

Beyond the Subscription

Tracking the Customer Journey



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1. Introduction

Background

The subscription route to market for magazines is growing. It is doing so against a backdrop of volatile retail sales, which still remain the major purchase channel for magazine buying in the UK.

In 2006, PPA and Royal Mail jointly commissioned a major piece of research: *“The Loyalty Challenge: How Consumer Magazine Subscriptions Work”*. The aim of this project was to understand better how and why consumers use subscriptions as a means of buying magazines.

Having looked at the consumer perspective, the next step taken in this project has been to look at the whole business of managing the subscription relationship with the end customer.

The purpose of this report is to map scenarios for the future of magazine subscriptions by learning from other industries.....

- How to track the customer journey.
- How to leverage most benefit from the name.

.....and then to set this against current practice in the publishing business.

Behind this lies a more general objective: to create a robust case for sustained investment in the subscription channel.

Methodology

There are two distinct dimensions to the project:

- (1) Gathering insights from **outside** the magazine business.
- (2) Mapping current practice **within** the magazine business.

1. NON-PUBLISHING MODULE

Five companies outside the magazine publishing industry were interviewed in order to obtain a different perspective on the whole area of tracking and serving customer needs from a practical and operational perspective. This “benchmark group” operate in the following sectors:

- Financial Services
- Newspapers
- Communications
- Mail Order
- Membership

The companies took part individually in on-site interviews lasting typically for half a day. The group then met for a half-day workshop where their experiences were pooled, compared and discussed as a group.

2. PUBLISHING MODULE

Senior circulation and marketing executives from 15 magazine publishing companies were interviewed in order to map out current practice within the industry across a range of areas.

The companies involved were:

Consumer Publishers	B2B Publishers
Archant Specialist	CMP
BBC Worldwide	EMAP
Dennis	Informa
Future	Jane's
Haymarket	RBI
IPC Media	
National Magazines	
Reader's Digest	
Signature	
Which	

LINKED STRUCTURE

Both modules were linked by the following structure which was employed with both groups:

1. Customer touchpoints
2. Customer segmentation
3. The customer journey
4. The database
5. Customer service
6. Retention
7. Structural & operational issues

2. Executive Summary

The Customer Journey in Context

As consumer markets have matured and become more competitive and volatile, so the issue of retaining customers has assumed a massive importance. It is no longer just about improving company profitability by stretching customer lifetimes; it is about commercial survival through holding on to customers who have decreasing levels of brand loyalty and whose brand relationships are becoming shorter, more complex and increasingly erratic.

“Customer Loyalty” has become an industry in its own right with a plethora of theories and practices. There is also a great deal of very abstract debate about how to define and measure loyalty, much of which seems removed from the day-to-day realities of running a business. Yet placing the customer journey in a broader context of “loyalty” is essential.

How to respond to declining loyalty is probably surprisingly simple and pragmatic, but difficult to put into practice:

- Get the product right (i.e. what the consumer wants).
- Understand how that product fits into their overall lives – map out what apparently unrelated external events may affect their consumption of the product.
- Communicate the product benefits effectively and consistently through all the range of marketing materials.
- Provide the back-up services to support every aspect of the delivery of the product within what is realistic financially.
- Keep innovating to ensure that the product keeps pace with the consumer whose demands may change subtly, but significantly over time.

- Ensure that all staff, but especially those who have contact with the consumer, live out the values behind the brand.
- Add on loyalty rewards if so desired, but make sure that they add real value to those customers who need to be retained, but be aware that the true loyals will not actually need them and may actually react against being offered them.

The Customer Journey in Practice

Five companies outside the magazine publishing industry were interviewed in order to obtain a different perspective on the whole area of tracking and serving customer needs from a practical and operational perspective. The process revealed many detailed insights into current practice and what the challenges facing these companies actually are.

The key learnings for magazine publishers are:

- Leverage more value from the magazine brand.
- Build scale in file sizes by consolidating processes & segments.
- Make more of the Early Life / Nursery Period .
- Create more of an engagement process in Early Life.
- Understand how customers use the title not just read it.
- Understand the “leave points”: when & why they happen.
- “Right-size” the service for the individual consumer.
- Define and reward profitable customer behaviours.
- Develop a more logical pricing structure to reward loyalty.
- Build customer segmentations on transactional patterns.
- Concentrate on the best customers: make them feel valued.
- Make the most of every customer contact.
- Make the act of subscribing more of an event.
- Turn Data Protection into a customer service issue.
- Try to keep everything as simple as possible.

The Magazine Bridge

Fifteen publisher interviews bring all these customer-related issues back into contact with the magazine business where there is a very wide range of practice, but with three key groups:

ATHEISTS who say: “I can never know the full picture about my customers. In an increasingly complex, multi-touchpoint business, the true single view is simply impossible to achieve. And even if I could pin it all down, what would be the payback? I may be able to observe the complexity, but do very little to influence or manage it. It’s all about the core editorial product. Get that right and everything else flows naturally whether or not you know all the details as to how and why. Get that wrong and any database is useless anyway.”

AGNOSTICS who say: “I’d like to know the full picture, but I’ll never be able to afford it or have the time to do it. Creating a single view database is a massive leap of faith – it may simply never pay back. Also, there is probably a practical limit to what I really need to know to run my business better. I can get to that place via different routes – snapshot research, ad hoc analysis of customer data, really getting to grips with the web analytical tools to understand how that customer interface works. It’s not a truly holistic view, but it’s a lot better than nothing.”

BELIEVERS who say: “I need to know the full picture in order to be in control of my business. Anything less and I am a captive to blind chance and I may be driven by the completely wrong metrics. We started with a leap of faith in terms of investment in the database. There have been dark moments of doubt and panic. There have been surprises and dead ends along the way. Yet in the end, we know that we are on a journey to a better place than we are now.”

Yet behind these different perspectives there lies a common theme: that most publishers, whatever their persuasion, know that they are not truly customer-focused and that there is still so much ground to make up on other industries both in terms of improving the whole customer experience and of generating more revenue from the subscriber name.

Magazine Futures

Magazines have a range of **strengths & weaknesses**, but their principle asset is the power of the brand and the potential to leverage more benefit from that both in terms of enhanced retention and additional revenues.

The key influences which are shaping the subscription environment include:

- The rapidly changing, fickle and demanding end-customer.
- The growth of online.
- Factors, many of them internal magazine publisher issues, which are altering the business model, but the key pressure being the online-driven trend towards free content.
- Internal staff & organisational issues which can stifle change.
- Technological change.

The key subscription variables which drive the future subscription model include:

- Content package: bundled or an a la carte menu of choices?
- Delivery platform: increasingly multi-channel.
- Contract strategy: opt-in or opt-out?
- Payment strategy: increasingly a mix of free and paid.
- Pricing strategy: Hi-Lo, EDLP or Premium?

The result is that there is no one single subscription model for the future, but a multitude of variants dependent on localised market conditions, built around **four basic brand options** in terms of how publishers develop the revenue opportunities around their community of users:

- **Superbrands**, which develop their own range of products and services around the core magazine product.
- **Coop brands**, which partner with other publishers or third party companies.
- **Solo brands**, which develop a smaller range of products and services.
- **Non-brands**, which concentrate on the core magazine subscription.

There is a long list of potential **publisher challenges**, but these revolve around three core issues:

- Understanding better the whole “customer experience” of magazine subscribing and the full “customer journey”.
- Leveraging more value from the strong bond which exists between reader and magazine: making the most of “the brand”.
- Making more consistent, long-term and strategic decisions about investing in serving the customer better.

What lies behind all this is a realisation that there is no single subscription future which fits all publishers or all markets. The future is complex. It is also very specific: to individual markets and to individual subscribers within those markets.

Just as there is no single customer journey, so there is no single subscription model for the future.

The future is all about constantly refining and adapting the management of the customer touchpoints in new, creative and profitable combinations.

3. The Customer Journey in Context

Section Outline

- Defining loyalty
- Declining & qualified loyalty
- The financial implications of declining loyalty
- The consumer drivers of declining loyalty
- Overchoice & online driving habitual purchasing
- Measuring loyalty
- Measuring other dimensions of loyalty
- The role of loyalty clubs
- The importance of the Customer Experience
- Tracking the Customer Journey
- The company structure to deliver results
- How to respond to declining loyalty

Defining loyalty

Loyalty is centred on building long-term and profitable repeat-buying patterns, based on an attachment to a brand and its perceived values and characteristics.

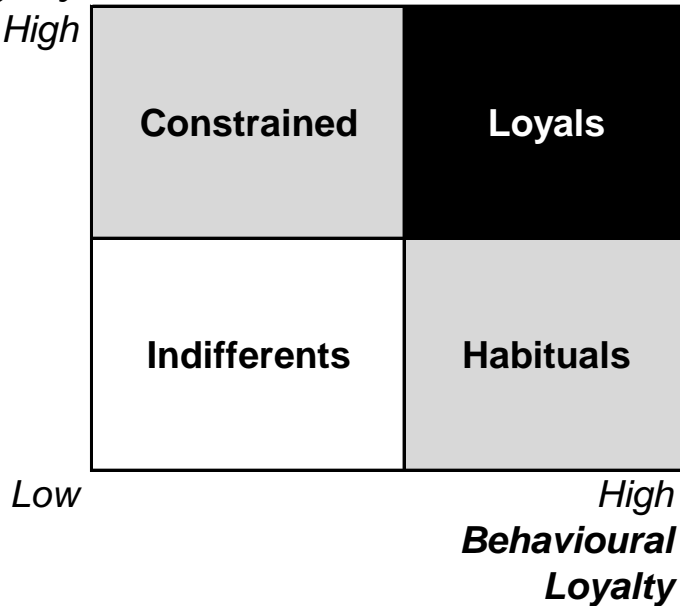
Such a definition is based on two distinct dimensions:

- **BEHAVIOURS.** How the consumer actually transacts with the brand in terms of frequency of purchase, spend, lifetime etc.
- **ATTITUDES.** What the consumer feels and thinks about the brand.

Neither dimension is entirely comprehensive on its own and any customer segmentation must attempt to combine both factors. For example, strong repeat purchasing does not necessarily equate to “loyalty” – it is merely the need for a product which happens to be available via a convenient channel at a satisfactory price without there necessarily being any emotional bond with the product at all.

There are numerous segmentation schemes available in the market in order to categorise customers, but the chart on the next page is a simple summary which illustrates the principles.....

**Attitudinal
Loyalty**
High



LOYALS. With high scores for behavioural and attitudinal loyalty, this group is of great value to any company in both financial and strategic terms. According to research by the GMA (Grocery Manufacturers' Association), among brand-loyal consumers only 29% would respond to an out-of-stock situation by brand-switching: 67% would remain loyal to the brand, either by trying to find the brand in another outlet (29%) or by foregoing the product until the next shopping trip (38%).

HABITUALS. This group can spend high amounts of money with a brand, but do so out of habit, because their competitive options are limited for one reason or another or because they have simply not developed the product repertoires that most consumers actually buy from, rather than due to any underlying emotional attachment or

“loyalty”. Although they can be of very high financial value to a company, they are vulnerable to loss should the reasons for their habitual behaviour change. They can also be characterised as “autopilot consumers”.

CONSTRAINED. For this group, their attachment to the brand is stronger than their actual transactions would suggest, which are held back in some way. The current financial value to the company may be low, but their potential should be higher given their strong affinity.

INDIFFERENTS. With both low behavioural and attitudinal loyalty to the brand, this group neither act nor feel loyal. They have often been acquired via a heavy price discount. They may still provide a significant share of the brand's revenues, but they are not at the core of the customer file and have their own financial dynamics in terms of how much the company should spend acquiring and retaining them.

Having defined a segmentation system, then the essential next step is to make an assessment of the financial revenue and profit from each segment as the basis for :

- **Acquisition strategy.** How to acquire more of the same of those types of consumer who deliver most profit.
- **Retention strategy.** How much to spend holding on to an existing customer.
- **The balance between acquisition and retention.**

Declining & qualified loyalty

Anecdotal evidence across a wide range of industries underlines the fact that customer loyalty is waning almost universally:

- According to ICLP (International Consumer Loyalty Promotions plc), today's consumers are only 75-85% as loyal to their brands as during the 1970s and 1980s.
- According to the Append research agency, almost half of consumers (46%) agree with the importance of being loyal to their usual set of brands, but 39% disagreed (a figure rising through time) with 15% undecided. The same research shows brand loyalty rising with age, peaking in the 50+ age group.
- According to the Synovate research agency, there is a new group of consumers, dubbed "System Beaters" who are considered loyal to a particular brand by all the normal measures, but who wait for the product to be available at sale or at a promotional price before buying. This qualified loyalty affects an estimated 21% of grocery shoppers in the Synovate research.

Yet the flow does not all go one way and the anxiety created by overchoice (see below) is growing the pool of Habitual Purchasers.

The financial implications of declining loyalty

While the ratio varies massively from brand to brand and from industry to industry, an accepted average is that acquiring a new customer **costs nine times as much as retaining an existing one** (Source: Datamonitor).

Improving retention rates reduces brand marketing costs, but also boosts overall company profitability. One research project concluded that improving customer loyalty levels by 1% would reduce costs by 10% and would increase company profits by 8%-20% (Source: Kim, Morris & Swait). Reichheld suggests that a 1% increase in customer retention results in an increase in aggregate lifetime profits from an individual consumer of 15%.

The consumer drivers of declining loyalty

All the available research points to a range of interlocking consumer factors which are driving the decline in brand loyalty....

INCREASING CHOICE. A wider portfolio of products, driven by intense launch activity, is presenting the consumer with a wider than ever range of options. Yet increasing choice can push consumers in opposite directions. On one hand, choice can be seen as the source of positive and enjoyable variety seeking. On the other hand, overchoice (see below) can be the source of anxiety and can actually drive consumers into a more restricted repertoire of brands.

THE DRIVE TO SELF-EXPRESSION. Increasingly, consumers define themselves and enrich their self-image by how they spend and consume (factors which define their whole lifestyle) rather than more traditional “distinguishers” (e.g. religion, family group, demographic group, etc.)

THE DRIVE TO VARIETY SEEKING. Consumers enjoy feeling that they are being experimental and are using their consumer power and choice creatively. A consumer survey by Datamonitor asked the question “How important to you is it to be open-minded about trying new products and experiences?”

Seeking New Experiences

Level of Importance	%
Very important	23%
Important	62%
Neutral	14%
Unimportant	1%
Very unimportant	0%
ALL CONSUMERS	100%

Source: Datamonitor

The survey also shows a year on year growth in variety-seeking behaviour with 45% of the sample claiming that their purchasing behaviour had become more experimental over the previous 12 months.

INCREASING PRICE COMPETITION. As competition among brand suppliers/manufacturers increases, so has price competition aimed at brand-switching. While this may achieve localised and short-term shifts in market share, it ultimately reduces brand loyalty and commoditises the whole market.

DECREASING TRUST. As consumers become more knowledgeable and savvy, they are also becoming more cynical about brands’ real values & honesty and more demanding of customer service which is now much more central to the “product experience”.

THE GROWTH OF ONLINE. The internet has added a new dimension to consumer empowerment to enable (1) a full review of the brand choices available, (2) a tool to research product performance, (3) a means to compare prices and (4) a unique shopping environment in its own right.

MEDIA CLUTTER. The whole media landscape has changed from mass-media, brand-building advertising controlled by the manufacturer to more fragmented and targeted communications where word-of-mouth has become a powerful and subversive force more in the control of the consumer. This has had a massive impact on how brands are built (and how brands can also be undermined).

RISING CONSUMER AFFLUENCE. The ability to upgrade from standard products and services at will.

EXPANDING TASTES. More openness to international and cross-cultural influences.

Overchoice & online driving habitual purchasing

The retail environment provides a number of helpful indicators as to how consumers behave generally.

Pulling in a completely different direction, brand overchoice is driving more consumers into habitual purchasing. The sheer range of product available can cause a kind of emotional overload in the consumer's mind. According to Datamonitor, 47% of UK consumers agree with the statement that "there is now too much choice when making most purchase decisions."

This "choice anxiety" is exacerbated by general time pressures when shopping and can alter the whole purchase process with three observed outcomes:

- (1) It can make consumers less likely to buy anything at all when in a state of indecision
- (2) It can push consumers back into a more limited repertoire of brands where they feel safe
- (3) It can make consumers less satisfied with the brand selection that they eventually make.

Research by ICM for Accenture and Retail Week found that while broadening choice encouraged many shoppers to spend more, a significant proportion were overwhelmed by the options. Half of the respondents claimed that the effect of a broader range was to make them stick with products they usually bought. 35% of shoppers said that in order to simplify their product choices, they avoid large shops altogether. Over 20% said that they had switched to online shopping where the shopping experience is less pressured and there is less of a temptation to buy on impulse.

Research by Danaher, Wilson and Davis suggests that brand names become more important in an online environment and that regular online shoppers tend to have a smaller repertoire of brands than offline shoppers. With the consumer's ability to physically

handle the product removed in an online environment, then trusted, credible and recognised brands come to the fore.

The major retailers are trying to find a "choice sweet spot" by editing ranges for different sub-segments of their customer bases while manipulating the number of choices and then tracking consumer reactions.

Yet "choice anxiety" is increasing the importance of habitual shopping, where a regular purchasing pattern can be the product of negative emotions rather than the positive emotional bonding that characterises truly loyal behaviour or the exuberance which informs variety seekers.

Measuring loyalty

This whole area is another industry in its own right which has generated a plethora of measurement tools and behavioural hierarchies.

The Net Promoter Score (NPS) debate

The Net Promoter Score (NPS) is currently one of the most widely used loyalty metrics, due largely to its simplicity. It is calculated on customers' responses to one survey question ("Would you recommend this service or product to a friend or colleague?") which customers answer on a scale of 1 to 10. Responses are grouped into three categories:

- (1) DETRACTORS with scores of 0-6
- (2) PASSIVES with scores of 7-8
- (3) PROMOTERS with scores of 9-10.

Subtract the proportion of Detractors from Promoters and the result is the brand's NPS.

The growth in the usage of the NPS has been supported by a wide-ranging research project which purported to demonstrate a clear link between a positive score as measured by NPS and (1) loyal behaviour in terms of an individual's actual spend and (2) company growth and profitability.

The validity of this research has recently been questioned and a number of companies are returning to more complex, multi-variable definitions of loyalty of which the NPS is just one element: still very important, but not the sole definition and determinant.

The Comparisat Survey

Loyalty agency FDS runs an annual consumer Comparisat survey which tracks customer satisfaction levels, using common measurement metrics across a wide range of industries. This is based on customers grading companies in a number of areas which include:

- Staff contact
- Value for money
- Product quality
- Product range
- Innovation
- Loyalty
- Trust
- Advocacy / recommendation
- General "satisfaction"

The top ten companies from its 2007 survey are shown in the table below:

Rank	Company	Satisfaction Score
1	Waitrose	8.75
2	Asda	8.64
3	Amazon	8.55
4	118 247	8.46
5	M&S	8.46
6	Legal & General	8.23
7	Morrisons	8.22
8	Scottish Widows	8.21
9	Identity Passport Service	8.12
10	Tesco	8.10

Source: Comparisat

BEYOND THE SUBSCRIPTION: Tracking the Customer Journey

The survey raises a number of interesting issues.....

- Since 2004 when the survey was first run, the scores of the top ten have gradually been rising. This is very positive, but demonstrates how difficult it is becoming for companies to excel in customer satisfaction in an increasingly competitive market.
- In the latest survey, four out of five of the UK's leading supermarkets feature in the top ten. In a highly competitive sector with tight margins and a high number of interactions with consumers each year, the need to deliver consistently across a range of customer satisfaction parameters is critically important.
- There is significant churn from year to year in terms of the individual companies' scores. M&S is a prime example of this. The company dropped out of the top ten in 2005 with a score of 7.72. It has since come back into the top ten with its 2007 score being 8.46 with particularly high ratings for People, Trust and Product Quality. Customer Satisfaction is something that has to be constantly won and maintained by brands and can be quickly lost.
- Few companies are dominant in every area as the comparisons between Waitrose and Asda show. Waitrose topped the poll in overall satisfaction levels, but lagged behind Asda in two areas: Value for Money and Product Range. Essentially, the figures reflect the positioning of the two retailers with Waitrose offering a restricted, but high quality range at a premium price – a proposition which the consumer appears to understand and appreciate.

Satisfaction Measure	Waitrose Score	Asda Score	Waitrose vs Asda
Trust	8.8	8.1	+0.7
Value for money	6.8	8.4	-1.6
Product range	8.2	8.6	-0.4
Product quality	8.9	8.4	+0.5
OVERALL SCORE	8.75	8.64	+0.11

Source: Comparisat

It is the companies which go back to basics and deliver good product, value for money with great customer service who are being rewarded with increased loyalty, trust and high consumer satisfaction.

This explains the consistently strong performance of the Identity & Passport Service. It is not an obvious contender, but the combination of helpful service, delivery on time and contact with real people make it a high scoring operation.

Measuring other dimensions of loyalty

Most loyalty measures look in detail, but often in isolation, at the product or service as a standalone. Other dimensions are necessary and should include:

- Loyalty within the direct competitive set to create a competitive loyalty SWOT analysis.
- Lost customer research to understand properly why customers defect or simply stop using the product.
- Predictive modelling to understand the triggers that spark a defection or loss and to predict when customer defection is likely to take place.

The role of loyalty clubs

The whole area of attempting to build loyalty through club activity is controversial with conflicting evidence as to whether loyalty clubs have any effect on either attitudinal or behavioural loyalty.

Loyalty club critics contend that they are merely a very expensive way to dispense price discounts which have no lasting impact on purchasing patterns or feelings of loyalty. Every Day Low Pricing (EDLP) is seen by these companies to be a much more transparent and honest price environment where the real issue is to produce a core service which delivers what customers want.

Loyalty club supporters claim that they can be a powerful way to influence consumer purchasing behaviour, but only if they are carefully planned and executed:

- Defining the target audience and its various segments.
- Defining what is profitable behaviour for each segment.
- Constructing mechanisms that reward and incentivise that profitable behaviour within the financial goals set by the company and without devaluing or diluting the core brand.
- Tracking and monitoring the effect of all the activity.

Traditional retailer loyalty club activity is primarily aimed at encouraging:

- Increased trading-up behaviour
- Greater purchase frequency
- Wider purchase repertoire
- More time spent in-store.....

....but it can also be used to drive profitable behaviours (e.g. airline or hotel customers booking online)

Even the most ardent loyalty club proponents would agree that a poorly thought-through and executed loyalty club is worse than not having one at all: that it can be very expensive and undermine the core brand values.

What is clear is that effective loyalty club activity is not just aided by consumer insight, but is a key purpose of the activity in order to gain consumer insight itself which will help to shape the whole brand strategy.

Another practical issue is that companies who operate loyalty clubs often look outside their core service competencies for rewards, when they are actually uniquely placed to deliver high quality and low cost rewards from their core service itself. A prime example is of airlines offering valuable customers free seats (air miles) from their inventory of empty seats – a low cost, but high perceived value benefit.

Using the same principle, media owners can replicate and distribute much of their content at low cost. This has the added advantage of being difficult for competitors to duplicate, unlike broader-based benefits such as wine clubs, etc.

The importance of the Customer Experience

The Customer Experience covers every interaction between an organisation and the customer and is based on trying to think what the consumer is thinking.

In the case of buying a washing machine from a retailer, it extends beyond the in-store purchase itself, where the customer should be guided through the technical and cost complexities by trained, knowledgeable and pleasant staff (I'm confused by the technical ratings. They all look the same. I don't want to appear stupid. I don't want to spend more than is reasonable, etc). It extends into the delivery of the product (When is it going to turn up? How much time will I have to take off work? How will I get it up the stairs? What am I going to do with the old machine?). The proactive retailer has thought through all the questions and possible negatives associated with the purchase to give the customer all the information before they ask for it and where possible to provide practical solutions.

In the modern consumer world, issues such as price, quality, ease of use are now hygiene items; absolute givens which must be delivered consistently and faultlessly as the core of the service. True differentiation comes from adding more emotive dimensions (e.g. confidence, trust, excitement, a sense of belonging to a community of users, a sense of brand ownership or of influencing the brand itself).

The following are all examples of the more emotive and subjective aspects of the "customer experience":

British Airways' simplification of its flight pricing and booking process was in direct response to its customers' demands for clarity, speed and simplicity.

Lufthansa offers its prime tier of frequent flyer a true fast-track check-in, being ferried out to the waiting plane in a Porsche

Cayenne and having a valet-parking service for customers' cars in a secure parking area.

John Lewis shop staff are trained to respond to a customer query about a product by leading the shopper to the product itself, rather than letting them find their own way. This simple act removes the negative feeling of uncertainty and replaces it with a positive sense of assurance.

Starbucks lost its way through a series of relatively minor cost-cutting measures:

- The introduction of automatic espresso machines improved the speed of service, but reduced the sense of theatre.
- Bigger outlets placed a physical barrier between staff and customer.
- The removal of bagged coffee also removed the coffee aroma from the outlets.
- The move towards standard store layouts helped the rapid growth of the format, but reduced the stores' individuality and quirkiness.

Innocent Smoothies sparked outrage by trialling the sale of its products through McDonalds outlets.

Tracking the Customer Journey

The basic concept behind the customer journey is that customer contacts do not take place in a vacuum and are not completely ad hoc and unrelated, but are part of an ongoing relationship which changes and develops through time. Used well, it can reveal opportunities for improvement and innovation in the relationship, acting as a strategic tool to ensure every interaction with the customer is as positive as it can be.

There are **three broad approaches** to the journey:

- Process mapping: a flowchart which defines the steps in the process and identifies where to act to make the experience as easy, pleasant and efficient as possible.
- Measuring the experience: determining criteria for assessing how well an experience is delivered.
- Customer experience mapping: a qualitative approach, focused on emotional insights about a customer in order to tell their story with passion and narrative. This is a powerful way to engage both staff and customers.

The **key benefits** of tracking the journey revolve around (1) customer insight and (2) building efficiency.

CUSTOMER INSIGHT

- See things from the customer's point of view.
- Deliver information, messages & services at the most appropriate time.
- Deliver a seamless, streamlined experience which cuts across department silos by recognising where and when it makes sense to join things up for the consumer.
- Get it right when it really matters, when emotions are highest or at the point of greatest need.

- Look at the current and the ideal side-by-side, giving a genuine chance to redraw the journey.

BUILDING EFFICIENCY

- Bring about change within the organisation in a way that cuts across department silos.
- Target limited resource for maximum impact.
- Plan the most efficient and effective experience by reducing duplication and shortening the length of processes.
- Identify "baton change" points where service or communication breakdown is most likely to occur.
- Identify problems & issues without attributing blame.
- Identify cheapest "cost to serve".
- Set performance indicators and standards so that progress can be tracked and measured over time.

There are **three broad tiers** of journey:

- The lifetime journey which stretches over the full period of the relationship.
- The contract journey which focuses on the shorter period from renewal to renewal.
- Individual contact journeys which map specific processes and issues.

THE LIFETIME JOURNEY

The classic lifetime journey is often seen as a staircase or ladder comprising seven stages :

- **Suspect**: Does the consumer fit the target profile?
- **Prospect**: You approach target for the first time.
- **First-time customer**: Customer makes first purchase.
- **Repeat customer**: Makes more purchases.
- **Majority customer**: Selects you as supplier of choice.
- **Loyal customer**: Resists switching suppliers.
- **Advocate**: Customer generates additional referral revenue.

The company structure to deliver results

Every consumer-facing company acknowledges the importance of delivering the customer's expectations: a London Business School survey showed that 80% of the FTSE 100 companies considered Customer Experience management to be very important and that they pledged to devote increasing emphasis to it in the future. Yet only a third of the companies had anyone specifically responsible for this key, strategic task. Co-ordinating a coherent and consistent experience for the customer cuts across processes that are dispersed across a number of departments within a traditional company organisation.

How to respond to declining loyalty?

The core answer to the question is probably distressingly simple and pragmatic, but difficult to put into practice:

- Get the product right (i.e. what the consumer wants).
- Understand how that product fits into their overall lives – map out what apparently unrelated external events may affect their consumption of the product (e.g. moving house, having children, etc.)
- Communicate the product benefits effectively and consistently through all the range of marketing materials.
- Provide the back-up services to support every aspect of the delivery of the product within what is realistic financially.
- Keep innovating to ensure that the product keeps pace with the consumer whose demands may change subtly, but significantly over time.
- Ensure that all staff, but especially those who have contact with the consumer, live out the values behind the brand.
- Add on loyalty rewards if desired, but make sure that they add real value to those customers who need to be retained, but be aware that the true loyals will not actually need them and may actually react against being offered them.

4. The Customer Journey in Practice

Section Outline

- Common themes linking the benchmark companies
- Key differences distinguishing the benchmark companies
- Customer touchpoints
- Customer segmentation
- The customer journey
- The database
- Customer service
- Retention
- Structural & operational issues
- Observations about magazines
- Targets & challenges for the future
- Key themes & learnings

Five companies outside the magazine publishing industry were interviewed in order to obtain a different perspective on the whole area of tracking and serving customer needs from a practical and operational perspective. This “benchmark group” operate in the following sectors:

- Financial Services
- Newspapers
- Communications
- Mail Order
- Membership

The companies took part individually in on-site interviews lasting typically for half a day. The group then met for a half-day workshop where their experiences were pooled, compared and discussed as a group.

The whole benchmarking process was based on the same structure which was also employed in the publisher interviews (see Section 5. The Magazine Bridge).

Common Themes Linking the Companies

“We’re not as good as you think we are!”

All the benchmark companies involved are concerned about being seen as “experts”.

- Firstly, it is clear that all the companies are very professional operators, but are actually very good at, sometimes, quite different things.
- Secondly, the more sophisticated each company has become, the more aware they are that there are big gaps in their knowledge, particularly in the area of consumer insight and data.
- Thirdly, a number of them do not always use the analytical tools they have access to due to time and resource constraints.

The changing consumer

While each company has specific customer profiles and challenges, there are a number of common themes running through their observations, together with a universal recognition that many of these changes have taken place over a relatively short space of time.

- **Ageing customer bases.** The “greying” of the UK population is well-documented and is seen in the age profiles of most of the companies’ customer bases.

- **Time pressures.** Due to the pace and stresses of modern life, consumers want quick and simple solutions to their needs and problems. They want to reduce the complexity of their lives, but at the same time they want more control and choice.
- **Increasingly diverse.** In their attitudes and purchasing patterns, consumers are becoming more diverse and more difficult to “pigeonhole”. This makes their future buying patterns more difficult to predict. It also means that they want to be treated as individuals, both in terms of marketing messages and of customer service.
- **Trading up & trading down.** Consumers want high-end & personalised quality in their purchases and services, but also want bargains and value for money.
- **Online.** Consumers of all ages are becoming more “techno-savvy” and reliant on the web for trusted information and guidance.
- **Savvy consumers.** While being increasingly motivated by ethical issues, consumers also want to be seen to be savvy and knowing. They are very price-aware, demanding of service and quality, selective and “picky”.

All these factors combine together to make the modern consumer a very difficult “moving target” – time-pressured, difficult to define & characterise and often wanting conflicting things from their lives and their consumption.

Changing business & industry factors

All the benchmark companies have seen very significant structural change in their markets and increasing competitive pressures. In addition, most are also currently undergoing some kind of internal organisational change.

Impact of online

The growth of online applications has had major changes on how customers are acquired and how they are serviced during the lifetime of the commercial relationship. This is probably the largest single change in consumer behaviour. As the companies use online as a CRM tool, there is a recognition that this enables consumers to take much more control over the commercial relationship with the companies.

Trend towards more niched products/services

All the benchmark companies have been developing more targeted and niched services as they segment their customer files in a more sophisticated way and cater for the needs of smaller and smaller sub-sectors. Most of the companies are deliberately trying to create their own portfolio of products (with some internal cannibalisation) in order to squeeze out competitors. A number of these more focused products have been launched as “brands” in their own right.

Yet this is still some way behind the niching that has been seen for many years in the magazine business.

As an indication of this, two of the benchmark companies intend to use newspaper and magazine readership as a powerful discriminator when profiling their customer bases.

Trend from “transactions” to “experiences”

Linked to the trend to niching (see above) there is also a move to shift from cold and impersonal transactions to warmer and more rounded “experiences” which have more colour, depth and emotional resonance.

Clear idea of the core business

While some of the companies have moved into associated products and services, all are very clear as to what their core service is and that any add-on activity must not divert from the base business model.

Very pragmatic approach

As becomes clear when looking at how these companies track their customers, the measurement tools are very practical and transaction-based.

Moving away from soft offers

While building the size of the customer file remains a key priority, there is increasing focus on building up the quality of the customer base in terms of spend and lifetime. This is linked to acquisition activity which is becoming less price-driven and less dependent on soft offers. Range, convenience and relevance are characteristics which are increasingly being promoted rather than pure price.

Balancing choice and simplicity

All the benchmark companies are trying to give the consumer as much choice and control as possible while keeping the customer's administration of the service as simple as possible.

- The Financial Services company offers a growing range of services for different individuals within the household, but which can be consolidated into a single statement per household.
- The Membership company aims to consolidate as many benefits across as many partners as possible in order to provide a “one stop” loyalty programme.
- The Communications company has a 6 tier subscription package with the option to add 4 more bolt-on services, but recognises that it needs to lead consumers through the options more proactively.
- The Newspaper company is breaking down its “forced bundle” of print + online services into its constituent parts to allow the consumer more flexibility. It also offers a wide range of delivery options, but is considering restricting these (as much for its own control purposes as customer overchoice).

It is a fine balance between giving customers sufficient options to tailor a service to their needs and overloading them with choices. Consumer choice can also result in administrative complexity and the danger of service standards slipping.

There is also a recurring belief that the more services a customer buys into, the longer their lifetime becomes.

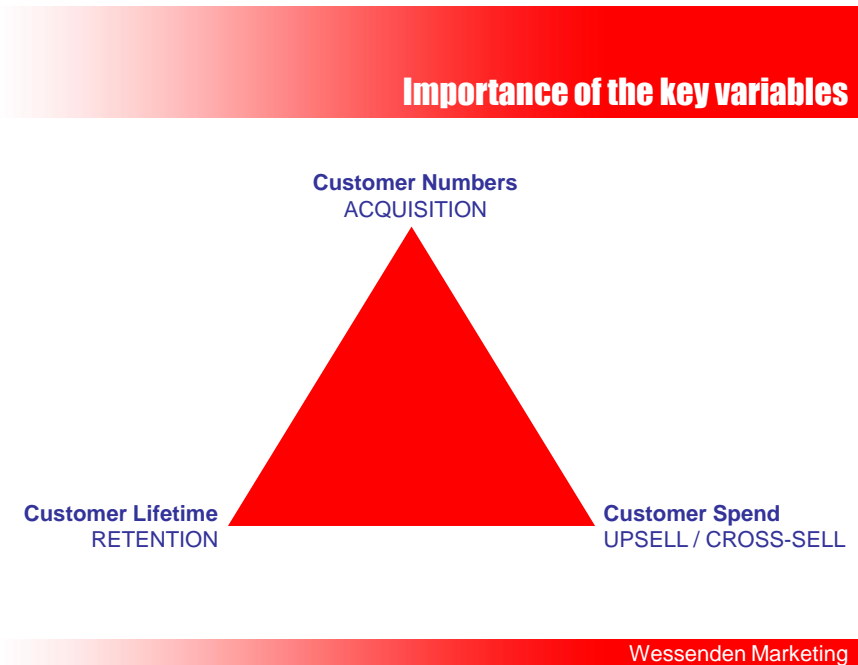
Key Differences Distinguishing the Companies

The consumer relationship (opt-in vs. opt-out)

The single most important difference between the benchmark companies is the actual nature of the customer relationship. At one extreme is the Mail Order company which has a file of regular customers, but no continuous relationship as such. Each purchase is separate and is the result of a distinct marketing effort: the consumer has to “opt in” on each occasion. At the other extreme is the Communications company which has a direct debit subscription at its core: to stop the service, the consumer has to actively “opt out”.

All the companies are attempting to move their businesses towards the “opt out” end of the spectrum.

Importance of the key variables



The key variables are common to all the companies, but their relative importance varies significantly from company to company and from product to product depending on the stage in its lifecycle.

What does unite all the companies is a common shift in emphasis away from building up customer files at all costs to focusing more on retention and upselling existing customers.

The aim of extending the customer lifetime for as long as possible is universal, but there are real concerns about the achievability of this given the more fickle and disloyal consumer and most of the benchmark companies are seeing their customer lifetimes reduce. Instead, there is intense focus on increasing customers' spend during the lifetime of the relationship. Most of the companies have

BEYOND THE SUBSCRIPTION: Tracking the Customer Journey

a wide enough range of products and services to have clear “price ladders” where customers can be upsold into increased spend.

Some of the companies have also developed cross-sell activities in terms of offering a wider package of products/services. Generally, the companies are either: (1) at a fairly early stage in developing these products or (2) seeing these products as interesting, but essentially add-on activities to the core. In addition there is a real difference between the companies as to whether these cross-sell products are seen as significant revenue earners in their own right or whether their role is simply to deepen the core relationship with the customer.

There is also an ongoing debate within a number of companies as to whether there actually is a ceiling to the potential spend per customer, with one company in particular having pushed beyond what they had assumed was possible.

The industry averages for these key variables for a typical monthly magazine are shown in the table below:

Consumer Magazine Key Variables	
<i>Based on average consumer magazine</i>	
File size of active consumers	21,000
Attrition rates: customers lost over a year	25% of active file
Acquisition costs per name	£15
Annual revenue per name	£26
Average lifetime	3.4 years

Sources: Wessenden Marketing / ABC / trade sources

FILE SIZE. The benchmark group’s file sizes range from tens of thousands up to 15m. The scale of the benchmark companies is the single most significant difference between them and magazine publishers. However, the benchmark companies are all segmenting their files into smaller groups which are increasingly being marketed to in discrete campaigns. A possibility for multi-title publishing companies is to move in the opposite direction and to build larger group files, building them up from the individual brands.

ATTRITION RATES. Where there is an “opt-out” subscription type relationship, the benchmark companies are seeing 10-30% attrition rates. The Mail Order company, which has an open “opt-in” relationship, sees much greater churn levels where 70% of the previous year’s purchasers will be inactive in the current year.

ACQUISITION COSTS. Average magazine industry acquisition costs are lower than for the benchmark companies which range from £20 to £70 per name averages. Generally, acquisition costs are rising across all the benchmark companies. Even though wider use of online sources is bringing lower cost per acquisition (CPA) figures, there is a recognition that:

- Much online response is actually driven by offline activity (and that to cut the offline budget would hit online responses)
- Much online response is the result of more expensive “two step” activity.
- In the search for better quality customers, the benchmark companies are paying higher CPAs, but this is offset by the longer lifetimes and higher lifetime values.

ANNUAL REVENUE. This is currently the key variable which is very different for magazine publishers, averaging only £26 per year (print subscription revenue only). By contrast, the revenue per name figure for most of the benchmark group is in the £300 to £400 per year range.

LIFETIME. Most of the benchmark companies report shorter customer lifetimes than are commonly seen in the magazine business, typically in the 1.5 to 2 year range. Customer lifetimes appear to be generally reducing in their length as the consumer becomes more selective, changeable and less brand loyal.

Publishing specifics

There are a number of factors which make the newspaper company very similar to magazines and very different from the rest of the benchmark companies. These include.....

- Retail sales and direct sales of the same products. This has two implications. Firstly, the data available about retail consumers is at a much lower level than that for direct-contact consumers. Secondly, the retail cover price sets a clear and public benchmark against which all direct sales pricing can be compared by the consumer. For the Newspaper company, subscription prices average out at 25% below retail with limited offers at up to 75% below retail.
- Two revenue streams. The Newspaper company sees 70% of its revenues coming from advertising as opposed to copy sales. This twin revenue stream has massive implications in two key related areas:
 - (1) Customer segmentation, which is very much driven by the types of readers that advertisers are targeting, rather than the most valuable information-consumers.
 - (2) Profitability measures, particularly in acquisition.
- Dominance of the “brand” which is both a strength and a constraint. The value of the newspaper brand in the eyes of the consumer is a massive advantage and adds tremendous credibility and “glue” to the consumer relationship. The downside is that the concerns about the purity of the editorial can limit valid marketing activity which might drive the

newspaper into more profitable commercial activities and more efficient marketing practices (e.g. the consolidation of customer data across a number of linked, but operationally distinct brands).

- Online for the newspaper company is not just about response/order activity, but is a fundamental part of the core editorial service which is both complementary and competitive to the print product at the same time. The company has recently moved its online editorial “paywall” in what was a major change in strategy.

Customer Touchpoints

In the process of redefining

Most of the benchmark companies are currently reviewing the full range of customer “touchpoints”. Traditionally, these had centred simply on transactions when a sale was made, but increasingly are covering:

- (1) Inbound & outbound CRM contacts, such as queries and complaints.
- (2) Administrative contacts, such as statements, order confirmations, payments.
- (3) Fulfilment contacts, such as the physical fulfilment of the product via letter, parcel or carton.
- (4) Non-revenue contacts, such as subscribing to a free newsletter, visiting the company’s website or taking part in research.
- (5) Add-on revenue contacts, such as events and conferences.
- (6) Events in the life of the consumer, which may not be directly related to the lifecycle of the product, but which impact on how the consumer relates with the product, such as a house move which creates a churn of 8% in the total active file of one of the benchmark companies. Other examples include a change in financial circumstances (e.g. taking out a mortgage) or in personal circumstances (e.g. marriage or the arrival of children).

All the benchmark companies are coming to recognise that the relationship with the consumer is often much deeper and more complex than had been originally thought.

Non-revenue contacts versus transactions

The traditional direct marketing view that every contact with the consumer is an opportunity to make another sale is being challenged by some of the benchmark companies.

The prime example is in the Financial Services market, which has a history of very aggressive and persistent attempts to cross-sell and upsell at every opportunity. Here, in an attempt to make the consumer feel more valued (and thereby to extend their lifetime), the Financial Services company is developing a programme of non-transactional contacts, ranging from welcome-packs through to service assessment calls and on to “optional sales” calls (“Can I tell you about one of our latest offers which is really tailored to your needs?”)

Massive variations in customer activity levels

Whereas a grid of all the possible customer touchpoints is relatively easy to assemble, the practical challenge is then to collect the data about contacts by individual customer. Those benchmark companies who have started down this route report (1) massively (and sometimes unexpectedly) different levels of activity from consumer to consumer and (2) that high activity levels in their own right do not necessarily translate into high spend levels – **the skill is in identifying the combination of touchpoints which can trigger spend.**

A repeated discussion point among the benchmark companies is how to identify those customers who have effectively set up a “do not disturb” sign, who do not want much contact from the company and who could be tipped into breaking the relationship should they be contacted too much.

Another key learning among those companies who have become more sophisticated in tracking the touchpoints is that the marketing focus should always be on the best customers:

- Converting non-buyers into buyers is strategically important, but is expensive.
- Increasing the purchasing frequency of low-frequency buyers is eminently logical, but usually delivers lower returns than originally assumed.
- Getting the best customers to spend more is where the greatest potential lies.

Growth of online

What is common to all the benchmark companies is the impact of online on all their businesses in two key respects: (1) name acquisition and (2) managing the customer relationship.

In terms of acquisition, online activity appears to be increasingly “two step” – warming up and qualifying the prospect before a sale is made. Yet the conclusion of all the benchmark companies is that a significant proportion of online responses are actually driven by offline marketing activity, which complicates the pure and simple source code analysis of more traditional direct marketing techniques. The role of online in managing an existing relationship is looked at in the “Customer Service” section.

Data protection

Meeting the legal requirements of Data Protection legislation is taken very seriously by all the benchmark companies and is seen to be an important, but very resource-hungry activity.

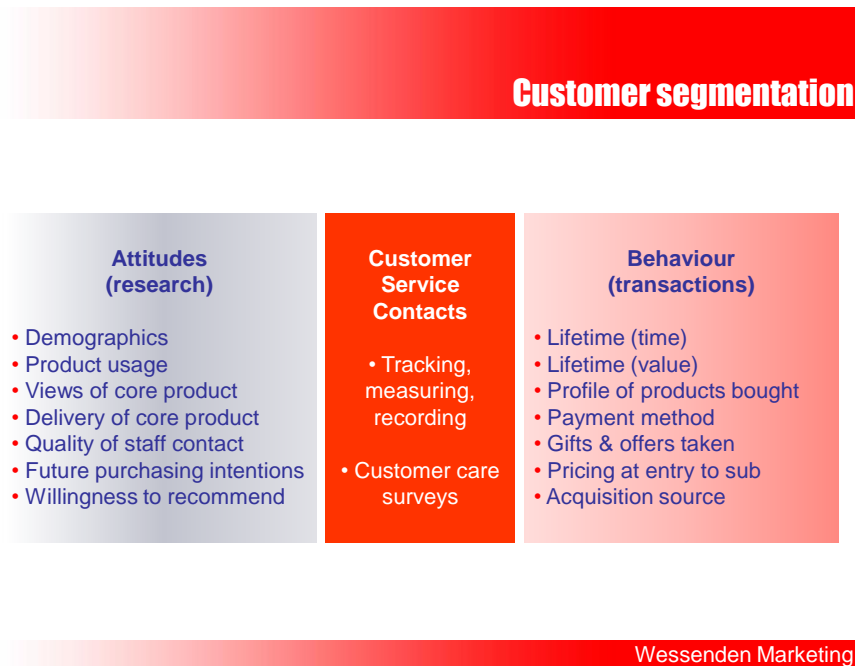
Companies in the Financial Services sector in particular are very sensitive to this whole issue, but they have also taken the lead in turning the issue from simply meeting the requirements of the law into a key part of their CRM, where respecting customers’ privacy and their contact preferences is actually a fundamental part of high quality customer service.

The Financial Services benchmark company has restructured its whole approach to Data Protection, feeling that it had historically (1) erred on the side of assuming that consumers would prefer to opt out of secondary marketing activity and (2) taken an overly simplistic “black and white” approach to opt-outs.

Recent tests have shown that over 50% of opted-out consumers opt back in when contacted by phone to be asked whether they would like to receive targeted marketing communications.

Customer Segmentation

The full range of customer segmentation approaches is shown in the chart below.



Publishers are traditionally very biased to reader research and the Newspaper Publisher's segmentation approach is founded on this and on defining groups which are based around advertisers' priorities rather than those that are truly related to consumer marketing and selling more product.

The remaining four benchmark companies are much more transactional and pragmatic with segmentations based on observable behaviours which have the advantage of (1) being applied to their total customer base and not just a researched

sample and (2) result in sales-related actions rather than just broad attitudes.

What these four benchmark companies have done is to define their segments by the consumers' transactions, but then to refine these segments and to add colour and depth by researching attitudes within each segment. The result is usually a rich, but actionable categorisation, which integrates attitudes with behaviours.

Examples of segmentation from the benchmark companies include.....

The Financial Services company has moved from a situation where it had only 3 core branded services across a two-phase lifestage model (Early Months and Mature) to its current position of having over 20 branded services across the same two-phase lifestage model, but with the additional overlay of a 6 category consumer segmentation around which the whole business is being restructured.

All Financial Service companies have an additional data overlay which is a credit rating review of any consumer across their entire financial activity via independent credit rating bureaux such as Experian. This review is undertaken in three situations:

- (1) At acquisition.
- (2) Triggered by the non-payment of monthly accounts (normally after three months in succession).
- (3) Ad hoc reviews.

The Mail Order company has a 14 category segmentation based on traditional RFM (RECENCY of last purchase, FREQUENCY of purchase over recent history and MONETARY spend over recent history) with overlays of the type of products regularly bought and the response medium used.

The Communications company has a 9 category customer segmentation based on a mix of (1) transactional data, (2) where the customer is in the lifestage of the relationship and (3) researched behavioural insights.

The Membership company creates bespoke segmentations for its individual partners, but has a 7 segment analysis for its own purposes, based on:

- How membership points are earned: at which retail outlets / how often / how much per occasion.
- How membership points are burned: ditto above + type of product/service redeemed + type of offer responded to + medium of response.
- Broad engagement measures.

Structured research programmes

In order to create and maintain their segmentations, most of the benchmark companies are committed to structured and ongoing research programmes.

Of the benchmark companies, the minimum research activity was made up of:

- Quarterly customer satisfaction surveys, which track attitudes to the quality of the products and services and not just the fulfilment dimension.
- Annual profiling of the types and volumes of products bought by the different segments.
- Annual qualitative and quantitative surveys of attitudes within each segment.

Of the benchmark companies, the most active research programme was made up of:

- Monthly online survey of the propensity to recommend the service to others (Net Promoter Score).
- Monthly customer satisfaction surveys.

- Monthly brand awareness surveys.
- Ad hoc quantitative and qualitative research.

Number of segments

The number of segments used among the Benchmark companies ranged from four up to 14, but the majority were under 10. Moving beyond 10 segments creates undue complexity to a tool which must be used as a matter of daily business rather than as a one-off.

Brand niching creates its own segmentation

Three of the benchmark companies are creating a range of more niched “brands” beneath their umbrella service. For example, the Financial Services company used to be based on three distinct credit cards. It now has over 20 more niched credit card brands which appeal to very targeted audiences in terms of their transactional behaviour and their lifestyle. This trend to niched, lifestyle brands effectively produces its own segmentation tool.

Yet there is a danger that the common behavioural patterns which span the whole customer file can be lost in the detail of the individual brand dynamics. It is important to retain scale in analysis and to understand that there are core behaviours which straddle a number of groups which are different demographically.

Having common measurement metrics across different brands is a challenge that the magazine industry is facing.

Magazine readership as a profiling tool

Two of the benchmark group commented that they intended to use magazine readership data which could act as a very powerful lifestyle and attitudinal profiler. Magazines are already tightly segmented and are almost active loyalty clubs in their own right.

The Customer Journey

Contact programmes rather than journeys

Most of the benchmark companies actually have very sophisticated contact programmes rather than true customer journeys. A contact programme is based on sales actions (e.g. buy or do not buy) in specific situations which trigger particular marketing actions and communications which can be heavily personalised.

Typical comms programmes

While there are clearly major differences from company to company, there are common themes in the contact programmes:

(1) Standard Communications

- Welcome pack at start of service
- Engagement pack early in service
- Updates on status of service
- Standard customer offers

(2) Trigger Contacts

- Customer “events” (e.g. house move)
- Spend triggers (i.e. when spend patterns change)

(3) Renewal / Win-back

Focus on “nursery”, “at risk” & “win-back”

Most of the contact programmes are very focused on three areas: (1) “nursery”, (2) “at risk” and (3) “win-back”.

The EARLY LIFE or NURSERY phase is the start of the customer relationship, typically the first 3 to 12 months. The key priority is to **retain** customers at this sensitive stage when they are most vulnerable to lapse or inactivity. The next priority, which is growing in importance in all the benchmark companies, is to **stretch consumption** in this early phase as the patterns of behaviour established in EARLY LIFE will tend to carry on into MATURITY.

Benchmark company examples include:

- Only 60% of the customers who apply for a credit card from the Financial Services company used to activate the card. The introduction of a new welcome phone call has increased the activation rate to its current 88% level.
- The Communications company already has a well-established Welcome Pack, but is testing an additional Engagement Pack a few weeks after the start of the service which reviews all the service options available, how best to use them, with free trials of additional services (two weeks free of everything). The pack is printed, but outbound phone calls are also used as a powerful relationship building medium.
- The Newspaper company is considering a “how to use the service” Welcome Pack, as the consumer can actually be overwhelmed by the sheer range and volume of data once it starts to come on a daily basis via the subscription.

A number of the benchmark companies have identified patterns of behaviour which show consumers as being AT RISK of terminating their relationship (e.g. a house move or changed spending

patterns). An alternative approach is to know from research that at a certain point in the relationship, simple boredom or fatigue set in and that the relationship needs reinvigorating (see **RETENTION: Understanding Why Customers Leave**).

This group of consumers can then be isolated for specific treatment and special offers aimed at reactivating/retaining them. Some of the benchmark companies use LTV calculations at this point to see whether customers are worth saving and how much money can be spent on trying to hold on to them

The Membership company has identified a particular situation where a member has made a large purchase and used up most of their club credits/points, potentially leaving them feeling negative about the prospect of building up their points bank again, with the danger that they lapse into inactivity. In response, the major purchase triggers a special communication, giving the consumer a points booster and special low-priced offers to stimulate activity at a sensitive point in the relationship.

After a customer has lapsed, then **WIN-BACK** activity kicks in for up to 12 months after lapse.

Gearing customer contact to journey stages

A number of the benchmark companies have organised their customer service teams around the key journey stages so that completely different teams manage the relationship at different phases of the journey.

The “cold consumer”: two-step acquisition

As has already been noted, a key impact of the internet has been to produce a new, lower cost acquisition source. Yet much online activity is two-step, qualifying the name and “warming up” the consumer, gaining their confidence through competitions, free newsletters, etc., before an attempt to make a sale is actually made.

Does the “customer journey” still exist?

The whole concept of the “customer journey” is challenged by some of the benchmark companies:

- One believes that the sheer range of customer touchpoints is so wide and complex that the idea of a linear journey is simplistic.
- One feels that the actual purchasing behaviour of the consumer is very settled after the initial Early Life/Nursery period and that the idea of a constantly changing and developing relationship is over-complicated.
- Some feel that the idea of a journey is more applicable to information / entertainment products (e.g. magazines, newspapers, pay TV) than for, say, Financial Services. A key driver of lapsing with entertainment products is overload/boredom/fatigue rather than lapses in services.

The Database

In-house or outsourced

For most of the benchmark companies, the database has been too large, too specific to their own operation and simply too important to outsource to an external bureau, as is the case with most magazine publishers. While external contractors may have been used to create and support the database, the operation is essentially in-house.

A long & painful process

Yet managing the database in-house does not mean that the benchmark companies have not had problems in creating and updating their databases. Most have had false starts, most have current IT challenges and one of the companies is currently involved in a major legal action taken against their software supplier.

Constant updating of the database structure

The requirement to hold more data about each customer, whether it is demographic information or a more detailed history of the full range of customer contacts, is putting additional demands on the companies' current systems, some of which are in need of a major overhaul. Capturing and analysing data about website contacts is widely seen as one of the most demanding and challenging data exercises.

Constant usage

All the benchmark companies have created a database in order to manage the core customer relationship on a day-to-day basis rather than for pure marketing purposes. This means that from implementation, the database is a live element of the core operation rather than an add-on where usage needs to be planned.

A true single view?

A number of the benchmark companies, while having a sophisticated database for their core operation, still do not have a true "single view" of their consumer with their information either having large holes in it or being scattered across more than one database.

Customer Service

Integrated into the core service

As contact with the consumer for most of the benchmark companies is a direct relationship rather than mediated through a retail supply chain, customer service is an essential link in the whole transaction process. Therefore, all the benchmark companies see customer service not as some “add-on” or an afterthought after the initial acquisition has been made, but as an integrated part of the whole relationship that the consumer has with the company. So, it is seen more as a marketing function rather than an administrative cost centre.

Organising customer service

The benchmark companies have all taken slightly different approaches as to how to structure their customer service operation and most are in the process of reviewing this structure currently.

The most common route is to structure customer service around customer lifestage with distinct teams managing the whole Early Life / Nursery phase as this stage is (1) so important and (2) so different from later stages.

Yet where a company has been looking at new customer segmentation or brands, it is also looking to restructure both its marketing and customer service functions along those lines, though no company has yet fully implemented this approach. The brand-structured approach, so common among magazine publishers, is a relatively new development, but is growing in importance.

A number of the benchmark companies actually have a mix of all three structures in place at the same time – see “Structural & Operational Issues” later in this section.

Customer satisfaction surveys & feedback

What is clear from all the benchmark companies is that (1) a planned programme of customer satisfaction surveys and (2) the structured capture of the nature of customer contacts on the core database are both essential to tracking the customer, keeping abreast of their changing requirements and assessing the companies’ own service performance.

The scale and profile of customer service

The scale of the customer care operations varies markedly from company to company, with one of the benchmarking companies receiving over 300,000 customer phone calls per week. The nature of the calls also varies significantly. For example, one key driver of customer contacts is a monthly statement, as is the case with the Financial Service company, where items on the statement may need clarification or query.

Streamlining customer service

There is a general trend to simplify the service for the customer. For example, the Financial Services company has dramatically reduced its 2,620 different letter templates and has added humour and Plain English standards into a more streamlined communication strategy with a more consistent tone of voice.

Role of online

Just as online has become much more important in the process of acquiring new customers, so ongoing contacts with existing customers have been gravitating towards the internet with the benchmark companies reporting between 30% and 90% of their customer contacts taking place online.

Online can offer:

(1) low cost “self-service” mechanisms, replacing more expensive, traditional media such as telephone call centres.

(2) can improve and speed up the consumer’s access to the company’s services.

However, there are two key caveats. Firstly, that a slow and “clunky” online service can be a worse customer experience than a well-run call centre. Secondly, one of the benchmark companies expressed real concerns about losing control of customer servicing by giving the consumer the online tools to manage the relationship more proactively. This same company uses online techniques extensively, but tries to channel certain contacts back on to the telephone which it considers to be a more powerful upsell/cross-sell tool.

For the Mail Order company, 100% of its customer contact used to be by mail, but the profile is now phone (57%), online (30%) and mail (13%). For the newspaper company the profile is online (80%) and phone (20%) with negligible mail contact.

Retention

Understanding why customers leave

Most of the benchmark companies report a real shift in their consumer insight activity from understanding how to acquire new customers at the front end and how to maximise revenue in the early years to learning more about why customers leave at the back-end.

For many of the companies, especially those involved in more discretionary or entertainment products, the conclusion is that it is pure boredom or fatigue which can often be a key factor or the view that the perceived value of the service is no longer as good as it was, as the consumer feels that they are not using all the facilities that they are paying for.

Here, two actions are being taken by the benchmark companies.

- One company is repackaging and reselling its services in a slightly different combination so that customers feel that they are being offered something new and exciting deeper into their relationship. They are also offering the consumer a greater ability to pick and choose different elements of the service so that they feel more in control of a service which they now understand better than in their early life phase.
- Another company has shifted its focus from constantly trying to push consumers up the “ladder” of subscription pricing to higher and higher packages and is moving to a policy of “right-sizing”. If consumers leave because they feel that they are not using all the facilities that they are paying for (a common feeling among mature magazine subscribers), then it is better to take people down the price ladder to a reduced service package than to lose them completely.

One of the companies has a structured approach based on experience which has shown that consumers have “low points” in their subscription relationship (typically at 3 months, 12 months and 3 years) and that “enlivening” action is taken at these points to (1) highlight the benefits of the service or (2) to reward loyalty (often through “love gifts”).

Segmentation & personalisation

The role of the database in allowing more personalised contact, based on past transactional behaviour, is seen as absolutely pivotal to all the benchmark companies.

The role of price in making customers stay

While most of the benchmark companies continue to develop a wider range of upfront packages for new customers where varied pricing structures are an essential part, there is a general trend to price less aggressively in order to acquire new customers as this has the inevitable result of penalising longer-term and loyal customers.

- The Communications company, having had a strategy of very low introductory prices is trying to equalise prices more evenly between new and established customers in an EDLP (Every Day Low Pricing) strategy. It still reserves its best prices for “claw back” where customers have threatened to cancel the service, but is trying to limit the use of this.
- The Financial Services company has pulled back from the price wars of previous years, trying to create a more added-value service where loyalty is identified and rewarded and

where more aspirational “experiences” are offered as benefits (e.g. weekend breaks).

- The Mail Order company has moved away from very low-priced introductory offers into a more evenly distributed EDLP price structure as price-driven customers ultimately spend less and have a lower lifetime value. However, price is still used as an order builder.

How often to talk to the customer?

This is a major issue running across all the benchmark companies, but one to which there is no common answer.

At one extreme, the Financial Services company is restricted to four outbound sales/marketing contacts per year, so its non-transactional customer contacts have assumed a far greater importance in maintaining the relationship and in offering upsell and cross-sell opportunities which have to be managed in a subtle and sensitive way. It has also recognised that certain types of customer actually want very little contact and that too much contact will tip them into ending the relationship (the practical difficulty is to identify these consumers in advance and to manage their contacts differently)

By contrast, two of the companies have contact policies which mean that a prime customer may receive sales/marketing outbound messages every week of the year. Ironically, upselling & cross-selling opportunities on inbound contacts have become more important as a physical ceiling has been reached in outbound activity.

Most of the benchmark companies identify two broad types of consumer:

- Those who want to be contacted and who feel “left out” if they are not being offered “deals”. “You never contact us” is a repeated complaint from customer care surveys.
- Those who want minimal contact and feel “pestered”, especially if the company’s contact is outside the core service.

The key is felt to be to give the consumer the option of contact, perhaps much more dynamically and repeatedly through time rather than in one-off opt-in/opt-out decisions, and with contacts which are much more tailored to their specific interests and purchase patterns

Loyalty programmes

Here there is a real range of opinion and practice with three basic positions.

Loyalty Programme Believers feel that adding value to the core transactional relationship which can be quite cold and mechanical is absolutely essential in order to create a more emotional bond with the consumer and to make them feel more valued.

Yet it is absolutely essential to link rewards to (1) specific behaviours (e.g. time with company, hitting a spend target) and/or (2) the demographics or interests of specific segments. Benefits or offers that are open to the whole customer base are simply random acts that are not linked to loyalty or behaviour at all. **The aim of a club is not just to make consumers feel good, but to influence their behaviour.**

There is a difference of opinion among some of the benchmark companies as to whether the club benefits should be related to the core service or should be broader-based rewards and experiences. The core-service proponents argue that customers can see the

relevance of these benefits and can put more of a value on them. The broader-benefit proponents argue that a club is trying to enliven the core service which is very often seen as boring and transactional.

Loyalty Programme Sceptics feel that the best route to consumer loyalty is to provide a high quality core service at a good value price – “what you see is what you get” without unnecessary frills which the consumer knows that they will have to pay for in the end via one means or another. Their view is that if you feel you have to reward loyalty then you clearly are not recognising loyalty through the pricing structure of your core service and a club is merely “conscience salving”.

A number of companies sit **in between these two extremes**, often already having a slightly uncoordinated range of customer benefits which are not built into a structured package or tailored to individual customers. All of this group intend to create a more structured approach in the immediate future, but also have little empirical evidence from current activity to suggest that past efforts have affected lifetimes or retention rates.

What unites all the companies is a belief that “the more they have, the more likely they are to stay”. This might not actually mean a distinct loyalty club as such, but could include a more sophisticated combination of core services built into a bundled package.

A target was quoted by one of the benchmark companies of having 40% of a customer base active within a loyalty scheme.

What is clear is that a great deal depends on what the core service actually is and whether it is essentially cold and transactional (Financial Services) or whether it already has some theatre and excitement built into it (Communications & Entertainment).

Yet the strongest driver behind the different attitudes to loyalty schemes is often simply the company culture of the organisation concerned.

Locking consumers in

Most of the benchmark companies are using direct debit more, with one company in particular using it as its only payment method. “The most effective loyalty mechanic is a subscription service which is difficult to get out of!”

The key measures of loyalty

When the benchmark companies speak about “loyalty”, they are often talking about very different things.

For some, a “loyal” customer is simply one who spends most over the longest period of time, so is measured by lifetime value.

Others have a slightly modified version of this and look at (1) the length of the customer relationship or (2) the level of activity as feelings of loyalty may not actually translate into the highest levels of absolute spend.

Some have non-transactional measures, the most common one being the Net Promoter Score (i.e. how strongly would a customer recommend the company’s products and services to someone else).

One of the companies which operates a loyalty scheme has a more complicated Engagement Score which is based on a mix of factors which include:

- **ACTIVITY LEVELS:** points earned and points burned together with an earn-to-burn ratio.
- **KNOWLEDGE:** research on both attitudes to and knowledge of the loyalty scheme.
- **ENGAGEMENT:** responsiveness to marketing campaigns and tracking of other contacts (e.g. website visits).
- **SATISFACTION:** based on research, Net Promoter Score (likelihood to recommend service to a friend) and call centre contact information.

Structural & Operational Issues

The key measures to run the business

As already noted, a number of the benchmark companies have quite traditional metrics which guide the business which are often not directly related to the consumer (e.g. sales, market share, the profitability of the different operating divisions which might be organised by business process rather than by any customer-centric measures).

Whereas lifetime value (LTV) is universally used among the benchmark companies, it tends to be employed for ad hoc name selections, file segmentation and campaign analysis rather than as key metric to drive the whole business, which still tends to be run on the traditional accounting assessments of the individual divisions' performance within the organisation.

Structure of the business

Most of the benchmark companies review their company structure in what appears to be (1) a regular cycle of self-analysis or (2) prompted by a change in senior management. Yet as brands and customer segmentation increase in importance, the drive to organise the business around these more customer-focused structures becomes stronger.

The reality for most of the benchmark companies is that the organisational structure is something of a mix. For example:

- Marketing will tend to be brand or customer segment driven.
- Customer Service will tend to be customer lifestage driven.

- Other areas such as Buying/Merchandise, Fulfilment/Logistics will be process and volume driven and will tend to straddle any customer-focused segmentations.

This mixed-economy approach inevitably produces some conflicts and joint/fudged decision-making processes, but works in most companies.

Another key organisational issue is which department is responsible for the database – is it marketing or is it a separate administrative function?

For the Financial Services company, the organisational structure alters during the life of the product. A new product is launched by a Brand Manager, but once established, the brand management structure falls away and the product fits into the normal lifestage teams and processes (soon to be replaced by consumer segment teams).

Staff skills

There is a universal recognition that getting and keeping the right quality staff is becoming more challenging just as the skill sets required have become more complex. In addition to the traditional analytical skills needed to assess offline campaigns, there is much more need for (1) a knowledge of online marketing and (2) the ability to interpret broader customer insight data rather than just response rates.

Senior management buy-in & decisions

Database investment, structural change, long-term marketing strategy – these are all ultimately driven by senior management who can also abruptly change return-on-investment and profitability criteria.

Keep it as simple as possible

Perhaps the strongest factor which unites the benchmark companies is the recognition that the pursuit of the customer can lead into all kinds of complicated company structures, expensive customer activities and obscure theories, when the reality is that what the customer wants from a given service or product is often very simple and that what is required is unrelenting and pragmatic focus on a handful of key priorities.

Observations about Magazines

The benchmark companies were asked to make some comments about what they observed as current practice in the magazine industry (often this was as actual consumers):

Make more of the brand equity

What all the benchmark companies recognise is the immense brand power that most magazines have – the strong emotional bond that exists between the reader and the magazine. That strength in the brand is what all the benchmark companies would love to have for their own products and services. Are magazine publishers actually leveraging enough benefit from that strong consumer bond?

Magazines as an affinity club

A magazine is already almost an affinity club in its own right. Most of the benchmark companies publish their own customer magazines as a way of creating a deeper sense of community, to inform customers how to make the most of the service and to develop their customer benefits.

Magazines as lifestyle indicators

The next stage for two of the benchmark companies in creating finer overlays on their customer data is to profile customers by their newspaper and magazine readership, which will provide very powerful indicators of demographics, attitudes and lifestyles.

Creative acquisition techniques

Most of the benchmark group are very aware, as consumers, of the various magazine offers that are currently on the market and regard them as highly creative, but.....

The role of price

.....A discounted price seems to be the main consumer benefit of subscribing. Is that a correct and defensible strategy over the long-term?

Slow first issue delivery

Particularly among those who subscribe through the internet, the gap between taking an order and fulfilling the first issue of that order seems far too long. In their own businesses, the benchmark companies are reducing turnaround times in every process as part of their programme of improvement.

Little publisher contact during the subscription

There appears to be little communication between publisher and subscriber during the life of the subscription apart from the physical delivery of the magazine and the renewal process.

Discounted gift subs as a loyalty builder

Why not use a discounted gift subscription offer as a thank-you to loyal self-subscribers?

Make gift subs more of an event

There is little theatre in the whole gift subscription process. It is also difficult to predict when a gift recipient will receive their first issue – a problem when buying a gift for a particular event.

Allow consumers to “pick & mix”

Committing to the same magazine for year after year is actually very repetitive. Is there a way of allowing consumers to “pick & mix” their magazines through the life of the subscription, altering the title mix as they go along?

The disadvantages of the retail dimension

Magazines’ heavy dependence on retail sales clearly causes operational challenges for publishers with a lack of detailed customer data and regular customer contact for upselling / cross-selling.

Standing back from the detail

A thread running through a number of comments is that because magazines can cater for such specific interests and such tightly defined markets, there is a real danger of losing the “big picture” and of getting lost in the detail. The reality is that there are many customer service processes and procedures which will be common to many magazines however specialist and “unique” their focus.

Targets & Challenges for the Future

Each of the benchmark companies was asked what their key targets and challenges were for the immediate future.....

Company A

- Grow the user base through a stronger gifting offer, particularly older people gifting for younger relatives (the ageing of the customer file is a major concern for this company).
- Leverage more spend per customer by moving people up the subscription price ladder, but also “right-sizing” the subscription package for At Risk and Win-Back customers – moving someone down the price ladder is better than having them drop out completely.
- Leverage more spend per customer with more co-ordinated cross-sell activity, selling other products and services outside the core offer.

Company B

- Develop the online potential by trying to replicate the offline experience on the website.
- Develop the new brands as properties in their own right with their own characteristics and values.
- Develop a more emotional and aspirational feel to all the activities and upgrade the whole customer experience from cold transactions to warmer “experiences”.
- Use more subtle attitudinal segmentation on the customer file which will drive a more tailored approach to creative work.

- Add more tailored “trigger campaigns”, sparked by specific consumer actions, tailored to their individual behaviour.

Company C

- Improve retention rates in the first six months with a “how to use the service” guide as part of the subscriber welcome pack, as consumers can be overwhelmed by the sheer range of information available.
- Revise the whole consumer segmentation.
- Leverage more spend per customer with more co-ordinated cross-sell activity.

Company D

- Having reached a ceiling to the number of customer contacts per year, the next task is to optimise those contacts more effectively and to make more of inbound contacts.

Company E

- Improve the welcome pack and engagement process to raise activation levels and early spend patterns.
- Improve the whole rewards package with more retailer redemption/discount opportunities from loyalty club rewards.

Key Themes & Learnings

A number of key and repeated themes emerged from this whole benchmarking process.....

- The importance of the Early Life / Nursery Period in retaining customers and shaping future spend and usage levels.
- The importance of an engagement process in addition to a welcome process to educate consumers how to make the most of the new service.
- The importance of knowing not just what consumers think of the product/service, but understanding how they actually use the product/service, where it fits into their lives and what they really value (which may be more basic than currently thought). Get these basics right first before attempting to build added-value services on top.
- Linked to the previous point, the need to understand the “leave points” – what prompts a consumer to stop the relationship.
- Modify the focus on leveraging as much revenue as possible from the name to “right-sizing” the service for the individual consumer which will help to extend customer lifetimes.
- Be clear what one wants customers to do and then construct the mechanisms to prompt and reward those behaviours.
- Central to a customer behaviour strategy is a coherent and logical pricing structure which should reward loyalty rather than penalise it.

- Build customer segmentations on transactional patterns rather than research.
- Customers want to feel valued. What makes them feel like that? What are the practical and cost-effective ways to achieve that?
- Linked to the previous point, do all contacts need to be sales contacts?
- Data Protection issues can actually be extended into providing a more secure and protected environment for the consumer where trust can be built up.
- Increasingly, modern consumer marketing is built around brands or at least the aura of trust and reliability that brands engender. Magazine publishers already have immense brand power which they are not using to the full.
- Magazine publishers and the benchmark companies are moving in opposite directions in terms of the scale of their files. Most of the benchmark companies are breaking their mega-files down into smaller, segmented brands, but recognise that they could lose scale efficiencies and add complexity if they go too far. Magazine publishers need to move in the opposite direction: to consolidate their fragmented brand approach into a more efficient way of working.
- Concentrate on the best customers as this will deliver the best ROI.
- By focusing on what the consumer really wants from the product or service will produce simple, actionable and effective marketing solutions. Try to keep it simple!

5. The Magazine Bridge

Section Outline

- The role of subscriptions within the company
- Customer touchpoints
- Customer segmentation
- The customer journey
- The database
- Customer service
- Retention
- Structural & operational issues
- Publisher categories

Senior circulation and marketing executives from 15 magazine publishing companies were interviewed in order to map out current practice within the industry across a range of areas.

The companies involved were:

Consumer Publishers	B2B Publishers
Archant Specialist	CMP
BBC Worldwide	EMAP
Dennis	Informa
Future	Jane's
Haymarket	RBI
IPC Media	
National Magazines	
Reader's Digest	
Signature	
Which	

The Role of Subscriptions within the Company

Subscription growth

Without exception, all the respondents report that subscriptions are growing in importance and in their share of copy sales, if not in absolute numbers.

Reasons for the commitment to subscriptions

The range of reasons is very broad and the relative importance varies considerably from company to company, but the key drivers are:

- The ability to increase customer insight.
- The ability to cross-sell other products and services and generate more revenue from a name.
- The ability to lock readers in and lock them out from the competition.
- To build frequency of purchase.
- To counter (1) the threat of reduced access to retail and (2) the rising costs of the newsstand.
- Positive cash flow.
- Better financial margins than retail (though this varies considerably from title to title).
- Better control over volumes.
- More stable than retail sales.
- No wastage.
- More accountable and monitorable than retail sales.

Reasons for subscription growth

More and more consistent **investment** in:

- Staff headcount.
- Marketing budgets.
- Database developments (where applicable).

More aggressive **acquisition techniques**, which centre on price-cutting and price-driven trial periods.

The impact of **online** in terms of generating subscriptions at relatively low cost.

Barriers to growth

A number of respondents feel that the modern **consumer** is more difficult to please and wants more freedom in their subscription service rather than feeling tied in to a contract.

The rest of the barriers mentioned are **internal company** constraints:

- The lack of staff time and resource to make things happen.
- The lack of investment in subscriptions – this focuses more on staff headcount rather than just the size of subscription marketing budgets.
- Stop-start investment and the lack of consistent focus by senior management.
- Restrictive ROI and breakeven targets imposed, often at short notice, by senior management.
- The increasing complexity and fragmentation of the subscriptions tasks plus the additional service companies who need to be managed (e.g. database companies, online affiliates, etc.)
- Variable quality of the data in the database.
- Falling response rates linked to rising acquisition costs.
- The rising (and increasingly difficult to predict) costs of postal fulfilment.

A ceiling to subscriptions growth

A number of consumer publishers are looking to a 50:50 balance between retail and subscription revenues. To drive subscription share much above that would be dangerous strategically:

- It would make the business too vulnerable to the vagaries of an openly competitive postal market.
- It would reduce the retail opportunities to reach consumers in fast-moving and impulse markets where a retail presence still offers sampling and brand awareness opportunities.

Various publishing models

The publishing model varies significantly from company to company and from magazine to magazine. The key variable is the balance between advertising and circulation revenue. Other factors include:

- The lifestage of the title which will shape the balance between different routes to market.
- The lifestage of the marketing process. A number of respondents spoke of building up subscription volumes on a title via a cut-price policy before “slamming up” the price to generate more revenue.
- The changing ROI and break-even targets imposed by senior management.

The irony of growth

When subscriptions are growing fast, there is less need to be sophisticated in terms of analysis and research and to invest in such developments as a database.

Ironically, the real need to become better subscription marketers comes when subscription growth is slowing down.

Customer Touchpoints

All the respondents recognise the need to map out and understand all the various ways their customers interact with their brands. Most are in the process of defining and understanding more about how these touchpoints work. Only a handful of publishers are truly integrating this analysis into their working practices.

The key touchpoints for a magazine publisher are listed in the chart below:

CORE SUBSCRIPTION			
PRIMARY Part of managing core sub	Fulfilment queries & complaints	Transactional or Non-Transactional	Regular or Ad Hoc
	Reader offers		
	Reader competitions		
	Research surveys		
	Reader polls		
Reader correspondence			
SECONDARY Add-on services	Events / shows / exhibitions		
	Newsletters (print & email)		
	Digital editions / CDs / DVDs		
	Websites (brand and/or group)		
	Consultancy		
Tailored data feeds			
TERTIARY Less planned & co-ordinated	Advertiser & third party contacts		
	Reader ads		
	Sundry prospects		

Each contact has two key dimensions:

A contact can be **transactional or non-transactional**, where either (1) money changes hands or (2) the service is provided free of charge or as part of an enhanced subscription package.

Deciding whether and what to charge at each touchpoint is probably the single biggest issue facing publishers.

A contact can be **regular or ad hoc**. One of the first learnings from the implementation of a database is the knowledge that many apparently random or ad hoc contacts with the consumer are actually part of an ongoing relationship which has simply not been tracked properly. Also, the customer can use an ad hoc contact (e.g. the one-off purchase of a book) as a precursor to committing to an ongoing relationship (e.g. taking out a subscription to the core magazine).

The interviews highlight a number of specific issues.....

Massive data consolidation task

To go beyond simply listing what the customer touchpoints actually are to (1) understand how they work and (2) to build them into working processes is a massive and long-term strategic commitment.

Various levels of detail & data integrity

The process of pooling information about the touchpoints requires consolidating data from several sources which have varying levels of detail, format and accuracy.

Data panic

The initial consolidation of touchpoint data creates instant data overload and panic! The result is often to dismiss the task as being too complex (and probably not that useful). The key is to refine back down to a usable number of segments and touchpoint types.

Data protection

Consolidating data about customer contacts of different types via different media from different sources creates all kinds of Data Protection issues which must be confronted and assessed early on in the process.

Surprises as to how much people can spend

Detailed analysis of touchpoints invariably reveals just how much core customers can spend with the brand.

A key conclusion is often that the first task (and the one with the best ROI) is to get the best customers to spend more, rather than driving to grow the total customer file to the exclusion of everything else or to attempt to make low frequency customers transact more regularly when they may actually be very comfortable with their current relationship.

Massive variations in customer activity levels

Linked to the above point is the fact that all customers are not equal and that averages conceal massive variations in activity levels.

Online versus print is the big issue

With 30-40% of all new consumer magazine subscriptions coming from online sources and with increased email and website contact with customers, trying to understand the online experience and integrate it into an overall online+offline “customer experience” which is profitable for the publisher is a major challenge. Add in the fact that web statistics provide a data source that is both rich and potentially overwhelming, and the whole area of integrating online is the big issue.

Touchpoint analysis changes working practices

Understanding how the customer actually relates to the brand from the customer's perspective can turn attitudes, success criteria and working practices upside down.

A number of these issues are brought to life in two real, but anonymised case studies discussed during the interviews.....

Case Study 1: A multi-product magazine

This magazine is a specialist consumer title which used to have two separate customer files:

- A subscriber base of 95,000 names.
- On a separate database were 35,000 active product buyers who had bought from a range of books, videos and DVDs mainly from off-the-page offers, but increasingly from the magazine's website.

Having invested in a new database, both files were consolidated and deduplicated.

Contact Category	No of Customers	% of Total	Average Spend per Customer per Year	Total Spend per Year	% of Total
Unduplicated Files					
Magazine subscription	95,000		£29	£2,755,000	45%
Product sales	35,000		£95	£3,325,000	55%
TOTAL NET	Unknown		Unknown	£6,080,000	100%
Deduplicated Single View					
Magazine subscription only	66,000	65%	£29	£1,914,000	31%
Products only	6,000	6%	£37	£222,000	4%
Both sub + products	29,000	29%	£136	£3,944,000	65%
TOTAL NET	101,000	100%	£60	£6,080,000	100%

The gross total of the two separate files was 130,000 names. When deduped, there was seen to be a 29% overlap between the two files, with 29,000 customers on both files. The net customer pool was actually 101,000 names.

The total revenue per name across the whole customer base is £60 or 2.1 times the value of a standard subscription.

The spend levels and spend patterns of the three pools are quite different:

- The **subscription-only** customers are relatively low spenders, but they provide a steady revenue stream over a longer lifetime than the other pools.
- The **product-only** customers represent a small pool, but they are still important. They tend to be either (1) low frequency retail buyers or (2) non-print readers who have bought product off the magazine website. They are significant in being prime conversion prospects for a full subscription.
- The **subscription + product** customers are clearly the prime group. The average annual spend figure of £136 per name conceals a massive range with a small core of subscribers spending several hundred pounds per year with the magazine.

Research among the different pools revealed some other insights, particularly about their entry point into the customer pool – which product did they buy first?

- Those whose first transaction was to buy a **magazine subscription** tend to be more steady buyers. They have a lower annual spend, but over a longer lifetime. Their resultant lifetime value is high.
- Those whose first transaction was to buy a **product** tend to spend in bursts. They have a higher annual spend, but over a significantly shorter lifetime. Their resultant lifetime value is lower.

BEYOND THE SUBSCRIPTION: Tracking the Customer Journey

Each consumer has a customer journey which is specific to them, but there are a handful of broad journey types which are quite different from each other.

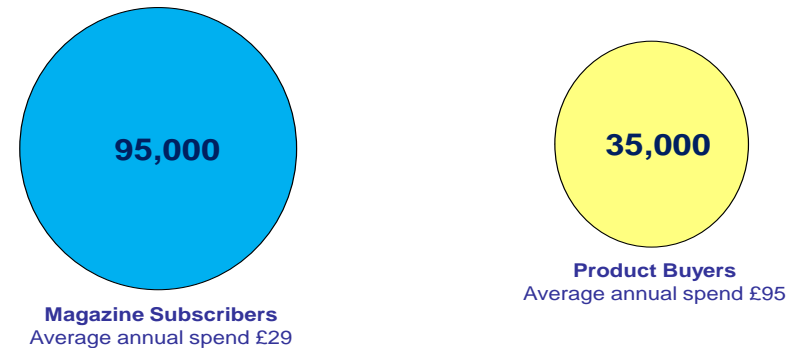
Much of the data which has emerged from the new database has been interesting rather than actionable: “nice to know” rather than “need to know”.

Yet some key insights have been shaping the publisher’s marketing activity in directing different messages and offers to distinct subsectors of the customer pool in two key areas:

- Generating even more revenue from the already high-spending prime customers who seem to have almost no upper limit as to what they will spend with the magazine.
- Reducing the frequency of communication with lower value customers who seem impervious to being tempted up the ladder into increased purchasing. Marketing costs are being reduced with this group rather than revenues being increased.

Sizing the net customer pool

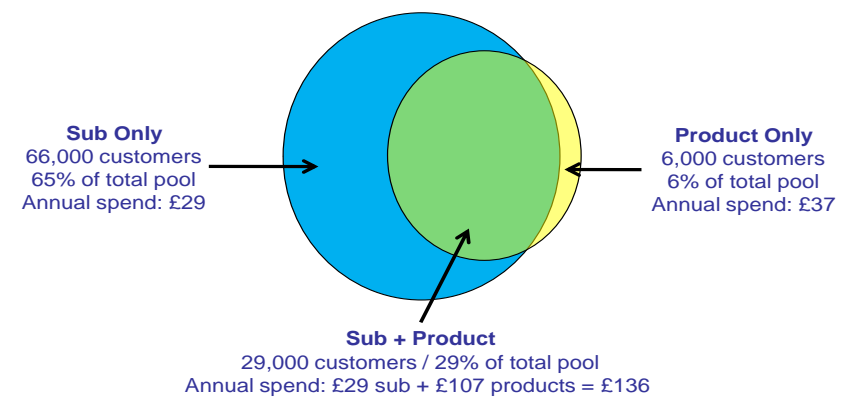
Specialist interest consumer magazine



Wessenden Marketing

Sizing the net customer pool

101,000 net customers



Wessenden Marketing

Case Study 2: Web & print overlap

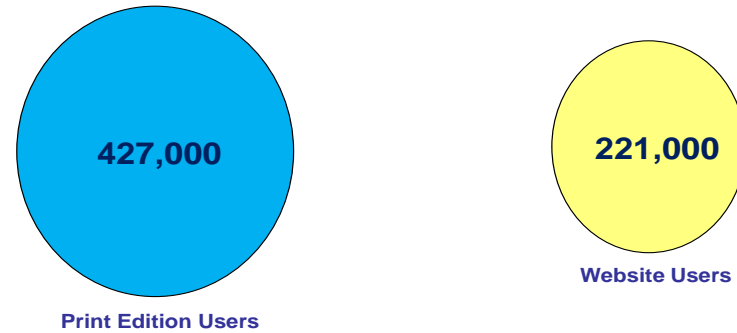
This is a general lifestyle monthly consumer magazine which has a web presence.

It holds registered website users (under 10% of its monthly unique user figure) on a database. The publisher used ad hoc research to assess the overlap between the average monthly users of the print edition and the website.

The research showed a 31% overlap between the two pools to create three distinct segments who use and access the magazine brand in very different ways and whose ultimate value to the publishers is also very varied. Their behaviours and spending patterns are radically different.

Sizing the net customer pool

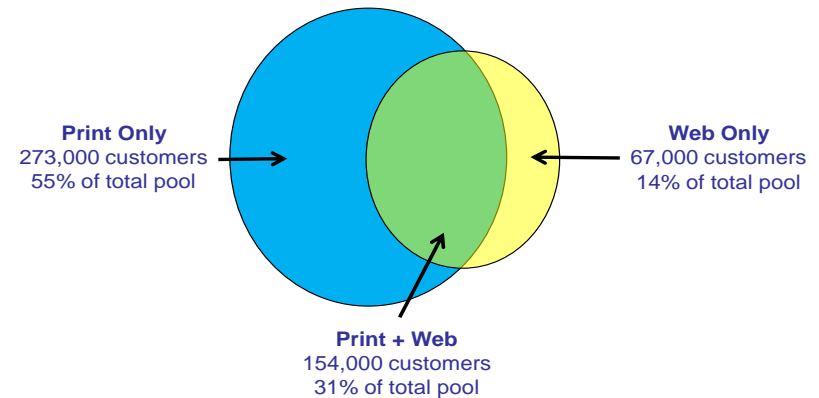
Lifestyle consumer magazine



Wessenden Marketing

Sizing the net customer pool

494,000 net customers



Wessenden Marketing

Case study conclusions

Both case studies demonstrate the complexity and richness of the data that lies in a single, consolidated view of the consumer. They also show that many traditional publishing organisations can be running their businesses profitably, but essentially blind.

The single view of the customer can deliver both cost savings and additional revenues. The difficulty is in predicting the potential scale of both in advance.

Looking at potential revenues:

- The first case study above shows 31% of the specialist consumer magazine subscribers buying other related products via the magazine with an average spend of £107 on top of the annual subscription of £29.
- Research among consumer magazine subscribers in 2002 commissioned by Royal Mail showed 23% of magazine subscribers claiming to have bought other related products (“anything linked to the magazine”) with an average spend of £293 on top of their annual subscription.
- One of the most enduring multi-revenue case studies remains Reader’s Digest, where only 20% of its total revenues are generated from magazine publishing.
- In the B2B market, the potential revenue is even greater and more varied. One the major UK B2B publishers has undertaken a review of its revenue streams across all its products to estimate what additional revenue might be generated from their files of names when all potential revenues are attached to the name (advertising, exhibitions, seminars, reports, newsletters, website access, consultancy

services, etc). The estimates of additional revenues ranged from 2 to 20 times the annual value of the print subscription.

- Most of the benchmark companies in the previous section are generating £300-£400 revenue per name per year from their operations.

All these averages conceal massive variations in spend with core consumers prepared to spend surprisingly high amounts of money with a trusted supplier.

There can be no cast-iron guarantees of what additional revenues might lie behind a magazine subscriber name, yet there is enough anecdotal evidence to suggest that in some cases it can be very significant.

Customer Segmentation

Customer segmentation

Attitudes (research)	Customer Service Contacts	Behaviour (transactions)
<ul style="list-style-type: none">• Demographics• Product usage• Views of core product• Delivery of core product• Quality of staff contact• Future purchasing intentions• Willingness to recommend	<ul style="list-style-type: none">• Tracking, measuring, recording• Customer care surveys	<ul style="list-style-type: none">• Lifetime (time)• Lifetime (value)• Profile of products bought• Payment method• Gifts & offers taken• Pricing at entry to sub• Acquisition source

Wessenden Marketing

Information about customers comes from three primary sources:

- **RESEARCH:** finding out from a sample of customers what they feel about the brand relationship. This adds depth and colour, but cannot be used to segment the whole customer file as it is based on only a sample of data.
- **TRANSACTIONS:** establishing what the consumer actually does. This must be the core segmentation route as it is the only one which provides an actionable analysis across the whole customer file.

- **CUSTOMER SERVICE CONTACTS:** Often something of an afterthought, but this is a key contact point for customers and a potentially rich source of data.

Integrate attitudes & behaviour

Most respondents' companies have started their segmentation process based on attitudinal research. The starting point should be transactional data, refined and deepened by research.

Practical number of segments

Most publishers' segmentation has 5-8 segments, but all are under 10 in number. There is a limit to the number of segments that can be handled from a practical point of view. There are also cell size issues.

Segmentation across titles

A handful of publishers are consolidating their title files to produce a segmentation which straddles a number of brands. The segmentation is focused on how the customer buys and uses the brand from a transactional perspective rather than on the detailed demographics of the customer. The advantage is in building up the cell sizes and in focusing more on generic customer journeys rather than the individual brand dynamics.

Researching the "radio silence" of retail

Understanding more about how retail and subscriptions interplay is essential to mapping the full customer journey.

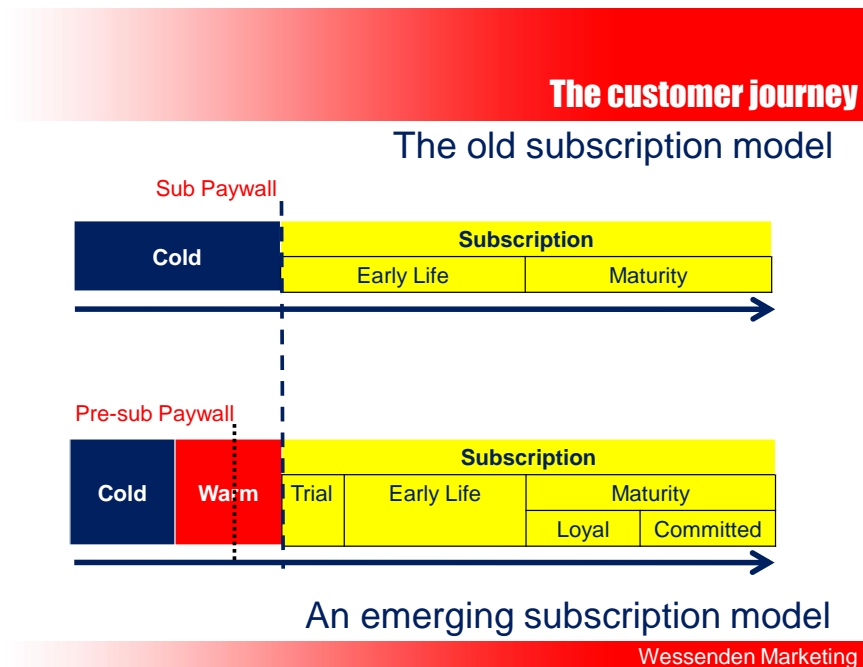
Some real retention gains seen as a result

The encouraging conclusion is that those publishers who have segmented their customer files have seen tangible gains in retention rates by tailoring retention activity to the specific segments.

The Customer Journey

One B2B respondent questions whether it is possible to talk about a “journey” any longer due to the number and complexity of the customer touchpoints. Yet the vast majority of respondents feel that while the industry has to move away from thinking of the subscription as a series of defined, term contracts, there is still a relationship that develops through time.

The chart below shows in a very simplified form how the magazine industry’s attitude to the subscription has changed.



The old subscription model

The old subscription model is based on.....

- A single dimension – a subscription to a single product.
- A recognition (completely unquantified) that other activity is taking place, principally (1) additional transactional activity with the brand outside the core subscription and (2) retail purchasing potentially both before and after the subscription.
- A very basic attempt to recognise a distinction between the sensitive “early life” and the “maturity” phase. This resulted (sometimes) in different offers being made and different retention approaches being employed for the distinct groups.
- Customer contact was generally limited to the renewal, so took place towards the end of the subscription term and was focused on sealing another subscription transaction. Little contact was made apart from this reselling process.
- The key assumption is that the customer made a single leap from being a cold, non-customer into a subscriber.

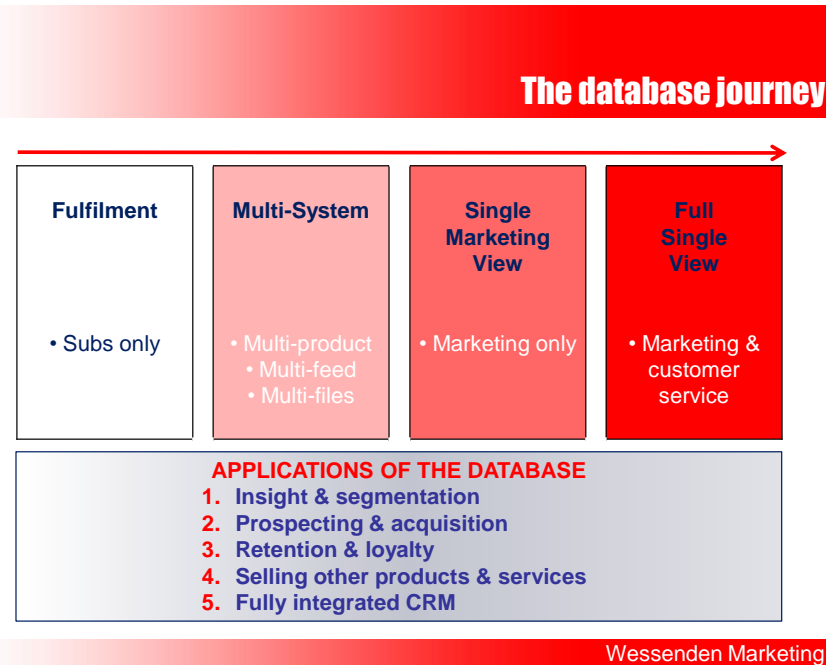
The emerging subscription model

The emerging subscription model recognises....

- The full customer relationship extends beyond the single subscription to a range of contacts around an increasingly multi-channel product which includes online and digital editions as delivery mechanisms.
 - The need to define the customer journey more sensitively. This includes (1) treating “early life” customers in a very different way to “mature” customers, (2) recognising more than one phase in the “mature” lifestage and (3) adding in a new “trial” phase (the current “big thing” in consumer publishing, typically based on a three month, low-priced trial using direct debit as the payment method).
 - A recognition that there is often a “warm up” period before a customer commits to a full subscription. This is driven by (1) much more “two-step” activity associated with online acquisition where a name is acquired and qualified via free newsletters, access to the website, etc., before a full subscription acquisition approach is made and (2) the ability to track customers having an exploratory relationship with the brand through ad-hoc purchases before committing to a full subscription.
 - A shift in focus from front-end acquisition to back-end retention.
 - A shift in focus from regarding retention as a process that takes place at the end of the subscription term to one that starts at the beginning of the subscription.
- The need to research and understand how retail purchasing links into subscription purchasing for the same consumer in their overall customer journey.
 - A practical recognition that a customer journey exists by building customer service around the stages in the journey. For one consumer publisher interviewed, this has meant having separate customer service teams and procedures for (1) trial, (2) early life and (3) mature phases.

The Database

The chart below summarises (1) the gradual development of database techniques within a publishing company and (2) the applications of the database.



The database journey

1. The start point is a transaction-based, subscription management, **fulfilment system**, sometimes with additional data appended to the records.
2. The **multi-system** stage typically sees (1) data coming from a variety of sources, both in-house and third party, (2) held on separate databases, with (3) ad hoc consolidations and de-dupes, normally for sales & marketing activity.
3. The **single marketing view** is where the data sources have been consolidated on to a single, live database which is constantly updated and refreshed (with no need for ad hoc de-dupes). Yet the database tends to be used for outbound marketing activity. Customer service contact data is not held on it and the Customer Service area does not have live access to it.
4. The **full single view** is where the database has been fully integrated into all outbound and inbound activity, including customer service.

Most respondents are at stages 2 and 3 with three of the respondents in stage 4.

The applications of the database

These are not in order of priority, but in the most common order of implementation.

1. Insight & Segmentation.

- Real net size of customer pool
- Shape & profile of the pool
- Segmentation

The start-point, but one that can induce data panic and data overload!

2. Prospecting & Acquisition

- Building own prospect lists rather than buying in, so improving cost and responsiveness.

Understanding, integrating and managing web data is a massive issue and resource drain and has drawn a number of publishers away from other applications.

3. Retention & Loyalty

- Segmenting the active file and adapting offers, number of contacts, medium of contact, tone of voice, etc. for specific segments.
- Personalisation.
- Talking to customers outside the renewal process.

A core application which has generated real ROI for a number of publishers in terms of improved retention rates.

4. Selling Other Products & Services

- Multi-platform delivery of the core editorial product.
- Selling other titles / products in the publisher portfolio.
- Selling other products & services which could generate significant revenues. Yet the potential downside is that this kind of activity can be:
 - (1) a major resource drain
 - (2) offer more limited potential than hoped for
 - (3) generate relatively low margins as a third party supplier is often used.

This is the application which most publishers initially think is going to be the prime application. Yet it is normally reprioritised down the list. While offering great financial potential in terms of leveraging more revenue from the brand, it is usually more difficult than it looks and needs constant testing and trial-and-error to get right.

NB – many consumers want editorially-linked products and services rather than completely separate products.

5. Fully Integrated CRM

- All customer contacts, inbound and outbound, transactional & non-transactional, are consolidated in one place.

The final end game which very few publishers have reached.

The interviews highlight a number of specific issues.....

A long & painful process

All the respondents report stories of mistakes, dead-ends and tangents in the implementation of their databases. Central to all this is managing the expectations of senior management.

Organisational change is often necessary

Often underestimated is the required change to the way the organisation is structured in order to make the most of the database. This involves company culture, how processes work and who does what and controls what within the company.

Getting the database structure right

Although obvious, most database projects consistently go wrong because not all the applications are fully thought through and not all the potential users are properly engaged in mapping out the required functionality and shape of the end-system.

Going off at tangents & reprioritising

Digging into rich data can pull users off in different directions. As long as the long-term goals are still in focus, it is not necessarily a mistake to alter course along the way and this is very common.

Running out of steam

There is no quick payback to a database investment and it is common to succumb to data panic, to run out of energy or to lose the interest of senior management along the way.

Quality of data & the need to refresh

A number of publishers already have a database system in place, but do not have adequate data to populate it. In the initial set-up process, it will become clear that each data source has very varied standards of quality and hygiene. Once set up, the database demands the discipline to refresh and update it constantly otherwise it will be useless.

Data Protection

New standards of data usage demand new standards of Data Protection. Data Protection is not just about meeting legal requirements, but is the bedrock of good CRM.

Web data makes the biggest demands

This is where a number of publishers are sinking at the moment in terms of integrating all the contacts, data and insights which their own websites are creating. This extends from simple de-duping of user pools through to grappling how to integrate the web into a subscription package.

Web analysis creates data on the cheap

Some publishers are consciously bypassing the journey to a full database, by using web data as a surrogate, as an increasing amount of customer contact is taking place online.

Clear customer contact policies

Most publishers simply have no coherent customer contact policies in terms of number of contacts, etc. The implementation of a database allows a real assessment of this whole area, but also increases the access to the customer which must be controlled.

Not a quick payback

All the more sophisticated publishers emphasise that a real database is a major and long-term commitment which will simply not deliver a quick payback. Linked to that is the observation that the database needs to be used constantly and to be at the centre of the whole customer management strategy for it ever to pay back.

Taking a single view before the database

Committing to a database cannot be done blind. Tests and ad hoc consolidations of data are required in order to understand the useful applications of data and where true ROI resides, which is not always where publishers think that it is going to be.

Customer Service

The interviewees recognise that customer service has always been something of an afterthought for publishers, well behind the key priority of getting the editorial product right. Yet how that product reaches the customer and how all the other touchpoints are managed are all part of the “customer experience” which few publishers understand properly. All this is now recognised to be a key priority, at least in intention. In reality, the budgets are often simply not there to support the grand visions.

The interviews highlight a number of specific issues.....

What customers really want from a subs service

There is a common assumption that as long as the editorial product is right, all the subscriber wants thereafter is timely postal delivery. Yet is this all there is to magazine subscription customer service? Tests which try to assess the impact of delivery issues on retention rates have historically produced very varied and inconclusive results, but this is a clear area for further investigation.

Perfect customer service is expensive

To provide perfect customer service is very expensive. Knowing what customers really want and balancing that against tangible ROI is essential. The world-class publisher players are obsessive about customer service, but have also done their sums and they know what makes and does not make a real difference and whether it is worth paying for.

Customer care surveys

Regular and consistent tracking of customer satisfaction with both the product and the service is simply not done on a consistent enough basis.

Customer service around segments or lifestage

Most customer service teams are organised by brand, but some publishers are currently testing a structure which is built around the stage in the customer journey across a number of brands, the logic being that customer decision moments are common across apparently disparate products and that managing these “hotspots” in a more structured and consistent way is more important than specific brand knowledge.

How often to talk to customers

The number and nature of outbound contacts is an area of great debate, especially with the growth of direct debit as a payment method, where it is usually assumed that silence is the best policy in such an inertia situation. Interviewees are polarised between those who feel that it is foolish to contact DD subscribers and those who feel that DD subscribers still need to feel loved and well-served. As the non-publisher benchmark group confirms, while most customers welcome contact with service providers, there are pockets of customers who have a “do not disturb” sign up and contact will be more likely to disrupt the relationship rather than enhance it. A major challenge is identifying those pockets.

How often to sell to customers

Linked to the previous issue, interviewees are polarised between those who feel that almost every contact with the customer is an opportunity to upsell and cross-sell and those who feel that selling clouds the long-term relationship.

Retention

The interviews emphasise that publishers are thinking (if not always acting) much more strategically about the whole area of retention:

- Using multiple media to contact the consumer.
- Planning a contact programme through different lifestages.
- Understanding what customers want at different stages of the relationship.
- Segmenting the subscriber file and adapting messages according to their profile.
- Personalising all messages where possible.

There is only a real retention strategy in place if there is a specific person responsible for it within the organisation and that person has the authority to effect change.

The interviews highlight a number of specific issues.....

The role of price in making customers stay

This is by far the single largest issue in terms of customer retention. The most common magazine publisher practice is to penalise loyalty by offering the best prices at acquisition and then increasing prices during the subscriber lifetime on the assumption that the most loyal and committed customers will renew earlier and will be prepared to pay more.

PPA & Royal Mail's consumer research project "The Loyalty Challenge" showed that subscribers are well aware of this approach and bracketed magazine publishers with mobile phone operators and mortgage lenders in a group of "loyalty penalisers", as opposed to "loyalty rewarders" such as supermarkets. Penalising loyalty did not appear to leave the consumer angry or negative about the magazine service. Instead, it left them cynical and detached, ready to "work the system" to obtain the best deal with no sense of emotional commitment to the organisation behind the magazine.

Some publishers are attempting to rectify this with a more structured pricing policy. For example, one consumer publisher keeps subscription prices close to full price at acquisition and reduces price at renewal, but offers incentives and premiums at acquisition in order to tempt new customers in.

Talking outside the key transactions

Publishers are divided between those who feel that a regular dialogue with the reader outside the normal renewal process is important in building a relationship and those (especially those with significant numbers of customers on direct debit) who think that the best policy is to keep a low profile and let the reader focus on the magazine rather than the transactions that lie behind it.

Loyalty programmes

Most interviewees feel that they should be doing more in trying to create a sense of community and belonging among subscribers, but were nervous about committing to an area of activity which would absorb considerable resource over a long period of time. There are distinct levels of activity:

- The first stage that a number of publishers are at is to repackage the uncoordinated range of existing subscriber benefits (which most magazines have in one form or another) in to a more coherent whole.
- Some publishers are introducing “love gifts”, unsolicited “thank you” to long-term subscribers. One consumer magazine publisher has started to do this in year three of the subscription at a time when research suggests that subscribers are experiencing “subscription fatigue” and may be more prone to lapse.
- As part of a structured loyalty approach, a number of publishers are looking at restructuring their renewal prices in order to reward loyalty (see “The role of price in making customers stay” above).
- A handful of publishers have committed to a full range of loyalty benefits, but with very varied results as to actual payback.

The practical issues surrounding magazine loyalty clubs include:

- How to measure the effectiveness and return on investment? The most tangible measure is an improvement in renewal rates, but this is a very blunt instrument and few publishers who have operated loyalty rewards have been able to demonstrate a clear link between their activity and renewals.

- It takes a major investment in time and money to run a real loyalty club properly and it requires scale to make any kind of impact.
- Is the consumer more interested in the core product than in add-ons? Or should all the add-ons be very clearly related to the core editorial product?

The cynic’s view, which came through a handful of the interviews, is that a loyalty club is superficial conscience-salving and is an attempt to gloss over something lacking in the core service: get the central product right and sell it at the right price and a loyalty club is pointless.

Defining and tracking loyalty

A number of publishers are using different measures to track loyalty, including lifetime value, length of the lifetime relationship, frequency of purchase and net promoter scores. The most common view is that the final measure, whether it is “loyalty” per se, is the lifetime value of a name.

Structural & Operational Issues

The interviews make it clear that whatever principles or strategies are accepted by a company, a real commitment to focus on the end customer means structural change to the organisation.

Structure of the organisation

It is very noticeable from the benchmarking exercise (see Section 4: “The Customer Journey in Practice”), just how brand-driven magazine publishing structures are, which has both advantages and disadvantages. The downside of being so brand and customer focused can mean that cross-brand learnings and scale economies are being lost.

COMPANY STRATEGY. Taking a single view of the end customer means pulling strategy and budget-setting away from the individual brands and their publishers to the centre in more of a “top down” process. The current publisher practice in budget-setting is “bottom up” and “top down” at the same time at brand level.

COMPANY STRUCTURE. Servicing the end customer means cutting across a number of traditionally separate departments (e.g. research, database & IT, web design, even editorial - the link with the consumer that customer service has is different from, but just as close as the link that editorial has). Some publishers are moving away from brand-centred structures towards processes (e.g. retention, acquisition, website development) as a way of organising departments internally or by grouping customers together into broader segments which are looked after by specific teams.

DEPARTMENT STRUCTURE. This is also reflected in a trend away from broad-based generalists working on individual brands to more narrowly-focused specialists working across a number of brands.

There are three core questions relating to structure:

- Who sets the budget?
- Who controls the database?
- Is the organisation built around brands, processes or customer segments?

Skills needs

Linked to the structural change required, new skills are required which can either be imported from other industries or trained & developed among existing staff. These include online/ecommerce knowledge, broader-based analytical skills (away from the number-crunching of transactions to more behavioural analysis) and real CRM experience.

Company culture

The move from managing a transaction to developing a relationship, which lies behind the whole concept of the customer journey, requires a company culture which is open & transparent, accepts and learns from failure and which takes a long-term and strategic view of its business.

Driven from the top (or not at all!)

If senior management buy-in is limited or superficial, the whole project is doomed to fail.

Outsourcing & partnering

Database development and creating loyalty clubs are two specific areas which are outside the normal skill sets of most publishers and where outsourcing and partnering come into play.

Selling the gospel internally

Trying to get the customer at the centre of the organisation and investing in database technology and disciplines requires two major internal selling tasks:

- Careful expectation management (especially in terms of the speed of delivery and change) among both senior management and users.
- Changing people's perceptions of what customer service is all about and that this is a marketing-led revenue opportunity and not a cost.

Setting benchmarks/milestones/structures

- Clear goals with realistic timescales in implementing projects, especially the database.
- Clear success criteria – “What good looks like.”
- A structured programme of learning for all staff.
- Cross media platform measurement metrics (e.g. tracking the buyer of a print product when they go online), not just for ad sales purposes, but for assessing the behaviour and value of a customer in different touchpoints.

CRM or CMR?

There is a view that Customer Relationship Management (CRM) is now out-of-date in that the modern consumer does not want to be and cannot be “managed” in the traditional sense. Instead, we are now in the age of the Customer Managed Relationship (CMR) and all activities should be based on that premise.

Two balancing views come through the interviews:

- Not letting the customer take control. As a practical example, one consumer publisher tries to move customer service contact in certain situations off the internet and on to

the phone, as this is felt to be a more flexible and powerful tool for cross-selling and managing the relationship.

- Not giving the customer everything they want. There has to be a balance between meeting customer demands (and do they always really want what they say they want in research?) and running a profitable business.

Keep it as simple as possible

There is a massive temptation to overcomplicate matters in the pursuit of perfection. This can manifest itself in over-ambitious goals, over-ambitious implementation timescales, too many projects running at the same time and a final vision that is so complex and expensive that it will never deliver the required return on investment.

Two penetrating questions are paramount:

- Do we really need to know this?
- What is the financial return on doing this?

Publisher Categories

The interviews, structured around the seven key areas of publisher practice relating to managing the customer relationship, show that publishers fall into three broad categories:

1. ATHEISTS

“I can never know the full picture about my customers. In an increasingly complex, multi-touchpoint business, the true single view is simply impossible to achieve. And even if I could pin it all down, what would be the payback? I may be able to observe the complexity, but do very little to influence or manage it. It’s all about the core editorial product. Get that right and everything else flows naturally whether or not you know all the details as to how and why. Get that wrong and any database is useless anyway.”

2. AGNOSTICS

“I’d like to know the full picture, but I’ll never be able to afford it or have the time to do it. Creating a single view database is a massive leap of faith – it may simply never pay back. Also, there is probably a practical limit to what I really need to know to run my business better. I can get to that place via different routes – snapshot research, ad hoc analysis of customer data, really getting to grips with the web analytical tools to understand how that customer interface works. It’s not a truly holistic view, but it’s a lot better than nothing.”

3. BELIEVERS

“I need to know the full picture in order to be in control of my business. Anything less and I am a captive to blind chance and I may be driven by the completely wrong metrics. We started with a leap of faith in terms of investment in the database. There have been dark moments of doubt and panic. There have been surprises and dead ends along the way. Yet in the end, we know that we are on a journey to a better place than we are now.”

There are two other dimensions: (1) B2B versus consumer publishers and (2) smaller versus larger publishers.

B2B versus consumer

While a number of the internal, structural issues are very similar, there are some very real differences between B2B and consumer when it comes to the contact with the customer.

B2B is more complex than consumer. There can be the same division between retail sales and subscription sales (albeit on a smaller scale) which causes immense tracking problems. Yet there is also a much bigger divide between free and paid customer touchpoints.

There is a much wider variety of practice and business model based on the value of a “customer” who can range from an individual paying for a magazine subscription worth £40 per year through to a company paying over a £100,000 per year for a range of tailored information feeds, consultancy, workshops and newsletters, where the customer contact is handled by a dedicated account manager.

Where the contact points can be with a number of different users within a single company, the idea of a “customer journey” becomes more complex and less relevant.

B2B is more advanced in data terms than consumer. The B2B sector has had a longer history of dealing with more customer touchpoints, but generally across fewer customers. However, some of the larger consumer publishers are in the process of leapfrogging ahead of B2B with their database investments.

B2B is seeing more internet-driven change than consumer. Not only has the penetration of the internet been faster and deeper in B2B, it is also bringing more fundamental change. There are more instances in B2B of the internet completely replacing print

applications (e.g. directories, classified advertising) rather than complementing them. A number of the B2B interviewees reported a 50:50 offline:online split in terms of publishing activity and revenues. Internet-driven information invariably raises the question as to whether the customer is prepared to pay for it in its new online delivery form.

B2B is changing faster than consumer. Due largely to the internet, the B2B market is rapidly evolving with a number of key trends:

- The shift from offline to online delivery of information.
- The decline of the phone as an outbound marketing medium.
- The decline of direct mail usage.
- The shift from standardised to tailored editorial products.
- A move in two entirely opposite directions at the same time to (1) more free, non-transactional touchpoints and (2) fewer, but higher value transactional touchpoints. Knowing what the customer will and will not pay for and how much are now central to survival and success.

Smaller versus larger publishers

Due to the investment involved in a database-driven future, smaller publishers are more likely to fall into the Atheist and Agnostic categories. Yet the larger publishers argue that as a percentage of turnover, the commitment is equally great irrespective of company size. Is the real issue attitude rather than finance?

Major advantages that many smaller publishers have are that:

- They can have stronger and more loyal user communities than larger operations and more opportunities to cross-sell and upsell.
- They can move more quickly and effect structural change more rapidly than larger operations.

6. Magazine Futures

Section Outline

- **Magazine strengths & weaknesses**
- **The key influences**
 - The changing customer
 - The growth of online
 - Altering the business model
 - Staff & organisational issues
 - Technological change
 - Change & complexity
- **The key subscription variables**
 - Content package
 - Delivery platform
 - Contract strategy
 - Payment strategy
 - Pricing strategy
- **Four magazine brand models**
 - Superbrands
 - Coop brands
 - Solo brands
 - Non-brands
- **Key publisher challenges**

Magazine strengths & weaknesses

The previous sections of this report have highlighted the assets that magazines have in the whole area of the customer journey and the customer experience as well as the deficiencies and weaknesses.

Magazine strengths

- The power of magazine brands with strong emotional links between magazine and reader.
- A wide (and expanding) range of customer touchpoints.
- High frequency delivery of the core service to the consumer allowing repeated and justifiable contact.
- A robust contract/opt-out subscription model.
- High and increasing penetration of direct debit.
- Simple (but not always high quality) physical fulfilment of the product.
- Relatively long customer lifetimes.
- Creative acquisition techniques.
- Experience of sophisticated online applications.
- Established advertiser relationships offering a wide range of potential partners for more creative joint ventures.
- The potential to leverage more revenue from subscribers.

Magazine weaknesses

- Over-emphasis on the individual brand to the detriment of the common processes and disciplines which run behind all brands.
- Over-emphasis on the “reading experience” to the detriment of the overall “customer experience”.
- Common lack of interest in “back end” processes such as customer service and fulfilment.
- Current low revenues per subscriber.
- Lack of scale in terms of customer file sizes.
- Online eroding the paid subscription model.
- Subscription pricing structures which tend to penalise loyalty rather than reward it.
- Subscription pricing strategies which create an image of the subscription as purely a discount channel.
- Lack of broader-based marketing skills within the organisation.
- Common lack of consistent and strategic focus of senior management.

Key influences

A number of key themes run through the publisher interviews about the key factors which are shaping subscription marketing currently.....

The changing customer

Across all markets, in both B2B and consumer arenas, the most powerful factor is the changing demands of the end-customer:

THE COLD CUSTOMER

Reticent and suspicious when being sold to, the modern customer often needs to be “warmed up” and have an initial relationship established before committing to a purchase. This kind of two-step marketing is increasingly prevalent on the internet. Linked to this, most publishers report dropping response rates across all media.

THE MULTI-CHANNEL CUSTOMER

- Using emails and the internet quite naturally as a general response mechanism, but....
- Comfortable with contacts across a variety of offline and online media.

THE SAVVY & DEMANDING CUSTOMER

- Aware of and cynical about promotions and offers.
- Trained to expect a discount on a subscription.
- Shopping around for the best deals.
- Wanting a fast response to everything, driven by the internet.
- More knowing use of direct debit (setting up and cancelling in order to get an offer).
- Not wanting to give as much upfront commitment.

THE CHOOSY & CONTROLLING CUSTOMER

- Wanting choice, but not always exercising it when given it.
- Wanting more, but not always sure what.
- Wanting flexibility in term, payment method, contact medium, the package of editorial on offer, fast stops & starts, the titles on offer (liking the idea of changing/rotating titles part-way through a subscription)

The internet has been the tool of empowerment which allows customers to control contact with vendors across a range of markets. Questions raised by the interviewees include: Can you give the customer the feeling of control without conceding it? Can you pull back some control? (e.g. by shifting customers from online to the phone in certain situations)

THE INDIVIDUALISTIC CUSTOMER

- Increasingly difficult to categorise and pigeon-hole when segmenting the file.
- Increasingly demanding tailored offers and information delivery.

THE IMPULSIVE & LAST MINUTE CUSTOMER

- Responding to last minute needs rather than planning ahead.
- Demanding faster response and turnaround times from vendors.

The growth of online

This is so well documented already, but still needs to be referenced as both an enabler and a destabiliser in a number of areas:

- Delivery of content (with the automatic pressure that this should be free).
- A marketplace for selling other products and services.
- A marketing and acquisition source.
- A communication and response mechanism.

Altering the business model

There are three key pressures which can change a subscription business model very quickly:

- **PRICING.** Being dragged into a subscription price war by an aggressive competitor wanting to build volume.
- **FULFILMENT COSTS.** There is concern about (1) the long-term future of the Universal Service in a competitive market and (2) the level and stability of future postal prices.
- **INTERNAL FINANCIAL CRITERIA.** Senior management can change the whole financial basis of subscription profitability overnight.

Yet behind these short-term pressures lies a much bigger issue – the gradual erosion of the paid subscription as a result of the free-access internet model. While there are some notable exceptions, mainly in B2B markets, it is generally accepted that there is great pressure on publishers to justify paid access to content over the long-term.

Staff & organisational issues

- The **role** of staff: what they actually do and whether this is a broad-based or specialist role.
- The **skills** of staff: whether they have the knowledge to manage ecommerce, behavioural analysis and CRM.
- The **structure** of the organisation and whether it should be built around brands, processes or customer segments.

Technological change

Both the technology and the applications of that technology are virtually impossible to predict, but most publishers are looking to (1) mobile and (2) portable digital readers as key influences in the future.

Change & complexity

All the publishers interviewed agree that the future is bound to change; to change more rapidly than ever before; and to change in more unpredictable ways than ever before. In that environment, there is:

- No clear view as to what future subscription models will look like.
- Little enthusiasm to experiment with new models when the priority is to hold on to what works currently for as long as possible.
- A recognition that the way forward is a progressive trial-and-error process of stitching together different combinations of touchpoints in different markets.
- An acceptance that the future will inevitably mean a more mixed paid + free approach to the wide range of touchpoints
- A belief that there is no one future which fits all publishers or all markets. The future is complex. It is also very specific to individual markets and to individual subscribers within those markets. **Just as there is no single customer journey, so there is no single subscription model for the future.**

The Key Subscription Variables

The future shape of subscription revenues revolve around five key variables:

1. Content package.

- What products and services are included in the package?
- Is the choice completely a la carte or in bundled packages?

The consumer will demand more choice and flexibility in creating their own tailored packages.

2. Delivery platform.

- Print (retail / postal / retail + postal)
- Digital
- Print + Digital

Content delivery is already multi-platform. This trend will accelerate and will become more complex. Yet for the foreseeable future and for most titles, print will remain the dominant branding platform – the gateway into the content.

3. Contract strategy

- Opt in: free choice from month to month of customer-regulated consumption on a pay-as-you-go basis.
- Opt out: lock-in for contract periods, exemplified by direct debits.

The consumer is demanding more freedom and control over their magazine consumption, but they seem prepared to commit financially to services which meet their requirements. The future

subscription model must mix both factors at the same time (e.g. a regular direct debit payment for a revolving list of titles)

4. Payment strategy

- Paid
- Free
- Paid + free with an a la carte choice

The future is much more of a “mixed economy” of paid and free touchpoints.

5. Pricing strategy

Using the analogy of grocery pricing.....

- Hi-Lo pricing: the traditional magazine subscription model with “special offers” (1) to boost volumes at different stages in the product lifecycle or (2) at different stages in the customer journey (e.g. at acquisition or at “claw-back”).
- Every Day Low Pricing (EDLP): flattening prices out over the customer lifetime, but keeping direct delivery (i.e. a non-retail subscription sale) at a lower than retail price – in essence a volume discount.
- Premium pricing: keeping prices flat during the lifetime, but premium pricing for a value-added service, typically some kind of subscriber club.

The consumer is very aware of the various pricing models out in the broader FMCG market and shops around accordingly. The consumer is also very aware that the traditional publishing price model penalises loyalty. So, while there is often a great emotional bond between reader and magazine, there is little bonding with the company behind the magazine and a great deal of cynicism about publisher marketing practices.

Four Magazine Brand Models

The key subscription variables from the previous section determine the shape of the subscription offer behind a specific title. Yet this must be set in a broader and more strategic context of how a publisher develops its community of users.

In this context, the term “brand” is used to refer to titles which develop additional products and services around the core editorial product in order to (1) grow additional revenue streams and/or (2) bind customers in through the “glue” of an increased number of touchpoints.

This subscription branding looks to be developing in four broad categories:

1. SUPERBRANDS are major titles which can develop their own range of products & services and extend & control their touchpoints themselves. The investment required to do this in an independent and self-sufficient way will limit this group to a handful of the largest titles within the largest publishers.

2. COOP BRANDS are smaller titles/publishers who need to partner with other titles (either within the internal portfolio of a multi-title publisher or with other external publishers) or with external third-parties to develop a range of products and services.

3. SOLO BRANDS are smaller/titles publishers who develop a much more limited range of products and services with more limited revenue potential, but which can do so in an independent and self-sufficient way.

4. NON-BRANDS are titles which do not try to / cannot develop their contacts with their community of users beyond the delivery of the core content. This need not be a weakness or failure, but could be a conscious policy which can still result in a profitable and stable

business. Yet the revenue horizons are limited to the delivery of the core content.

Key Publisher Challenges

In this new world of complexity, change & specificity, there are a number of core challenges for publishers:

Make the most of “the brand”

- Improving retention and extending customer lifetimes.
- Adding extra revenue streams to the core subscription.

Understand the full “customer experience”

- From the customer’s point of view.
- Across all the potential touchpoints.
- Benchmark against other publishers and other FMCG categories.

In order to

- Meet the customers’ current needs.
- Anticipate their future requirements.
- Make subscribing more of an event, especially gifting
- Make the subscriber feel special.
- To be able to judge when not to meet their demands should they be unreasonable or unprofitable.
- To integrate customer service into the full experience.

Understand the “customer journey”

- To deliver the right service at the right time for the customer.
- To improve the profitability of the operation.
- To improve the efficiency of the operation.
- To assess whether new services can deliver a return.
- To drive organisational change when appropriate.
- To set performance indicators and standards so that progress can be tracked and measured.

- To manage the customer relationship rather than to concede complete control.
- To run the business rather than to let it run itself.

Develop a truly strategic approach to pricing

- Balancing paid and free access to content.
- Balancing new customers against existing customers and learning how to reward loyalty effectively and efficiently.
- Balancing retail sales against subscription sales.
- Balancing volume against profit.
- Creating more flexible, a la carte content-access packages.

Be open to change and ready to **learn from failure**. This may require a **new company culture** which will be more open and transparent, but most importantly must be based on **knowing “what good looks like”** with clear success criteria with the means of measuring and managing the factors that bring success.

Senior publishing management must take more interest in and responsibility for circulation activities and investments:

- Investing in the future of the business.
- Taking the long view.
- Taking a steady and consistent approach.
- Taking a holistic view of all the routes to market.

The temptation to **change for the sake of change** is equally dangerous, as is “guru-driven activity.” The current subscription model might need some tweaking rather than a major overhaul.

Keep the editorial product at the centre. Business excellence is based on delivering the core service to exemplary standards, not by simply tacking on a plethora of extra services which can add massive cost. Mapping customer journeys cannot make up for an editorial product which has lost its relevance to its customer base.

Do not sell the core product off cheaply through deep discounting or through providing uneconomic service levels.

Import new skills into the organisation. The business is changing rapidly. That means an investment in training and in buying-in new skills when required, when it is clear what those skills actually are.

Keep it simple. The full customer journey is immensely complex. Yet sensible business decisions can only be made when complexity has been distilled into simplicity.

What lies behind all this is a belief that there is no single future which fits all publishers or all markets. The future is complex. It is also very specific to individual markets and to individual subscribers within those markets.

Just as there is no single customer journey, so there is no single subscription model for the future.

The future is all about constantly refining and adapting the management of the customer touchpoints in new, creative and profitable combinations.

“Our industry is simply not customer-focused. Not in the way that Tesco or Vodafone are. We try to give customers what they want, but it’s only within our own publishing model and business priorities. We need to think outside our own box if we are to survive.”

Marketing Director
Consumer magazine publisher



Wessenden Marketing is a broad based marketing consultancy with a range of clients across the media, distribution, retailing, direct marketing, finance and business service sectors.

Wessenden's services cover four key areas:

- **Consultancy.** Health checks, market mapping & consultancy and project management.
- **Publishing.** Newsletters and reports analysing trends in the media business. "Circulation Briefing" is the key newsletter published 9 times per year.
- **Research.** From desk research through reader questionnaires on to in-store shopper surveys.
- **Training.** Public seminars and in-house workshops on a range of marketing and circulation related topics.

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