

**A BUSINESS MARKETING STRATEGY APPLIED
TO STUDENT RETENTION: A HIGHER
EDUCATION INITIATIVE**

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ABSTRACT

Relationship marketing, a concept that focuses on attracting, maintaining, and building business relationships, has enhanced the profitability of businesses. The core of the relationship marketing approach in business is that resources are directed toward strengthening ties to existing customers on the proven premise that maintaining existing customers is less costly than is attracting new ones. Relationship marketing models have been developed in a wide range of settings and evidence exists suggesting that it is a successful approach. This article explores the concept of adapting the business relationship marketing framework to the challenges of college student retention. The student retention and relationships marketing literatures are reviewed and parallels are drawn. The relationship marketing model presents a different way of viewing student retention, provides a different perspective on retention strategies, and provides an economic justification for implementing retention programs. Retaining students in post secondary programs has been a national concern for decades (Braxton, 2000). However, doing so remains a challenge (Habley & McClanahan, 2004; Maldonado, Rhoads, & Buenavista, 2005). Improving student retention is a worthwhile goal for a variety of individual, social, and economic reasons (Institute for Higher Education Policy, 2005; Schuh, 2005; Tinto, 1993). And, while not everyone will be comfortable applying concepts from business to an issue in education, adapting the customer retention model to student retention is appropriate given the emphasis both place on quality of services. We include a formula for determining the economic benefits to the institution of retaining students.

STUDENT RETENTION RATES

Nationally, the three year graduation rates for community and two year colleges is less than 45%; for four year colleges and universities, the five year graduation rate approximates 50% (ACT, 2003). Student attrition has been an issue of concern for over three decades (Astin, 1975; Braxton, Hirschy, & McClendon, 2004; Cope & Hannah, 1975; Summerskill, 1962). Early on, data from the few colleges that did track drop outs indicated that students who left gave as reasons “financial,” “academic,” “personal,” and “unknown” (Cope, 1978, p. 1). Driven, in part, by the accountability movement, interest in student persistence has evolved to the point where today most campuses have an active student retention task force and a host of student retention programs (Kuh, Kinzie, Schuh, & Whitt, 2005; Zumeta, 2001). Despite considerable research, programmatic attention, retention conferences, and academic journals devoted to the topic, those rates have remained constant over the last 20 years (Braxton, 2000; Braxton et al., 2004).

Earning a college degree has long been a path to a better life, a more secure future, and the American dream. While there may be social and economic advantages to be gained from attending college, the full measure of rewards is usually reserved for those who earn a degree (Paulsen, 2001). Students who leave college before degree completion can expect to experience the costs of dreams delayed and income lost (Gladieux, 2004). Society, dependent as it is on an educated workforce, does not benefit when students do not persist to degree completion (Institute for Higher Education Policy, 2005; St. John, Kline, & Asker, 2001). There also are costs to colleges and universities when students leave prior to degree completion (Murphy, 2003). Along with lost tuition and fees, there are short term revenue losses in areas such as from textbooks and school supplies sales, and housing, food, and other incidentals (Schuh, 2005). Long term, students who leave before graduating are not likely to contribute to or be supportive of the college (Gardiner, 1994). As a result of these overlapping social, human, and economic costs to society, to higher education, and to individuals, considerable attention has been devoted to affecting college student retention rates.

CHOICES: TO ATTEND, TO STAY, TO LEAVE

A recent survey indicated that 62% of parents believe that a college education was absolutely necessary for their own children (Immerwahr, 2002). The decision to attend college is influenced by a range of factors that include ability, socioeconomic status, ethnicity, gender, age, and the educational backgrounds of parents (Hossler, Braxton, & Coopersmith, 1996). Once enrolled, the decision to leave also is influenced by a range of interrelated factors. For example, colleges and universities are academically competitive places, so not all students entering as freshmen will be academically successful (Adelman, 2006; Bean, 2005; Tinto, 1993). Also included in the definition of dropouts are those students who

transfer from one college to another. Estimates suggest that 40% of students who initially enroll at a four year college will transfer to another prior to graduation which can lead to a scenario a non-completer at one college becomes a graduate of another (Hagedorn, 2005; McCormick & Carroll, 1997). Despite problems with data collection and definition, student retention remains a significant social issue important to higher education, particularly those students who face the “stay or leave” decision (Caison, 2004-2005).

Retention Influencing Factors

The student retention literature in higher education has focused primarily on three areas: personal characteristic, institutional support and environmental factors. Research by Bean and Noel (1980) identified personal characteristics that contribute to student retention. Expanding on that early work, Bohnam and Luckie (1993) considered the influence of factors such as study habits, gender, ethnicity, full and part time enrollment status, and peers. Feldman (1993) and Helland, Stallings, and Braxton (2001-2002) studied the expectations students bring to college, how those expectations influence social integration, and the relationship between expectations, social integration, and the decision to stay or leave. The key finding in these studies was that institutional characteristics, including policies, impact retention. The quality and availability of support services also influence the decision students make to stay or leave.

Translating environmental characteristics to student satisfaction was the focus of research done by Astin (1977) who determined that “institutional characteristics show pronounced relationships with satisfaction” (p. 182). Astin (1993) identified six environmental variables that impact retention: characteristics of institutions; curriculum faculty, student peer group; residence; academic major and financial aid; and student involvement, including academic involvement, involvement with faculty, and involvement with student peers. In that study student satisfaction was measured against an extensive list of environmental factors, reflecting the belief that student satisfaction is a surrogate measure for the likelihood of continuing in school. Believing that “college environments can encourage or hinder the personal development of students, both in and out of the classroom,” Kuh, Schuh, and Whitt (1991, p. 7) studied how campuses engage students in active learning. Colleges can shape environments in ways that support learning by encouraging students to become involved in learning experiences that are educationally purposeful such as honors programs, interactions with faculty, and service learning opportunities. Purposeful involvement increases student satisfaction and positively impacts student retention (Astin, 1977, 1993; Kuh et al., 1991, 2005; Pascarella & Terenzini, 1991, 2005; Tinto, 2000). Students who engage with the life of the campus, through academic work or extracurricular programs, make connections linking them to the institution. These connections may be grounded in relationships with peers, a supportive faculty member,

perhaps a mentor, membership in a learning community, or through an interest in fraternity life, an athletic activity, a classroom based learning project, or an academic society (American Association of Higher Education, 1998; Smith, MacGregor, Matthews, & Gabelnick, 2004).

Boyer (1987) encouraged the building of community as the center around which involvement can occur. He offered the view that “it is not an exaggeration to say that students who get involved stay enrolled” (p. 191). Berger (2001-2002) is among those who sought to move the discussion of retention models toward a broadly based, systematic, organizational culture “web of interlocking initiatives” (Kuh, 2001-2002, p. 31). Student persistence must be a campus-wide, cooperative effort (Braxton et al., 2004). Building on the organizational culture approach, Kuh et al. (2005) identified institutional characteristics that promote persistence and involvement. They included a “living” mission and “lived” educational philosophy, an unshakeable focus on student learning, and environments adapted for educational enrichment. They also identified clearly marked pathways to student success, and improvement oriented ethos and, shared responsibility for educational quality and student success.

Retention Models

Interest in the complexity of factors contributing to student attrition has led to the development of several retention models. Of those models, two in particular have stimulated considerable research.

According to Tinto’s *Student Integration Model* (1993) persistence is dependent on how well the student integrates into the social system and academic communities of the campus. Although the qualities students bring to the campus are important, retention depends primarily on what happens following admission. Attrition is most likely to happen when there is incongruence between the intellectual orientation of the student and the college’s academic character. This matching of orientation and character is influenced by contact with faculty because, according to Tinto, these interactions result in strengthen student commitments, increasing the likelihood of retention. The *Student Integration Model* makes a significant contribution to an understanding of retention by focusing on the central role of the institution and of its faculty in promoting retention, a consideration that is often overlooked (Pascarella, 1980; Pascarella & Terenzini, 1983). Recent work linking student expectations and social integration has the potential to expand Tinto’s model (Helland et al., 2001-2002).

Drawing on Price’s (1977) model of employee turnover, Bean (1980, 1983) concluded that students drop out of college for reasons similar to why employees leave organizations and that student behavioral expectations are central to the stay or leave decision. Bean’s *Theory of Student Attrition Model* holds that beliefs, informed by student experiences around three variables—organizational, personal, and environment—shape intentions and attitudes that, in turn, define the

decision to leave. An important feature of Bean's model is that it assigns a role in the drop out decision external to the college influences and non-intellectual factors (Cabarrera, Nora, & Castaneda, 1993).

STUDENT RETENTION AND RELATIONSHIP MARKETING

While higher education traditionally constructs models by looking internally, Bean's *Theory of Student Attrition Model* (1983) looked outside of higher education, adapting research done in human resources management. Similarly, relationship marketing, a concept developed to enhance the profitability of business operations, provides a model that, if adapted for use on campuses, could help guide student retention initiatives. Berry (1983) defined relationship marketing as, "attracting, maintaining, and enhancing customer relationships" (p. 25). Relationship marketing focuses on building ties with existing customers to strengthen customer ties with the intent of retaining them (Jain, 2005; Peltier, Schibrowsky, & Westfall, 2000). It is based on the premise that it is easier, less expensive, and more profitable to retain current customers than to acquire new ones.

The principles of relationship marketing have been adapted to a wide range of service settings including health care (Peltier et al., 2000; Peltier, Boyt, & Schibrowsky, 1999a, 1999b, 2000; Peltier, Boyt, & Westfall, 1999), banking (Athanasopou, 2006; Ballantyne, 2000; Colgate & Smith, 2005; Dibbs & Meadows, 2001; Lam & Burton, 2006; Van Meer, 2006), life insurance (Chang, 2006; Crosby, Evans, & Cowles, 1990), non-profits (Bennett, 2006; Bussell & Forbes, 2006; Voss, Montoya-Weiss, & Voss, 2006), and membership and frequent flyers programs (Barlow, 2000; Gruen, Summers, & Acito, 2000). Applied to higher education, the relationship marketing concepts hold promise for furthering the understanding of student retention and the improvement of retention practices. Just as managers of businesses have in place strategies to retain customers, campus faculty and staff can readily adapt the principles of relationship marketing to develop strategies to retain already enrolled students.

Berry (1983) offered helpful advice on this point by identifying the three conditions in which relationship marketing is most applicable. First, relational marketing concepts can be applied whenever the customer has an ongoing need or desire for the service. Students who enter college with the intent of obtaining a degree clearly initiate relationships on which they will depend over time to provide services and opportunities necessary to complete programs of study. Second, relationship marketing can be applied in environments in which the customer selects the service provider. This is undoubtedly the situation in higher education where the recruitment of students is competitive and students are able to select a college from among several choices. Finally, relationship marketing principles can be used if there are alternative service providers and customers are

able to switch from one supplier to another, a common reality as students often transfer from one school to another. It is, therefore, an appropriate fit to apply the principles of relationship marketing to student retention.

The term customer relationship management (CRM) is often used to describe relationship marketing programs aimed at customer retention. We have coined the term student relationship management (SRM) for those programs designed to build relationships with students to increase retention and loyalty to the school. An additional benefit of a successful SRM program would be an increase in the number of alumni who could be converted into supporters who are both loyal and willing to make a financial commitment through fund raising campaigns.

Basic Tenets of the Relationship Marketing Paradigm

The customer relationship marketing framework is based on an established set of proven business principles. Many of these concepts can be applied to the educational model we refer to as student relationship marketing (SRM). The following CRM concepts are directly applicable to SRM.

The Benefits of Retention Compound Over Time

The key concept in relationship marketing is that improving retention rates has a compounding cumulative effect. This is demonstrated in the top of Table 1 which illustrates student enrollment over time at a college that enrolled an average of 2000 first time college freshmen each year and had a retention rate of 70% for freshmen, 75% for sophomores and juniors, and 80% for seniors. Over a five-year window, this data would result in 5,868 of the original 10,000 students still enrolled, with 630 students completing degrees, for a graduation rate of 31.5%.

The bottom portion of Table 1 shows what would happen if the college could retain just one more student out of ten: the total enrollment over time would increase to 7,156, an increase of 1,288 students, an enrollment increase accomplished with no additional effort in new student recruitment. Moreover, the number of graduates would increase to 1,040, for a graduation rate of 52%. This is a 65% improvement in the graduation rate by simply retaining one additional student out of every ten, a reasonable goal in most environments.

Lifetime Value is an Essential Tool for Understanding and Budgeting for Retention

Among the key concepts that guide relationship marketing and underscores the financial importance of retention is the lifetime value of customers (LTV). LTV is a measure of the revenue that the organization will receive from a given customer during his or her lifetime as a customer. In practice, it is calculated by

Table 1. Student Retention Example

Retention with Approximately 75% Annual Retention Rates					
	Year 1	Year 2	Year 3	Year 4	Year 5
Year 1 students	2,000	1,400	1,050	788	630
Retention rate	0.70	0.75	0.75	0.80	
Year 2 students		2,000	1,400	1,050	788
Retention rate		0.70	0.75	0.75	0.80
Year 3 students			2,000	1,400	1,050
Retention rate			0.70	0.75	0.75
Year 4 students				2,000	1,400
Retention rate				0.70	0.75
Year 5 students					2,000
Total students	2,000	3,400	4,450	5,238	5,868

Note: After 5 years the total enrollment is 5,868 students or 59% of the students. Graduation rate = $630/2000 = 31\%$.

Retention with a 10% Increase in Retention Rates					
	Year 1	Year 2	Year 3	Year 4	Year 5
Year 1 students	2,000	1,600	1,360	1,156	1,040
Retention rate	0.80	0.85	0.85	0.90	
Year 2 students		2,000	1,600	1,360	1,156
Retention rate		0.80	0.85	0.85	0.90
Year 3 students			2,000	1,600	1,360
Retention rate			0.80	0.85	0.85
Year 4 students				2,000	1,600
Retention rate				0.80	0.85
Year 5 students					2,000
Total students	2,000	3,600	4,960	6,116	7,156

Graduation rate $1040/2000 = 52\%$ (an increase of 65% over the original model).

Enrollment increases to 7,156 or an increase of 1,288 students (a 22% increase in the number of enrolled students with no additional recruiting efforts).

determining the net present value of the revenue realized from the average new customer over a period of time (Hughes, 2003). Table 2 displays a typical LTV calculation adapted for a private college using the same retention rates used in Table 1. For the calculations, we used the average tuition and academic fees for private, four year colleges reported by the College Board (Baum & Payea, 2004). We computed the tuition and fee revenue generated over a five-year period but did not consider other revenues such as from housing, food, non-academic fees, and textbook purchases; nor did we include a tuition discount factor. These data indicate that, accounting for the retention rates we set, the original class of 2000 students would generate total revenues of \$117,831,135. When discounted for the time value of money, the revenue would be reduced to \$96,939,966. The result is a LTV of \$48,470 for each student enrolled. This is a very important calculation for colleges and universities because it shows that each student who enrolls as a freshman is worth an average of \$48,470 to the college. Some individual students are worth more because they stay all the way to graduation, while others are worth less since they leave at some point, perhaps as early as the first semester following enrollment. Obviously other factors such as an investment of institutionally funded aid would also influence the relative value, but on average, each student is worth \$48,470.

Now, what would happen if the college could retain one more student out of every ten? With a 10% increase in retention rates, revenues would increase to \$143,417,825 (see Table 2, bottom). When adjusted for the time value of money, the amount is \$118,234,542, an increase of 22% in tuition and fee revenue by increasing the retention rate up by one of every ten students. The LTV increases to \$59,117 per student. This demonstrates that an improvement in student retention makes, on average, each retained student worth an additional \$10,647 in revenues, demonstrating that retention programs that are successful pay for themselves.

Since the majority of students are enrolled at public institutions of higher learning, Table 3 shows the calculations using the average tuition and fees for public four year colleges, as reported by the College Board (Baum & Payea, 2004), and a per capita state appropriation of \$4,000 per student. Because many public colleges have larger undergraduate enrollments than do four year, private colleges, the absolute total increase in profitability for an institution may be larger. Increasing the retention rates by 10% as shown in the bottom of Table 3 has a similar impact on institutional revenues, as well as on the LTV of each student. In summary, the lifetime value of a student is a critical calculation for any college that invests in student retention because it presents a way to measure the financial impact of retention efforts and provides a justification for investing in such programs. The importance of the calculation of lifetime value is that it demonstrates that successful retention programs make good financial sense, an essential argument for those who manage retention programs.

Table 2. Lifetime Value Tables for a Private College

Lifetime Value is the net present value of the profit a firm will realize on the average new customer over a period of time. Lifetime value of a student is the net present value of the profit a school will realize on the average new student over a period of time.

LTV with Approximately 75% Retention						
	Year 1	Year 2	Year 3	Year 4	Year 5	Grad rate
Students	2,000	1,400	1,050	788	630	31.5
Retention rate	0.70	0.75	0.75	0.80		
Tuition and fees	20,082	20,082	20,082	20,082	20,082	
Revenue	40,164,000	28,114,800	21,086,100	15,814,575	12,651,660	
Total revenue	40,164,000	68,278,800	89,364,900	105,179,475	117,831,135	
Discount rate	1.00	1.05	1.10	1.16	1.22	
NPV revenue	\$40,164,000	\$65,027,429	\$81,056,599	\$90,857,985	\$96,939,966	
Lifetime value of each student = \$48,470						

LTV with a 10% Increase in Retention Rates						
	Year 1	Year 2	Year 3	Year 4	Year 5	Grad rate
Students	2,000	1,600	1,360	1,156	1,040	52.02
Retention rate	0.80	0.85	0.85	0.90		
Tuition and fees	20,082	20,082	20,082	20,082	20,082	
Revenue	40,164,000	32,131,200	27,311,520	23,214,792	20,893,313	
Total revenue	40,164,000	72,295,200	99,606,720	122,821,512	143,714,825	
Discount rate	1.00	1.05	1.10	1.16	1.22	
NPV revenue	\$40,164,000	\$68,852,571	\$90,346,231	\$106,097,840	\$118,234,542	
Lifetime value of each student = \$59,117						

A 10% increase in retention rate results in an increase of over \$21 million dollars in tuition and fees. LTV increased by \$10,647 per student.

It Costs More to Acquire New Customers than to Retain Current Ones

Leigh and Marshall (2001) estimated across a wide range of industries that it cost from five to seven times more to acquire new customers than to retain those with which the firm was already doing business. The same is true for colleges and universities in that the recruitment and admission functions at colleges and universities represent significant institutional expenditures (Clement, 1990; Noel-Levitz, 2006; Schuh, 2005).

Table 3. Lifetime Value Tables for a Public College

LTV with Approximately 75% Retention						
	Year 1	Year 2	Year 3	Year 4	Year 5	Grad rate
Students	4,000	2,800	2,100	1,575	1,260	31.5%
Retention rate	0.70	0.75	0.75	0.80		
Tuition and fees	5,132	5,132	5,132	5,132	5,132	
Gov't. subsidy	4,000	4,000	4,000	4,000	4,000	
Revenue	36,528,000	25,569,600	19,177,200	14,382,900	11,506,320	
Total revenue	36,528,000	62,097,600	81,274,800	85,657,700	107,164,020	
Discount rate	1.00	1.05	1.10	1.16	1.22	
NPV revenue	\$36,528,000	\$59,140,571	\$73,718,639	\$82,632,718	\$88,164,104	

Lifetime value of each student = \$22,041

LTV with a 10% Increase in Retention Rates						
	Year 1	Year 2	Year 3	Year 4	Year 5	Grad rate
Students	4,000	3,200	2,720	2,312	2,081	52%
Retention rate	0.80	0.85	0.85	0.90		
Tuition and fees	5,132	5,132	5,132	5,132	5,132	
Gov't. subsidy	4,000	4,000	4,000	4,000	4,000	
Revenue	36,528,000	29,222,400	24,839,040	21,113,184	19,001,866	
Total revenue	36,528,000	65,750,400	90,589,440	111,702,624	130,704,490	
Discount rate	1.00	1.05	1.10	1.16	1.22	
NPV revenue	\$36,528,000	\$62,619,429	\$82,167,293	\$96,492,926	\$107,530,907	

Lifetime value of each student = \$26,883

A 10% increase in retention rate results in an increase of over \$19 million dollars in tuition and fees. LTV increased by \$4,842 per student.

In addition, studies show that the longer a firm retains a customer, the more profitable each becomes (Reichheld, 1993, 1996). The longer a customer stays with an organization, the more they spend and the less price sensitive they become. Also, as customers become familiar with the policies and procedures of the company, there is a significant reduction in the time and resources needed to serve them. The same is true in higher education; students who remain enrolled at the institution “learn” their way around the university. As a result, they require less time, effort, and resources to service them than do new students.

Not All Customers are Worth the Same to the Organization, Neither are Students

Relationship marketing holds that not all customers are equally profitable (Berry, 1995). Some customers are very profitable while others are simply not. Many companies find that 20% to 40% of their customers are unprofitable. Customers that are the most profitable merit the most attention when it comes to building relationships. The same is true in higher education. For example, students who pay full tuition and fees contribute more to total revenues than those who are receiving institutionally funded financial aid or discounted tuition. Similarly, at state supported campuses, out-of-state students pay more in tuition than do in-state students. As such, from a revenue generating perspective, all students are not equal.

In addition, some students require a great deal of attention, placing such high demands on resources (Braxton et al., 2004; Mumper, 2001), that they may not be worth the commitment and financial investment. Recruiting and enrolling students who are not academically, financially, or emotionally prepared for college is often more expensive than the revenues they generate. This not to say that student needs should not be met but, rather, that administrators need to be aware of the resources that these students will require. While this concept of viewing students in terms of their value to the organization may be controversial, it is the reality faced by those charged with of managing an organization with limited resources.

Another way to view students is on their potential and willingness to support the institution following graduation. At least one exclusive MBA program makes admission decisions based on an assessment of each student's potential post graduation income. The program administrators argue that because of a limited number of seats, it is important to fill them with students who have a high potential for financial success rather than with those who have the highest test scores. Universities with professional colleges may have reason to believe that some graduates of some programs are more likely than others to be in positions to support the school as alumni and, as such, will have higher post graduation LTVs and may merit more attention in the form of relationship building prior to graduation, as well as after.

The Need to Get Close to the Customers

Organizations interested in building commitment and trust into their relationships with customers must get close to their clientele (Jackson, 1985). This goes back to the old corner grocery store example discussed by Hughes (1991). How did the local grocer build strong loyalty with his or her customers: by getting close to them, of course. The grocer knew all about the customers, knew what they liked, stocked products for them, made them feel important, solved their problems, provided them with special information and deals, and gave them credit.

If a firm wants to add value for their customers and build lasting relationships with them, they need to know who the customers are, what they want, and what is important to them.

The same is true for campuses (Kuh et al., 2005). Administrators, faculty, and staff may claim to know their students and to be “student centered” but, when pressed, the examples that they provide are typically based on anecdotal information or myth. Seldom does the institution have hard, purposefully collected data (Kuh, 2001-2002). The relationship marketing paradigm is built on the premise of learning everything relevant about the customer and then using that information to service them.

An approach that works well as a supplemental way to learn about customers (students) is to spend time with them. The “managing by walking around” approach popularized by Sam Walton of Wal-Mart fame and discussed by Peters and Waterman (1982) proposes that administrators and faculty spend time with students outside of their traditional roles by regularly engaging students in conversations in informal settings. These contacts are not typically office based and may not be formal, but occur where students are, in dorms, on side-walks, in dining halls, at athletic events, and other settings in which students are comfortable. It seems odd that customers who have online accounts with *Amazon*, a business, are greeted by name each time they access the site, but students who use the college library, campus food service, financial aid office, the dean’s office, or are in a lecture class are seldom greeted by name. This lack of connection communicates an impression that the administration, faculty, and staff simply don’t know and may not care about them, hardly a foundation on which relationships and loyalty are built.

Identifying the Reasons for Leaving the Relationship

Customers can be retained if trust is developed, if they are satisfied with the product or service, and if they are committed to the company. A customer retention plan requires that the business define, measure, and understand the customer defection rate. While it is difficult to locate and gather information from defectors, that information is invaluable if efficient and effective ways to reduce defection are to be identified. This information is needed to determine which of the reasons for leaving the relationship are actionable and need to be addressed, versus those that are not.

Universities and colleges need to gather this information for similar reasons (Tinto, 1998). In theory, the job of collecting this information in academic settings is easier because there should be a database with contact information even for students who do not persist. However, very few campuses attempt to document reasons for attrition and even fewer analyze this data to inform student retention initiatives. The process of getting close to the students should include gaining an understanding of reasons why students leave.

Post-Purchase Rather than Pre-Purchase Activities

Relationship marketing maintains that retaining customers requires focused, post-purchase activities rather than pre-purchase and purchase-time activities. While many organizations pay lip service to this concept, few actually practice it (Hughes, 1991). Table 4 illustrates the typical effort devoted to customer acquisition and retention for traditional marketing activities compared to relationship marketing. Most businesses focus on customer acquisition rather than customer retention.

The situation is the same for colleges and universities. Enrollment management programs support substantial recruiting budgets, aimed at attracting new students, but campuses appear to be less eager to commit resources to efforts aimed at the persistence of enrolled students (Komives & Woodard, 1996). Table 4 illustrates how attention to SRM would change the distribution of resources, focusing more on the retention of current students than the recruitment of new students.

Relationship Building is Everyone's Job

The CRM model holds that customer retention is everyone's job. That is, everyone in the organization needs to understand the principles of relationship

Table 4. Allocation of Marketing Efforts

	Traditional marketing	Relationship marketing
Current customers	10%	60%
Targeted prospects	30%	30%
The market in general	50%	10%
Key Question → Does your campus spend more time and money retaining current students or finding new ones?		
	Traditional enrollment Management Program	SRM based enrollment Management Program
Current students	10%	60%
Recruiting highly targeted students such as National Merit Award Winners	30%	30%
Marketing to all high school seniors	60%	10%

marketing and be committed to building relationships with customers. Having said that, the implementation of the CRM program most often falls primarily on those front line employees who communicate with customers on a regular and frequent basis. In those cases, employees need to be evaluated based on their ability to effectively communicate with customers in ways that strengthen the relationship rather than weaken it. Research on complaint resolution highlights this point. Of customers who register a complaint, 60% to 75% will do business again with the company if their complaints were resolved; that figure increases to 95% when complaints were resolved quickly and fairly. The average customer will tell about five others about the good treatment they received if the complaint was resolved but an average of eight people if the complaint was not resolved (Albrecht & Zemke, 1985).

The situation is similar on college campuses. A crucial implication of the SRM model is that student retention is everyone's job and not a responsibility assigned to one person, office, or program. While front line employees at colleges and universities such as administrative assistants, office receptionists, advisors, and classroom instructors are often the key to the successful implementation of SRM programs, the efforts of all are needed. As Kuh (2001-2002) noted: "Just as no single experience has a profound impact on student development, the introduction of individual programs or policies will not by themselves change a campus culture and students' perceptions of whether the institution is supportive and affirming. Only a web of interlocking initiatives can over time shape an institutional culture that promotes student success" (pp. 30-31).

Commitment and Trust

The relationship-building approach to customer retention and satisfaction is based on two key marketing constructs: the extent to which parties in the relationship are committed to maintaining that relationship, and, the degree to which each of relationship partners trust others in the relationship. Commitment has been one of the most frequently used variables for determining the strength of a marketing relationship and has been viewed as an important antecedent to customer retention (Peltier, Schibrowsky, & Nill, 2004). Commitment is the mutual desire to continue the relationship and, importantly, a willingness to work to ensure its continuation (Wilson, 1995). Moorman, Zaltman, and Deshpande (1992) define commitment as an enduring desire to maintain a valued relationship, a factor also cited by Tinto (1993) as influencing student retention. Commitment serves as a measure of how important to both parties the relationship is and their mutual willingness to continue it. In terms of student relationship marketing, it is proposed that students who perceive a mutual and strong commitment between themselves and the college are more likely to remain enrolled and are more likely to recommend the school to friends.

Trust is often viewed as a primary factor in building relationships and is a key factor in building customer loyalty. Most trust definitions include the belief

that one relationship partner will act in the best interest of the other partner and that promises and obligations will be met (Wilson, 1995). The good intentions of the relationship partners cannot be in doubt (Berry, 1995). Trust, being able to rely on the relationship partners (Moorman et al., 1992), is also central to strengthening relationships. When thinking about services such as higher education, trust is particularly important due to the intangibility of the service (Sheth & Parvatiyar, 2000). In higher education, trust can be viewed as an integral factor in increasing students' likelihood to persist. Students are more likely to remain when they believe the school is acting in their best interests and is committed to keeping its promises and meeting its obligations (Berger, 2001-2002; Strauss & Volkwein, 2004).

A Final Comment on the Tenants of Relationship Marketing

Customer relationship management (CRM) has been described as the process of attracting and retaining profitable customers. Similarly, student relationship management (SRM) can be described as the process of recruiting and retaining quality, profitable students¹ (see pp. 329-330 for all endnotes). Given the long-term nature of the relationship building process, the recruitment of students is properly viewed as an initial stage of the relationship life-cycle, with the process of relationship building an ongoing activity that does not end until both parties decide to terminate it. For students, the relationship does not end at graduation. In fact, graduation is properly viewed as an opportunity to strengthen and refocus relationships with students so that they remain engaged with alma mater as alums.

RELATIONSHIP BONDS

The common thread throughout the relationship marketing literature is an emphasis on marketing oriented toward strong, lasting relationships with individual customers. But how does a college build trust and commitment with its students? Research and the relationship marketing framework posits that this is accomplished through the use of relationship bonding activities. The development of bonds between the company and its customers is central to fostering commitment and trust. The bonds that connect a customer to a company or a student to a college depend on the effort made to nurture loyalty. Bonds exist at different strengths, with the objective being to move customers to a level of bonding that maintains and strengthens the relationship making customer attrition less likely (Berry & Parasuraman, 1991; Gordon, McKeage, & Fox, 1998). Student retention programs share the same objective: recruiting and admitting students should be the initial step in an ongoing, relationship strengthening

process. The challenge is to build SRM into the campus enrollment management model so that strengthening relationships with currently enrolled students becomes an institutional priority.

Berry and Parasuraman (1991) identified three hierarchical bonds pertinent to the development of commitment and trust and to strengthen relationships in an effort to increase customer retention. The bonds are: financial, social, and structural bonds. Retention is positively related to each of these bonding levels and in their strongest form, bonds will include elements from each of the three levels. Implementation of relationship bonds is illustrated by the action steps in the Student Relationship Management Model presented as Figure 1.

In the Beginning—Financial Bonds

Financial bonds rely on economic factors to gain customer loyalty and often are considered to be the weakest type of bonding activity. However, for most

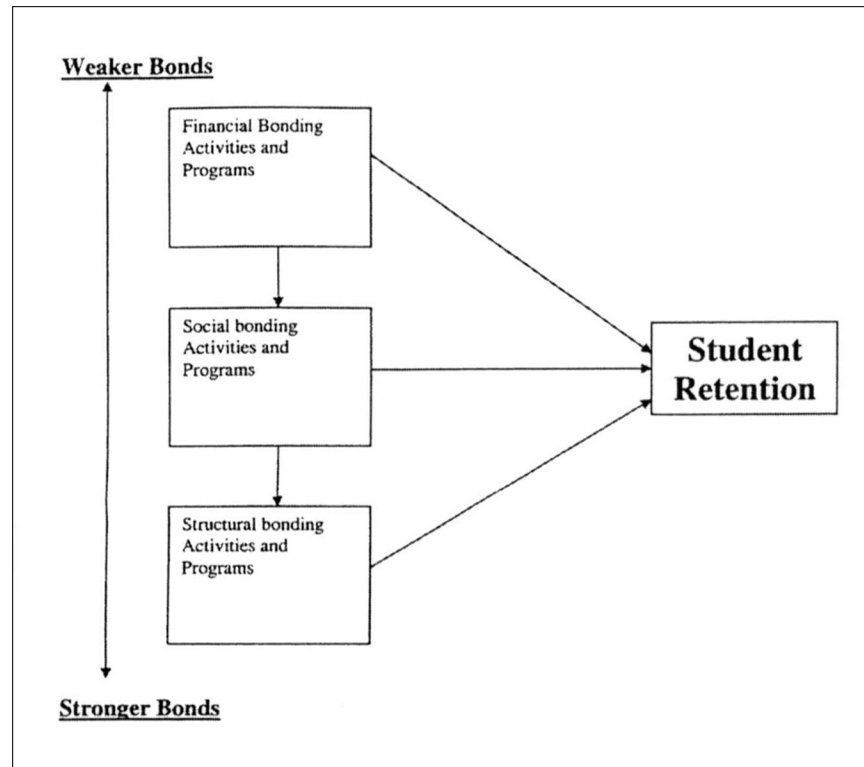


Figure 1. Relationship marketing model for student retention.

organizations, financial bonding activities are very important at the beginning of the relationship. They often are employed to attract first time purchases and to build repeat purchase behavior early in the relationship. The same can be said for the use of financial bonding activities associated with student acquisition and retention. Financial bonding activities in various forms are commonly used to recruit students and get them to enroll for the first few semesters. In an educational setting, financial bonds are those activities that reduce costs in terms of time and money associated with attending a specific college or university, particularly in comparison to other educational options. Scholarships, work-study opportunities, transportation, on-campus housing, tuition discounting, financial aid packaging, low cost day care, subsidized student health and insurance programs, no interest emergency loans, access to discounted recreation facilities, and other similar economic incentives would typically fall into the financial bonds category.²

While financial bonds are the easiest to establish, they are often the hard to sustain. Student loyalty built primarily on economic incentives is difficult to maintain since competing colleges and other recruiters of high school graduates (e.g., the military, service industries, apprenticeships and training programs, and unskilled labor markets) can entice students away with financial-based, short-term incentives. At this level, student loyalty is primarily based on price, not to the college or the educational opportunities it offers (DesJardins, Ahlburg, & McCall, 2002).

Evidence suggests that price alone is not sufficient to attract and hold students (Institute for Higher Education Policy, 1999); Heller (1997); and others (Paulsen & St. John, 1997, 2002; Schuh, 2005) have found that while financial bonds do exist, price increases, without support from stronger bonding activities, will result in student attrition. Financial bonding may be difficult for some campuses to achieve. And, if low price impacts service quality, the value attached to price may be threatened. Students who value price may also value their time and resent long lines, reduced class offerings, and spotty or absent support services.

Getting Close to Students—Social Bond

If price was the only factor that institutions of higher education could use to attract students, neither Stanford University nor the University of Phoenix would exist. The second level of relationship building is social bonding. Social bonds are developed through ongoing personal interactions and communications with customers. As such, they are essential for colleges and universities interested in developing strong relationships with students to increase retention and school loyalty. While social bonding has not been studied in the context of student retention, it is similar to the idea of student involvement forwarded by Astin (1977) and of student engagement advocated by Kuh and his colleagues (1991, 2005). While financial bonds are formed directly between the school and the

student, social bonds are broader in nature and could include all interpersonal interactions that exist in the relationship, including student-advisor, student-instructor (Astin, 1993), student-student (Pascarella & Terenzini, 1991, 2005), and student administrative staff. Faculty and support staff accessibility can be important to students (Astin, 1993). Accessibility adds value to the student experience and promotes social bonding.

At the social bonding level of relationship building, there is a distinction made between customers and loyal clients. Customers are dealt with in groups, loyal clients are individually served. Customers are numbers, loyal clients are people with names. Anyone who is available can service a customer, loyal clients are served by persons that are assigned to that individual and trained to work with them (Donnelly, Berry, & Thompson, 1985). The foundation of social bonding is connection, which includes staying in touch, becoming familiar with, and personalizing and customizing communications and transactions. It is “as much a product of the soul as of science” (Berry & Parasuraman, 1991, p. 138). Strong social bonds can offset the challenges of financial incentives offered by competitors and necessary price increases (Peltier et al., 1999). Financial based bonds can be established rather quickly, while social bonds take time and effort to establish, are more broadly based to include a variety of contact points throughout the organization, and provide reasons to remain in the relationship absent strong motivation to leave. Social bonding activities, including all interpersonal interactions, have a strong influence on satisfaction and loyalty while negative, unproductive interactions can result in the defection of customers, clients, and students.

More than most services, education has an implied social component. Faculty-student and student-student encounters are essential for the effective and efficient learning. The satisfaction derived from these social encounters in the campus environment helps students to cope with the increasingly stressful demands of life in the academy. Administrators are responsible for establishing and maintaining positive, supportive social environments (Kuh et al., 2005). Good communications between the institution and its students are essential to the development of a supportive academic environment. Communication building activities that lead to a strengthening of social bonds may be a fairly inexpensive way for a campus to promote a culture that values student connection.

Because higher education institutions often focus on recruitment rather than retention, short-term financial bonds such as financial aid, tuition waivers, and other financial incentives typically are used to attract students. Social bonding is much more broadly based and long term oriented. It starts with the recruiting process in which prospective students are communicated with frequently through various methods, surface and electronic mail, by telephone, and face-to-face encounters. During the recruiting phase, the institution usually takes great care in communicating with potential students, and these efforts take place in several stages involving multiple institutional representatives, including faculty and other

students. All too often, meaningful social bonding activities come to an end once the recruit becomes a student.

Social bonding activities are the most abundant of all the activities available on which to build strong relationships with students and increase retention by connecting them to the institution. The relationship between the institution and its students is strengthened when students become part of the campus community and derive its social benefits. Some of the most important social bonding activities include interactions with advisors, teachers and administrators, service learning programs, opportunities to work with faculty on research projects, purposefully directed activities such as clubs and organizations and other outside of the classroom involving activities, including university sponsored events and celebrations.³ In addition, personal communications from the university in the form of mail, e-mail, telephone calls, and satisfaction and information gathering surveys all work to strengthen social bonds.

Social bonding opportunities span a wide range of contact points and are not limited to institution-student interactions but include peer group interactions, a significant student retention influence (Astin, 1993; Pascarella & Terenzini, 1991, 2005). Consider that many organizations now issue identification cards (such as grocery store cards) that contain individual level data and then use that information to personalize transactions, perhaps in the form of calling the customer by name during the transaction. This is often referred to as the Cheers effect, based on the TV series about a tavern “where everybody knows your name.” Colleges also issue students identification cards containing similar personal information that could be used to personalize campus transactions when accessing library services or using campus dining facilities. Treating students as important individuals for whom well trained employees are available to provide accurate information, as well as friendly responses to inquiries, would strengthen social bonding.

Astin (1993), Kuh et al. (1991, 2005), and Boyer (1987), among others, support the importance of social bonding and cite student involvement and connection to the campus as factors influencing stay or leave decisions. Mentors, teaching faculty, and academic advisors are positioned to form personal relationships with students while providing valuable touch points for students. Recognition programs, newsletters and e-mails informing students of college news and events also help to maintain contact and provide connections. Some intercollegiate athletic departments, perhaps more so than other campus units, model social bonding activities throughout the student life cycle, from recruitment through graduation, for a specific student population, student-athletes.

Engaging Students—Structural Bonds

While social bonds may not withstand challenges if mistakes are made and the person to person approach breaks down, structural bonds are usually strong

enough to withstand some service failures. Structural bonds are the most difficult to establish, but are also the most enduring. Structural bonds are often built into the service delivery system. They complement financial and social bonds and make it inefficient for the customer to end the relationship. The goal of structural bonding is to make it very difficult for the customer to leave the relationship. They are designed to add value to the relationship, creating reasons to stay in the relationship (Berry & Parasuraman, 1991). Structural bonds are formed by activities that make it financially, socially, and psychologically difficult for customers to leave the relationship. In essence, the goal of structural bonding is to create change costs or exit barriers. They're considered to be the strongest bonding activities, the most difficult to achieve, and provide the greatest opportunity to build commitment and trust.

In an educational setting, structural bonds are those activities, programs, initiatives, and policies that create financial, social, and psychological ties that make it difficult for students to leave, either because to do so is too expensive or because there is a psychological commitment to maintaining the relationship. In the student relationship building framework, structural bonds are established in two ways. First, policies and activities are implemented that create disincentives to leave the relationship prior to graduation. They make it difficult to leave due to costs or foregone opportunities. It is common for campuses to have policies requiring students to complete the senior year on campus or complete a percentage of the coursework at the degree granting institution, making it impractical for seniors to transfer. Placement services that are only available to alumni, along with alumni networking opportunities that help students transition into their career fields, are additional structural bonding activities that encourage students to persist and graduate.⁴

The second approach to structural bonding is to empower students to participate in a decision-making role, typically resulting in the opportunity to customize their educational experience or influence the policies and direction of the college/university (Braxton & Mundy, 2001-2002). There is research in related areas that suggests that levels of satisfaction and retention are related to the nature of and extent that decision-making participation is extended to the client (student) (Peltier et al., 1999b; Peltier, Nill, & Schibrowsky, 2003). Affording students opportunities for input into the operation of the university or some of its parts, to customize the educational experiences in terms of independent study and learning experiences that include involving students in the research and creative activities of faculty, flexible scheduling systems, as well as providing avenues for students to have fruitful discussions with teachers, advisors, and administrators, are all examples of empowering students (Kuh et al., 2005). In addition, colleges frequently have students evaluate teaching faculty but seldom provide feedback as to how or if student input is factored into the faculty reward process. Knowing that they have a role, however small, in faculty retention and promotion strengthens the relationship with the

institution because it gives students a voice, a sense of participation that strengthens connection.

Finally, it might be useful to set up a simple method for students to make suggestions, express opinions, to provide feedback; Keeling (2004) suggests “establishing routine ways to hear students’ voices” (p. 28). Having a listening process in place that includes timely responses lets students know they are participants in the community and that their input is valued beyond that of being a revenue source. This retention improvement suggestion supports the idea discussed earlier, getting close to the students, to know who they are; among the ways to do that is to invite student input and then to listen to students in ways that are meaningful. Student empowerment that includes having a voice in the decision making power over issues concerning their education, as well as in the ways students experience the campus, is crucial to the building commitment and loyalty (Kuh et al., 2005). Increased commitment may well have a positive impact on students’ motivation to be academically successful, reducing the likelihood of leaving prior to completion due to academic difficulties. While every organization must balance institutional needs with personal interests, ceding some decision authority to students is likely to have a substantial and positive impact on student loyalty, thereby reducing the numbers of students who leave prematurely.

Final Thoughts on Bonding Activities

Most retention studies focus on the extent to which students are satisfied with campus characteristics, the implication being that students who are most satisfied will persist to graduation (Astin, 1993). To know that students are satisfied with the cost of education at a particular campus but dissatisfied with parking does not provide much help in determining how to improve parking satisfaction without losing cost satisfaction. Bonding, the three hierarchical elements that are central to relationship marketing, permits those concerned with student retention to address satisfaction by better understanding the factors that influence it. By isolating satisfaction around financial, social, and structural constructs, campus leaders can identify the retention supportive factors most important to students. The overlapping nature of relational bonding allows for the strengthening of relationships with students while also building commitment and trust. Relationship marketing has the additional advantage of permitting a measure of the likely action customers—students—will take in response to different bonding levels.

Financial bonds are an important but often overstated element of student satisfaction and retention. Indeed, colleges and universities frequently use financial incentives as their main recruitment and retention tool (St. John, Asker, & Hu, 2001). Campus leaders are counseled to pursue a more comprehensive approach to student retention, one that combines the use of financial bonds during the recruitment and early stages of the relationship building process, but that

proactively moves to social and structural bonding activities. The end goal of relationship building is to develop students whose loyalty to the institution prevents their departure.

CONCLUSIONS

This article illustrates how those interested in addressing student retention can readily adapt the principles of relationship marketing. The student relationship management model proposed here views retention of students in the same way businesses view the retention of customers. The benefits of using a relationship marketing approach to student retention are threefold. First, reducing attrition is important for improving the efficiency and effectiveness of the higher education system along increasing the number of individuals who graduate. "Everyone agrees that persistence and educational retention rates, as well as the quality of student learning, must improve if post secondary education is to meet the needs of our nation and the world" (Kuh et al., 2005, p. 7). Second, it is financially prudent to invest in retention (Noel-Levitz, 2006; Schuh, 2005). The LTV analysis presented here demonstrates the potential payback associated with SRM. Finally, building strong relationships while students are in college has the potential to help convince graduates to become loyal alumni and donors.

The future of marketing is in building long term relationships with customers. Customer Relationship Management is not just a business tool, it is a business philosophy based on a marketing concept. Relationship marketers have a different view of business and, therefore, marketing. Once a relationship building mentality is adopted, the approach to doing business changes. Similarly, the future of higher education is in building long term relationships with students. Student Relationship Management is not just a retention tool, it is an institutional philosophy based on a marketing concept. Student relationship managers have a different view of retention and, therefore, a different view of the institution's interactions with students. Rather than considering retention as a separate function with a set of individuals responsible for retention or enrollment management, SRM holds that building and strengthening relationships with students is everyone's job. In essence, everyone is a retention manager; while front line employees are important, a successful relationship marketing program will require senior level administrative commitment that is turned into an institution-wide initiative. And, it is important to view relationship building as a long-term business investment rather than an operational expense.

The key aspect of relationship marketing is the customer/student focus. While every campus claims to be "student centered," few actually take that initiative seriously or act on in comprehensive ways. Colleges and universities need to treat students as a business treats its best customers. It becomes important, then, that colleges and universities make the effort to learn about students, their needs, their preferences, and the criteria they use to make choices. This

includes communicating with students, providing them with opportunities other than leaving as the most viable way to express their concerns, and gathering information about them from them. The goal is to find out what really matters to students, anticipate their needs, and find ways to add value. If a campus knows its students, it is better positioned to build strong relationships with them using the various bonding activities outlined here.

ENDNOTES

1. The Progression in Relationship Building for Customers and Students

Customers

First time buyers → Repeat buyers → Clients → Members → Advocates → Partners

Students

Recruited potential students → Accepted potential students → Enrolled students → Engaged members of the academic community → Advocates for the university → Loyal, committed alumni

2. Financial Bonds

Examples of Educational Financial/Functional Bonding Activities

Scholarships
Work-study opportunities
Inexpensive daycare
Low subsidized transportation
Housing
Tuition waivers and discounts
Affordable health care
Trimester fast track program
Summer sessions
Weekend college
Other economic incentives

3. Social Bonds

Examples of Educational Social Bonding Activities

Customized and Personalized communications including phone calls, surface mail, e-mails, and personal meetings.

Personalized → Name specific, no dear student communications

Customized → Individual specific info (e.g., Info pertinent to the individual's major)

Providing students with needed, pertinent information

Extracurricular activities such as intramural sports, clubs, and organizations

Intercollegiate and cultural events

Residential life related activities

Learning Communities → Freshman Interest Groups (Kuh et al., 2005)

Awards and celebration events

People friendly conversations spaces

Meet with the President, Dean, etc. in small groups

Social events with the faculty

Research/writing opportunities with faculty

Surveys of student opinions

Mentoring

Tutoring

Individual level advising

4. Structural Bonds

In the student relationship building framework, structural bonds are established in two ways.

1. The school makes it difficult to leave due to costs or foregone opportunities.
2. The school “empowers” students to become part of the university by participating in a decision-making role, typically resulting in the opportunity to customize their educational experience.

Examples of Educational Structural Bonding Activities

Superior career placement programs

Unique majors and programs such as honors colleges

Unique learning opportunities

A financial incentives to stay in school or graduate

The increasing value and/or difficulty in obtaining a degree

- Increased selectivity of applicants
- Specialized degree requirements that result in significant loss of credits if a student changes universities
- Valuable alumni network

Examples of Structural Bonding activities that empower students to become part of the university by participating in a decision-making role

Having a voice on campus-wide committees

Ability to customize academic program

A simple method for students to confidentially make suggestions and voice opinions that includes timely and meaningful responses.

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