper reported that they had introduced a 'be friendly' policy on the newsdesk to welcome callers and make them feel appreciated.

Local PR companies said they found the newspaper considerably easier to deal with and were therefore more likely to give them exclusive stories, rather than their more aggressive competitor.

Two further CRM principles that can be applied to the newsroom with considerable effect are the issues of understanding and measurement. Understanding includes a clear appreciation of the ever-changing needs and attitudes of readers (and other stakeholders). The implication of 'measurement' is that of performance measurement at all levels, from the newspaper in general through to the individual performance of every journalist.

Understandably, many editors and their staff are nervous about rigorous application of these principles. But ever more demanding media consumers are expecting this.

A final factor is that of influencing readers' behaviour and attitudes toward the paper, for example in tuning the editorial content to encourage daily rather than infrequent readership.

- > Every newspaper should carry panels promoting future content, to encourage, particularly, casual readers to return to the newspaper
- > Another means of encouraging repeat purchase is the use of serialisations
- > Writers should note at the end of their article what their next piece will be about

Watch any TV channel today and there are forward promotions in virtually every break, yet newspapers are strangely reluctant to aggressively promote their future content. Not only does this encourage casual readership but it confirms future value to regular readers.

| | |
|--|---|
| Communication between readers and journalists | E-mail is the most common approach. Feedback systems with readers offer both journalists and readers the chance to share opinions and swap ideas. Many readers really welcome this. Methods include: <ul style="list-style-type: none"> > On-line chat and newsgroups > Evening discussion groups > Newsroom open days Reader editors are becoming increasingly popular, with a senior journalist being charged with liaison with readers and problem-solving |
|--|---|

| | |
|--|--|
| An active process for encouraging and motivating press contacts | Many news desks have a reputation for being aggressive and hard to approach. Other methods of contact motivating include: receptions, the provision of reciprocal information (e.g. access to the library, archive, or wire services), specialist briefings. |
|--|--|

| | |
|---------------------------------------|--|
| A central information function | This provides the journalists with far richer sources of information including: <ul style="list-style-type: none"> > Hooking up to the advertising database of companies to provide accessible detail on every company > Can be used as a basis for recording journalistic contacts, a key benefit to the company should a reporter fall sick or move to another job > Access to marketing information used to sell advertising can provide excellent background material for stories > Ability to link different sources of information |
|---------------------------------------|--|

| | |
|------------------------------------|---|
| Regularly up-dated research | This can provide a barometer of the newspaper's performance, while revealing new interest areas and trends |
| Performance tracking | This can easily be done, down to the level of page, story or writer, utilising reading and noting research. |

5.2 Applying CRM in the newsroom

The five-step CRM process should be considered in the newsroom in the context of two stakeholder groups:

- > The newsroom and the reader
- > The newsroom and the story source

| | The readership | The story source |
|--------------------|---|--|
| Knowledge | <ul style="list-style-type: none"> > Do journalists have a shared view of who they are writing for and what their needs are? | <ul style="list-style-type: none"> > Is the contact base of sources complete and easily accessible? > Is it secure if a reporter moves to another job? |
| Acquisition | <ul style="list-style-type: none"> > What stories are likely to attract new readers to the paper? > How should these be promoted? > What minority interests are being served? | <ul style="list-style-type: none"> > How can I encourage people to contact us first with a story? > How do I enhance our image as the news medium? |
| Retention | <ul style="list-style-type: none"> > Which groups of readers are prone to stop or to read less frequently? | <ul style="list-style-type: none"> > How can I automate content gathering (for example receiving council or police information)? |
| Enhancing | <ul style="list-style-type: none"> > What other services can I offer my readership? | <ul style="list-style-type: none"> > What new services should I be offering in the newspaper, online or new product? |
| Measurement | <ul style="list-style-type: none"> > What are my readers' needs and attitudes? How are they changing? | <ul style="list-style-type: none"> > What are the attitudes of my sources to our coverage? |

The role of the readers' editor

Though he may be reluctant to describe himself in these terms, one outstanding example of CRM in the newsroom is in Ian Mayes, Readers' Editor of the Guardian. He was appointed to the role, which he describes as ombudsman or readers' representative, four years ago with five objectives:

- > To collect and respond to concerns of readers regarding any coverage in the paper, whether specific to that person or more general, from a position of independence within the newspaper

‘The appointment of a readers’ editor has been, on every level, the single most liberating act of my editorship.

On the most pragmatic level, it has freed me from the necessity of dealing with stropky callers, whether they be defamed cabinet ministers or outraged readers.

On the most elevated level it has led to a much more mature acceptance of the nature of the task we’re all engaged in at the Guardian.

Alan Rusbridger
Editor, Guardian

- > To ensure high standards of accuracy, fairness and balance in the Guardian’s reporting and writing
- > To create new channels of communication with and a greater responsiveness to readers;
- > To seek the views and comments from the journalists whose work is the focus of readers’ concerns
- > To look for ways of improving the paper’s work and performance through reader feedback.

Ian’s independence to investigate, respond to and report on errors and the concerns of readers is guaranteed by the trust that owns the newspaper.

British newspapers have traditionally been reluctant to admit their mistakes, seeing this as exposing themselves to litigation.

As Ian puts it: ‘It was the conventional wisdom of British newspapers that admitting error opened the door to litigation. This has been shown to be a mistaken belief in most cases’. In fact, in the first year following Ian’s appointment the number of disputes involving editorial content that reached the Guardian’s legal department fell by 30%.

Having said this, the Guardian is keen to differentiate between a ‘complaint that the paper is legally able to resist and one that it is morally obliged to accede to.... We will correct and possibly apologise for something we get wrong, if we think it is right to do so, even if there is no legal obligation to do that’.

In four years, Ian has dealt with 26 000 calls from readers, prompting 5 500 entries in the ‘Corrections and Clarifications’ column that appears every day on the leaders/letters page of the paper.

He tries to put the concern of many editors – that the reporting of errors will, in some way, weaken the image of their newspaper – in context: ‘Every week a team of 400 journalists produce the equivalent of three times the words in War and Peace in terms of output, and this is read by over 1 million people every day’.

Ian writes a weekly column which provides an overview of the wider issues that he is addressing. It may deal with complaints about a specific story, or describe the way in which a part of the Guardian works, for example the news conference or leader writers.

Ian believes the role of the readers’ editor also contributes to the newspapers renowned reader loyalty. ‘These core readers genuine-

ly believe that it is their paper and that the editor and his team are simply the resent custodians. It is very clear that a great many readers appreciate the easy contact they now have with the paper.'

Perhaps this is why a columnist in the Daily Telegraph, one of the Guardian's main competitors, wrote recently: 'Mr Mayes fulfils a valuable marketing function in sustaining thousands of readers in their belief that they play an integral part in the newspaper they read... Who else has the confidence to proclaim in print that the editor himself has been in error?'

Having relaunched his once broadsheet newspaper as a tabloid, one editor was determined to meet the criticism he received head-on. He called over 1,000 people who had complained about the change in format. It became a talking point among people in the market he served and resulted in greater support than ever before for his newspaper. His hard work paid off, with a turnaround in sale from 5% loss to 6% gain.

5.3 The role of research in the newsroom

There are many ways of effectively measuring or tracking the needs of the readers, their attitudes to the newspaper and their desires for change. It is not the role of this report to dwell on research methodologies; however four techniques that are particularly applicable to newsroom CRM are outlined briefly below⁸.

| | |
|----------------------------------|--|
| Reading and noting | A representative group of perhaps 200 readers are invited to indicate what they have read by marking each story with a pen as they read it. At the end of their reading they complete a short questionnaire about what they enjoyed most, what they thought was missing or what they enjoyed least. The technique highlights what is read and any points of low reading traffic through the paper. Statistical analysis can also be used to define different types of reader and this can be used to redesign the paper. |
| Reader panels | Here a panel of 1000 readers is established. Each day 100 are interviewed by phone about what they have read, enjoyed or missed. Every ten days the same group are interviewed again. A panel that includes readers of competitors can be used to measure the relative strengths and weaknesses of different titles. |
| Quality standards reports | Here every person whose name appears in a story in the paper is sent a standard questionnaire asking them whether the story was accurate and complete. This provides the editor and management of the paper with a daily track of the quality of coverage, but as importantly lets the person in the story know that the paper believes in quality and accuracy. It is also a good source of new stories. |
| Head-to-head benchmarks | Readers of two newspapers are asked to read the alternative paper for two weeks. They are interviewed before and after the two-week period with a questionnaire that compares the two papers. The results demonstrate the relative strengths and weaknesses of the two titles and how perceptions change with experience. |

6. Implementing CRM

The introduction of CRM is more than simply a new sales fad. It involves sweeping change in philosophy and organisation across the company. Often CRM is introduced as part of a wider ‘change-management’ process.

Many of the people interviewed for this project talked of the need for a holistic approach with all departments working together, and the need for a centralised approach to objective-setting and measurement.

In addition to the three components of CRM – data, people and technology – successful implementation relies on high-level integration of all the components of the organisation and clear setting and communication of objectives.

CRM is not an excuse for centralisation. Anything but! Good CRM, well implemented, results in greater devolution of responsibility through the organisation. However, there is a need to create central points, firstly for information and secondly – where customers have several contact points with the organisation – a central ‘fulfilment’ or ‘customer care’ unit.

It is also important to recognise that CRM is not simply another name for direct marketing. CRM is about people – staff and customers. The difference with CRM is well demonstrated in the following table from INMA’s report⁹.

‘CRM represents a series of principles – from sales and marketing to service delivery and human resources – to which a company aspires; they are generally simple in concept, yet often difficult to execute with success and consistency.

‘While there are available software solutions that can help consolidate data about customers and discern trends about how they behave, much more is necessary to enable departments to productively share information about customers with one another; in fact, many companies have spent millions of dollars on technology alone, but have failed to harness the true potential of CRM.

Richard Fredrickson,
Managing Principle
Unisys

Evolution to Customer relationship Management (CRM)

| Before | After |
|------------------|----------------------|
| Product-driven | Customer-driven |
| Task-oriented | Process-oriented |
| Reactive | Proactive |
| Silo-functions | Integrated functions |
| Short-term focus | Long-term focus |

Source: INMA

6.1 Planning for CRM

| | |
|---|---|
| Appoint a CRM champion | This person should be responsible for the project, with three key tasks: > Setting and achievement of CRM goals > Implementation of the CRM programme > Coordination of cross-functional activities This person should report directly to the management team of the company. |
| Set clear objectives | Including high-level strategic objectives, the operating metrics by business line, and the scoping and prioritising of CRM projects. |
| Prepare a CRM business plan | This should cover the operational plan, setting of objectives by departments and preparing a financial rationale for the project. |
| Resolve all organisational or political barriers | Ensure that each department is fully signed up to the CRM process and understands their role. |
| Clearly define the buy/sell command chain | Ensure the role of intermediaries in the supply chain process is well defined. Too often we under-manage the marketing roles of retailers, advertising agencies, distributors or sales agents. Too often these groups do the same. |
| Set clear aims in terms of behaviour | Cover both changing customer behaviour externally and change in working practices internally. Many of the goals set require changes in the purchase, lifestyle or business practices of readers or advertisers. For example, for an advertiser to advertise more frequently may require them to adapt their response mechanisms within their own sales organisation. Single-copy purchasers may require an incentive to encourage more frequent purchase. |
| Map the business goals and metrics to the data | Ensure the goals can be achieved, measured and analysed. The system must manage the CRM specified processes to provide the metrics that demonstrate the desired goals. This will require gathering appropriate data in advance, and ensuring appropriate up-dating procedures can be carried out. |
| Define, source and specify external and internal data supply | Every metric and data point that is required to track and deliver each aspect of the sales and fulfilment process, distribution chain, and quality control and measurement must be clearly defined and sourced, to the level and complexity of the data required, whether this source is internal or external. |

| | |
|--|---|
| Define, source and specify technology solutions | Cover each of the five steps of the CRM process in the following areas: <ul style="list-style-type: none"> > Current workstation environment > Internal legacy interfaces > External interfaces > Preferred technology solution or partner |
| Ensure that future data protection and privacy issues are anticipated | In regulated markets , publishers must ensure the appointment of data protection officers. In developing markets where data protection legislation is immature, publishers may seek to influence and encourage responsible but non-constricting legislation that does not inhibit reasonable customer contact. |
| Test campaign methodology | Ensure that the programmes are efficient to run and cost-effective in terms of response. Over time build a series of benchmarks to measure these. Testing greatly contributes to this knowledge. |
| Deliver programme | Throughout the programme and particularly in the early stages it is important to ensure that all parts of the operation – people, data, technology – internally and externally are working effectively together. Any breakdown in the interaction in the process can lead to the abandonment of the whole programme. |
| Measure, refine, improve | A key CRM rule! |

Berlingske Dagbladet is the largest newspaper company in Denmark¹⁰. Søren Østergaard Sørensen, Managing Director for Development, has been examining how CRM can help improve the company's performance. The newspaper already enjoys considerable reader loyalty, and the CRM process specifically has two objectives:

- > To encourage greater up-selling to current customers of other Berlingske services
- > To achieve operating efficiencies in the circulation and marketing functions driven by a need to achieve industry benchmark profit levels at a time when recruitment revenues have fallen dramatically

Søren is the first to admit that Berlingske's CRM project is in the early stages, but it is noteworthy, firstly because of some early successes, and secondly because the practical approach the company are taking can be readily applied by many other publishers.

The newspaper has always been strong on direct-marketing activity, but the team realise that this is no longer enough. Their belief that the demand for the printed form of their newspaper can only increase is qualified by the realisation that tomorrow's readers will expect the relationship they have with their newspaper to be far more participative.

This requires the whole organisation to focus on the needs and aspirations of the reader.

CASE STUDY:

Berlingske Dagbladet, Denmark

In circulation Berlingske are now tracking their customers in a detailed and disciplined manner. To quote Søren, 'We are adding a layer of knowledge around the transaction, allowing us to direct offers to specific customers and to track failures and successes. Ultimately, this will systematise how we market the paper'.

A good example of this is in the use of new media. As other publishers are firmly shifting toward paid access, Berlingske is retaining an open site, since this has proved to be an excellent means of generating subscribers to the newspaper.

Berlingske introduced a 'pop-up' window on their website, offering users a trial subscription to the paper. This attracted tens of thousands of trialists, and to date their call centre is converting in excess of 25% of these to full-price subscription. The cost of acquiring these subscribers is 10% of their normal marketing cost. This is equivalent to a saving for the company of around €450,000.

Buoyed by the success of this programme, the team have now transferred the pop-up concept to one of Denmark's leading web portals, with encouraging, but to date unquantifiable, results¹¹. Given the fact that the portal's audience is largely non-reading under-30s, this strategy is introducing a previously untapped prospect base.

The long term strategy is to retain the free-access web-site as a means of introducing people to the paper, while also offering additional web-based services to subscribers to encourage loyalty.

Another successful idea has been the introduction of a system of recommendation. Here a subscriber arranges for a colleague to receive the paper free for six weeks. To-date 25% of these have been converted, with retention levels at 70%

A third success has been the 'Value Card'. Berlingske have negotiated a deal with a number of major Danish companies whereby, for every purchase a cardholder makes, 10% of the sale value is contributed toward their annual subscription costs. This means that subscribers are able to enjoy their newspaper free or at a greatly reduced cost. In many markets, this concept offers the potential of cross-matched databases, to extend the customer-base and sales of all the partners involved in the scheme.

In editorial, Søren is concentrating on introducing radical CRM principles into the newsroom. As he says: 'The great advantage that we have is that the conduit to the reader already exists in the newspaper. Now it needs to become two-way'. He is introducing a programme for journalists to meet with readers to encourage greater awareness of readers changing interests.

The company are also in the process of setting up a reader panel.

One advantage publishers have in Denmark is that their national readership survey now provides regular up-dates on page traffic to help advertisers. This also allows them to track the readership and popularity of every page in their competitors' products.

Berlingske are also taking a radical view in terms of IT. 'Our objective is to wait as long as possible. In the short term we are going for quick wins, and these will hopefully demonstrate value of our CRM initiative and justify further investment in the future.' The system will be our last consideration. We need to work on the systems and people first."

The team are determined to avoid one common problem with CRM projects: 'There's a tendency for CRM to turn into bits and pieces. We need to keep it on track and manageable. We don't need a Rolls in the garage. We need a Toyota on the street'.

6.2 CRM activity

6.2.1 Data capture

The three factors that will determine the success and value of the information you hold on your customers are completeness, accuracy and relevance.

This data is drawn from a range of different sources. Examples are shown below in terms of both essential data, upon which any CRM system depends, and leverage data, using which the efficiency and effectiveness of campaigns can be greatly enhanced.

| TYPE | VALUE | READER MARKETING | ADVERTISING | EDITORIAL |
|---------------------------|-------------|--|--|-------------------------------|
| MARKETING DATA | | | | |
| External market | > Essential | > Contact details of every prospect | | |
| | | > Description, purchasing behaviour, knowledge | | |
| | > Leverage | > Household type > Lifestyle data | > Category | Position |
| | | > Other subscriptions | > Spend in other media | > Cuttings file (other media) |
| Transaction data | | | | |
| Customer sales | > Essential | > Details of all transactions, subscriptions, current activity > Details of internal contact points, Index of potential | | |
| | > Leverage | > Relevant offers > Lapsed purchase | > Share of spend > Relevant platforms | > Contact history |
| Customer contact | > Essential | > Contact history, problems, outcomes | | |
| | > Leverage | > Interests, survey or registration details | > Knowledge of customer objectives > Market sector analysis | > Contact archive |
| Fulfilment data | | | | |
| Financial | > Essential | > Details of payments, outstanding debts, subscription periods, cancellation penalties > Cost to market | | > Cost/benefit analysis |
| | > Leverage | > Incentive value | > Payment record, credit rating | > Company accounts |
| Production / distribution | > Essential | > Addressing & routing | > Logo, type ? design | > Photograph |
| | > Leverage | | > Back catalogue > Co-partnership material | |
| Measurement data | | | | |
| Measurement & analysis | > Essential | > Trends & variances, Mix, Market share > Readership surveys > Customer attitudes | | > Reader needs and attitudes |
| | > Leverage | > Pricing models > Frequency | > Effectiveness & response > Page traffic | > Contact attitudes |

6.2.2 Analysis tools

Here analysis and modelling tools track trends and patterns among customers and prospects, identifying opportunities and possible threats. This may be tracking time of and reasons for subscriber cancellations, loss of advertising expenditure to other media, loss of exclusive stories.

These details on an individual are often held in three, four, or five different places within the company, with each department having no knowledge of transactions in other departments.

It is advisable where possible to create and maintain this comprehensive database as a means of tracking and identifying new prospects

At the start of the CRM process not all the information is available; much of it comes from the development of the process. In many cases, the data simply may not exist. Lack of data should not be the cause of delay, rather, targets should be set to maximise the volume and quality in terms of accuracy and being up-to-date.

In many markets, comprehensive directories of households or business data do not exist. Here there may be an opportunity for the publisher to become the holder and purveyor of that data. Innovative publishers can gather data from interesting sources. For example, electricity and water companies hold registers of every home, because they have to supply and invoice them. They too may be looking for a commercial outlet for the information they hold.

Another approach is to partner with other commercial organisations, such as banks or retailers, to share data and swap prospect lists.

Whatever route one chooses, the key to successful implementation is to thoroughly define the project objectives and every data-point that is required to achieve those objectives.

Many publishers have reported that their CRM activities have developed over time. But those publishers who have taken time to specify their data needs for each process in most detail, and who have planned for scalability, have found the implementation easiest. Vision is required when scoping the final information needs.

6.2.3 Creating a central knowledge system

One major opportunity is for publishers to merge all their information services into a central knowledge unit. Here the editorial library, financial wire services, advertising marketing information and circulation databases are drawn together into one central resource. The advantages of this are:

- > Each department gains access to information that was previously in another department's domain

One Circulation Director recounted how he could not get the go-ahead to build his subscription prospecting system because the publisher believed he could only gather 85% of household phone numbers. As the CD said: 'knowing who 85% of my market is better than not knowing any of them'.

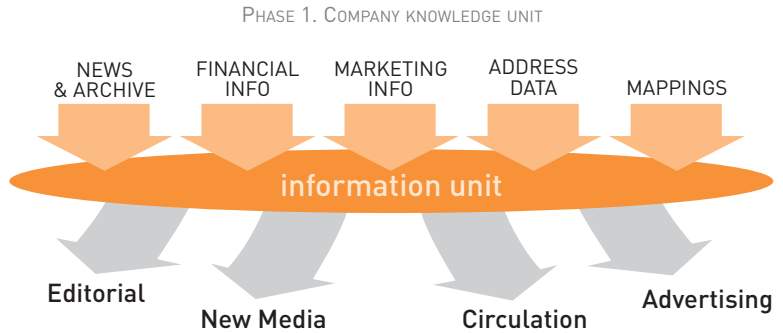
> The combination of data can often result in a better-quality package for editorial or advertising sales

As we hurtle into the digital age, with the merging of dynamic (news) and static (archive) provision, so the centralisation of information can underpin a range of new product opportunities. These vary from vertical specialisms, such as company information or sport, through to broader services such as community guides.

You could become the community information hub, by offering to hold the information resources of local councils, education bodies, major companies and associations.

The charts below show two phases of the central information hub. In the first, all company information is gathered at a central point and then disseminated to the various user departments. In the second this internal data system is augmented with external archives and research sources, including local government, education, commercial research, etc.

CHART 10



PHASE 2. COMMUNITY KNOWLEDGE UNIT



6.2.4 Centralising customer services

In common with other companies, many newspapers have set up central units to deal with all customer services. These departments often straddle a number of areas, including reader marketing, distribution, advertising and finance. Services covered normally include:

- > Delivery or other distribution issues
- > Subscription queries
- > Advertising payment difficulties
- > Production errors

But one question is: should such a unit also cover concerns regarding the newspaper itself? While a readers' editor may deal with complaints concerning content, how many cancellations may be due to milder but uncommunicated concerns about the newspaper itself? Of course it is vital that the integrity of the editor and the newspaper are maintained, but to what extent should a newspaper's editor be independent of the commercial issues relating to the customer?

6.3 CRM technology

Technology is only one of the three components of CRM, but it is easy to let the technology drive the process. Indeed in some newspapers the lead for the CRM initiative has come from the IT department, often reflecting the realisation by the technologists of potential in the process. However, this can lead to the functionality of the system driving the objectives, rather than the reverse, and a loss of project participation by the commercial managers.

The technology solution must be driven by the requirements of the CRM process, and by the functionality required to integrate the information sources and the tasks that will be undertaken to achieve the CRM objectives.

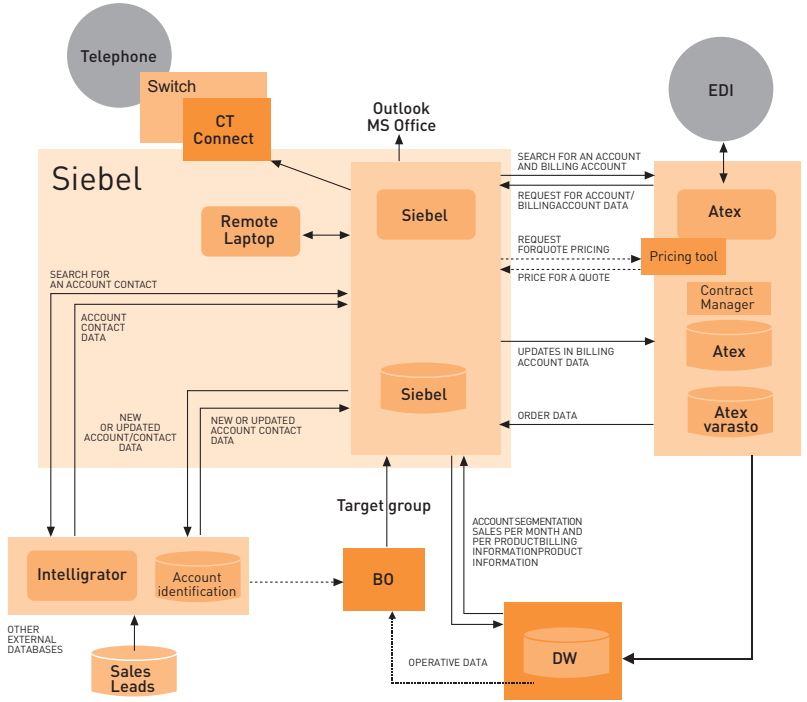
It is only once these requirements and the required functionality have been clearly defined that one can begin to examine what the solution is and from where it should come.

The chart provides a detailed overview of a typical CRM system, here devised by Siebel systems for Helsingen Sanomat. This shows the central CRM system interfacing with the company's sales systems, including integrated telephony, pricing, sales ledgers and advertising production. These interfaces provide everyone involved with a single view of that customer, thereby greatly improving efficiency across the operation and reducing causes of error.

'Newspapers have always held a relationship but it has traditionally been one-way. Today newspapers share that ability with the Telcos and finance houses. In the value chart, the content is the top of the value pyramid, and it is our unique advantage point, but this will only remain a distinct advantage if strong relationships can be secured, maintained and exploited.'

Jarkko Kyttänen
Direct Marketing
Manager
Helsingen Sanoma

CHART 15
SANOMA CRM
TECHNOLOGY
MODEL



‘It is very important to remember that technology is not the driver. It is the enabler.’

Penti Arvela
Senior Vice-President
UPM-Kymmene

The source of your CRM solution will largely depend on two factors; the scale of the process you are proposing to install, and the level of resources that are available in-house to develop the system. There are basically three overlapping options:

- > Build your own system
- > Buy and adapt an ‘off-the-shelf’ solution
- > Engage a supplier to tailor a solution to your needs

While some companies have developed systems from scratch, most customise a pre-built system. Do not fall into the trap of believing that ‘newspapers are different’. Developers of CRM systems have dealt with far more complex and unusual industries than our own.

The steps in choosing your CRM technology are as follows:

| | |
|--|--|
| Clearly understand the requirements of the system | Define exactly what you want the system to do. This should cover tasks to be achieved, systems integration issues, numbers of people, etc |
| Define the CRM functionality | Know how these things are going to be done. This can be achieved by mapping each of the proposed processes and identifying the functions within it. For every requirement there is a list of functionality to achieve it |
| Source a wide range of technology alternatives | <ul style="list-style-type: none"> > Narrow down the choices. Does the solution exist 'off-the-shelf' or does it require customisation? > Benchmark the preferred choices in terms of fit-to-purpose, cost, technical excellence, flexibility, scalability and suitability both in terms of working practice and culture |
| Define the technical requirements | What do you need to deliver the functionality? This will probably have to be done in conjunction with the supplier candidates, indeed the nature of the proposed technology solution will greatly influence the price and flexibility of the final solution |
| Choose a solution | This should meet not only short-term needs but be scaled to meet future needs |

For those publishers considering an early investment in CRM technology, a word for caution from leading consulting firm, Bain and Company.

According to a briefing by three leading Bain consultants, in February, 2002, CRM tools disappoint most users “because too many businesses put technology before thought, applying CRM software before they’ve straightened out their business strategies...”

“CRM can work. Properly applied, it can help increase customer loyalty and so increase revenues. It can yield savings when users see which customers cost most to service.”

According to Bain, despite CRM being “the hottest growth tool in years,” few CRM users are feeling good about it. More than half of all CRM programs are failing to pay back and a fifth of CRM users had abandoned the tool altogether. Bain offer a three step plan to ensure CRM delivers:

Determine which customers to invest in

Customer segmentation is the starting point for figuring out which customers you want to “CR”, that is create relationships with and which you want to “CM”, that is cost-manage. The trick is to start with a sound customer strategy. Separate the profitable clients, with whom you can broaden and deepen relationships, from the cherry-pickers you should serve at low cost.

Bain cite the New York Times, which spent years researching its core customers to find similar pools in cities outside New York. Then it studied what would appeal to those non-New Yorkers. In response to its findings, the paper upgraded local distribution and customized local content such as weather and TV listings. According to Bain, the New York Times is now growing and retains 94% of its customers, in an industry that averages about 60% in customer retention.

Improve the processes that your profitable customers care about

Make sure that current business processes are in sync with strategy. According to a survey by CRM Forum, 87% of senior executives pinned the failure of CRM on leadership and change management issues. Management at the New York Times got the sequence right. They upgraded printing, delivery and subscriber call-handling procedures before buying Internet software to speed those processes and reduce costs.

Use technology only where needed

Make wise decisions about where software technology can help, and where low-tech solutions make more sense. Employ the low-tech CRM tool of listening to your customers. Remember the power of One-to-One, without forgetting the important role of intermediaries, in cementing and maintaining relationships.

Many of the points raised by Bain and Company are echoed in the approach being taken by Associated Newspapers in London.

According to Brian Lacey of Associated, they have begun by clearly identifying a number of business scenarios that span activities with defined business metrics. According to Brian “We are very cognisant that programmes of this sort fail if they attempt to be either too broad in their perspective or simply see the programme as a means of implementing a technical solution without clear business drivers identified by business managers.

“Once we have successfully demonstrated tangible and quantifiable benefits we will embark upon a complete CRM implementation that will be focused on providing improved customer loyalty and generating revenue opportunities through more direct communication, based on customer preferences.

“Our approach to implementing CRM is to ensure we do ‘it right first time’ by really understanding our customer touch points and clearly identifying business opportunities to maximise Customer Loyalty and increase revenue opportunities. Any solution product or integration technology will be based on our true business need.”

6.4 CRM people

If technology is the enabler of CRM, then people are undoubtedly the driving force.

The two most important people-related issues in the implementation of CRM are a collective focus on the customer and a keen appreciation of the roles of colleagues outside one's own function. One key to successful CRM lies in the shared implementation of the process, from the formulation of the CRM strategy through to the measurement and ongoing improvement of the activity. One way in which newspapers do stand out is in their highly compartmentalised culture. And this is perhaps the greatest hurdle in our industry to successful CRM.

However, if the process is well planned and communicated, CRM in itself should help to break down any barriers that exist. To achieve this requires a clear definition of roles and effective communication.

The following roles are required to ensure successful implementation:

| | |
|---------------------------|--|
| Project sponsor | Define exactly what you want the system to do. This should cover tasks to be achieved, systems integration issues, numbers of people, etc |
| Steering committee | This group comprises decision-makers from all the departments, who meet to agree priorities, set goals and ensure each department is fully participating |
| Project manager | Day-to-day responsibility falls on the project manager who coordinates implementation and in time ensures the project objectives are met, through the shared actions of others |
| Subject experts | Experts in each of the participating functions will be adopted into the project. It is important to recognise that some expertise may not exist within the company (most commonly in databases) and external resources may be required |
| Systems developer | The systems developer should oversee the technology purchase, customisation and implementation. He/she should ensure that the functionality meets the specification |
| Database manager | Since the creation of a database warehouse is a key factor, this role is critical. As well as understanding the structure and content of all the internal and external sources and the application of meta-data, the database manager must also provide the appropriate analysis tools |
| Data protection | In some countries the appointment of a data protection officer is a legal requirement. Even where it isn't, this part-time role provides valuable protection of the customer |

6.5 Managing intermediaries

One aspect of customer management is the role of the intermediaries, who exist in all aspects of our value chain, from street vendors to advertising agencies, to call centres, to freelance correspondents.

It is essential to draw these intermediaries fully into the CRM process, indeed a central issue is the benefits and/or barriers that these intermediaries bring to modern customer relations.

Intermediaries fall into two distinct groups:

- > Those that are essentially under our control, such as call centres, sales agents or freelance writers
- > Those who also represent our clients and/or competitors, such as distributors, advertising agencies or news agencies, and who are less easily manipulated. Often these groups have become established because of a historic weakness in our service offer.

INTERMEDIARY MANAGEMENT CHECKLIST

| CHANNEL | ISSUE |
|---|---|
| Common intermediary considerations | |
| Relationship structure | Does my agent see me or the end-user as their client? What is the value of an exclusive relationship? |
| Incentive programmes | Updated prospect records New sales Market share incentives Yield incentives Retention values Enhanced/added-value business |
| Data | Integrated record systems Common data standards |
| Contact tools | Sales materials Marketing information |
| Job knowledge | Training Archive access Financial help such as loans or preferential terms |
| Additional support services | POS technology Store fit-out |
| Specific intermediary channels | |
| | How can they be encouraged to promote my newspaper over our competitors? How can I improve our store presence? Have vendors a role in interacting with readers? |

| | |
|---|---|
| Advertising sales agents and call centres | <p>Is the value of my newspaper being effectively communicated to the client?</p> <ul style="list-style-type: none"> > Who controls the relationship with the client? > Can agency incentive programmes alter my share of business? |
| Advertising agencies | <p>How does the distribution service compare with customer expectations?</p> <p>What quality measures are in place and acted on?</p> <p>How can value be added to the distribution capability:</p> <ul style="list-style-type: none"> > Better editionising > Tailored section distribution > Leaflets and inserts > Promotional materials > Availability/waste-management controls |
| Distributors | <p>Are stories tailored to my readers?</p> <p>Is my brand well represented back to sources?</p> <ul style="list-style-type: none"> > Reporters promoting newspaper's values? > Photographers promoting photosales? <p>Are we tracking trends behind the stories?</p> |

6.6 The role of interactivity and mobile communications

It is not the role of this report to examine the threats and opportunities that arise from the growth of digital media. However the internet and mobile communication both have implications for the CRM process.

Opportunities are:

| | |
|---|--|
| Encourage direct interaction with readers | <p>For example feedback on content</p> <ul style="list-style-type: none"> > Debate between readers and writers > Fast and inexpensive research <p>Mobile phone messaging can also be utilised here</p> |
| Identify new prospects for print subscription | <p>Exploit the database of registered on-line visitors</p> |
| Create new online products | <p>Repackage content, archive, data from the company's central knowledge unit</p> |
| Add value to the advertising package | <ul style="list-style-type: none"> > Offer advertisers online fulfilment services, or developing web or mobile services for advertisers > Collect advertising copy via the internet – reducing cost and improving deadlines |
| Distribute the pages of the paper digitally | <ul style="list-style-type: none"> > Provide PDFs to readers who are on holiday or away on business¹³ > Distribute the headlines of the paper to a PDA, exploiting AvantGo or some other SMS service¹⁴ |
| Undertake mobile phone marketing | <ul style="list-style-type: none"> > By collecting mobile numbers of current non-reading prospects |

6.7 Implementing CRM in emerging markets

Many publishers in emerging markets will be asking how they can introduce CRM given the lack of market information, and in some cases basic infrastructures such as reliable postage or telecommunications. However, with imaginative implementation, publishers can not only gain considerable competitive advantage, but can also build a range of new business by repurposing key components of their value chain.

6.7.1 Adapting the five-step process to emerging markets:

Below are some adaptations of the five step process that you may wish to consider:

| | |
|----------------------------|--|
| Knowledge | Where publicly available household data does not exist, seek partners with whom to develop these systems. These may be major retailers, credit card companies, or utilities such as electricity or telecoms |
| | Track advertising expenditure in other media by recording all advertisers' details, date and place of advertisement and ad size. Specialist companies in mature markets may be willing to introduce such a service |
| | Agree to swap data with competitors, ensuring that your advantage is gained through more effective use of the data |
| Acquisition | Introduce alternative approaches to acquisition, such as events or street acquisition |
| | Where subscription delivery is impossible, encourage readers to pick up at the same point daily by offering special price incentives or coupons to both the reader and vendor |
| | Encourage loyalty through promotions, serialisations and offers |
| Retention Enhancing | Encourage readers to register, either by recording promotions returns or through internet activity |
| | Monitor continual involvement |
| | Distribute special offers to registrants, and promote these to non-registrants, through the paper |
| Measurement | Track and respond to seasonality and day-of-week fluctuations |
| | As per other markets: <ul style="list-style-type: none"> > Regularity > Integrity > Communication |

6.7.2 Creating products from the value chain

The other great opportunity here lies in being the company that introduces services that currently do not exist. You don't have to fall into the trap, as many European and North American publishers did, of disregarding potentially very profitable commercial developments because they did not appear to be part of the core business.

| | |
|---|--|
| Call centres | Exploit your telesales resource to offer CRM, sales and fulfilment services to your advertisers |
| Household and business databases | Become the source of directory data for your marketplace. Work with a series of exclusive partners on collection |
| Distribution | Establish new distribution networks. Consider working with competitors (as happens in many mature markets) to establish national, local, and household networks |
| Research | Set up your own research company (ensuring strict confidentiality) Promote the service by publishing polls in the newspaper Undertake research on behalf of advertisers, charging them for the service |
| Data warehousing | Provide data storage and analysis capabilities for clients. Develop web-based services to deliver these cost-effectively |
| Advertising added value | Become a leading marketing agency offering services to smaller advertisers over and above ad production. Achieve cost-savings by buying in services (such as printing) in bulk Offer these services as an incentive for increased advertising spend |

6.8 Putting a value on CRM

A common and reasonable question that every publisher is asking is: 'How do I calculate the return on my CRM investment?'

Consultants, and in particular technology suppliers, talk a lot about the life-time value of the reader, or put another way, the life-time loss of a cancellation. So what does this mean? Below is a table that shows the value of one subscriber, calculated in three ways according to different levels of average annual cancellations. It assumes that annual circulation revenue is €1.

The second column shows the cumulative value of that reader over 20 years at current prices. So a newspaper with 1% cancellations per year will generate €18.00 from that reader over 20 years.

“We are in the business of making money from advertising. Our readers are merely a means to an end and a right pain in the neck they are too!”

Publisher
(now retired)

The third column shows the 'Net Present Value' of the loss in circulation revenue. So the 20-year worth of 1% per year is worth €1.05 to the company today. At 5% cancellation, that loss today is valued at €4.25.

The columns to the right of the table show the value of that reader if one assumes that the advertising revenue of the paper is wholly dependent on the level of circulation¹⁵. So a newspaper which gains 50% of its revenue from advertising, losing 5% of its sale per year, will generate only €24.4 over 20 years or a loss of 39% of revenue over 20 years.

ANALYSIS OF LIFETIME VALUE

| % | CANCELLATION / NON-RENEWAL | LIFE-TIME VALUE OF CIRCULATION | NET PRESENT VALUE OF LOSSA* | LIFE-TIME VALUE OF READER IF AD-OFFTAKE PER COPY IS INCLUDED ACCORDING TO PERCENTAGE PERCENTAGE OF REVENUE DERIVED FROM CIRCULATION | | | | |
|-----|----------------------------|--------------------------------|-----------------------------|---|------|-------|-------|-------|
| | | | | 30% | 40% | 50.0% | 60.0% | 70.0% |
| 0% | | 20.0 | 0.00 | 66.7 | 50.0 | 40.0 | 33.3 | 28.6 |
| 1% | | 18.0 | 1.05 | 60.1 | 45.1 | 36.1 | 30.0 | 25.8 |
| 2% | | 16.3 | 1.98 | 54.3 | 40.7 | 32.6 | 27.1 | 23.3 |
| 3% | | 14.8 | 2.82 | 49.2 | 36.9 | 29.5 | 24.6 | 21.1 |
| 4% | | 13.4 | 3.57 | 44.6 | 33.5 | 26.8 | 22.3 | 19.1 |
| 5% | | 12.2 | 4.25 | 40.6 | 30.5 | 24.4 | 20.3 | 17.4 |
| 6% | | 11.1 | 4.85 | 37.1 | 27.8 | 22.2 | 18.5 | 15.9 |
| 7% | | 10.2 | 5.40 | 33.9 | 25.4 | 20.3 | 17.0 | 14.5 |
| 8% | | 9.3 | 5.89 | 31.1 | 23.3 | 18.7 | 15.6 | 13.3 |
| 9% | | 8.6 | 6.33 | 28.6 | 21.4 | 17.2 | 14.3 | 12.3 |
| 10% | | 7.9 | 6.74 | 26.4 | 19.8 | 15.8 | 13.2 | 11.3 |
| 12% | | 6.8 | 7.44 | 22.5 | 16.9 | 13.5 | 11.3 | 9.7 |
| 15% | | 5.4 | 8.27 | 18.2 | 13.6 | 10.9 | 9.1 | 7.8 |
| 20% | | 4.0 | 9.28 | 13.2 | 9.9 | 7.9 | 6.6 | 5.6 |

*NPV assumes discount rate of 5%

7. Future Opportunities

CRM has been a fashionable business topic for several years. Like all fashions, it will be replaced by the next 'Big Thing'. CRM grew out of a merging of two established practices of Customer Care and Direct Marketing. So what will be the next development in marketing?

One obvious extension of current practice is the emergence of partnership programmes, and there are two forms:

- > Those that partner with a competitor, for example in distribution, or presenting the case for press advertising versus television
- > Those that partner on the buyer-supplier axis, for example an advertiser, a distributor, a bank, or an interest group.

Competitive partnerships might include:

- > Wire/agency services
- > Readership surveys
- > Print plants
- > Distribution
- > EPOS retail point of sale systems.

Buyer/supplier partners might include

- > Data collection and shared warehousing
- > Financial services products (e.g. newspaper credit/affinity card)
- > CRM (or call centre) supplier to advertisers
- > Sectorised data products (e.g. directories of personnel directors)
- > Contract publishing of house newspapers
- > Customer clubs
- > SWAP or incentive marketing for non-competing products.

As competition increases in terms of time and consumption, interactive media will present both a threat and an opportunity. It is imperative that publishers retain customer focus and the flexibility to move, not as we have with CRM after it became a recognised business practice, but before, using established CRM practice to identify our prospects future needs and direct our resources to meeting these needs in advance of our competitors.

FOOTNOTES

1. Source: Bain and Company
2. Source: Harvard Business Review
3. Taken from the Meta Group: "Integration: Critical Issues for Implementation of CRM solutions." February 2001, commissioned by Oracle Corporation.
4. Source: UK National Readership Survey
5. Further details regarding pricing and newspapers can be obtained from the author. Contact: jim.chisholm@evolt.co.uk
6. The Newspaper Association of America produces a series of reports on Churn management. Contact: www.naa.org
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9. Reichheld, Frederick F. Loyalty Rules. Harvard Business School Press. ISBN1-57851-205-0
10. Source: World Press Trends
11. Follow the Berlingske story and other new developments and ideas at the W.A.N Newspaper of the Future Website.
12. SRC's mapping services can be applied in any market where appropriate data is available. <http://www.extendthereach.com/>. Contact: Olivia Duane, lduane@extendthereach.com.
13. To distribute your paper via Newsstand contact: wbrindle@newsstand.com.
14. See avantgo.com.
15. Advertising off-take is defined as the annual advertising revenue, divided by average circulation.
16. Recommended reading. Dyché, Jill. The CRM Handbook. Addison Wesley. ISBN 0-201-73062-6
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