Student Advantage Captures the College Market Through an Integration of Their On and Offline Businesses

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Student Advantage Captures the College Market Through an Integration of Their On and Offline Businesses

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This chapter describes how Student Advantage successfully transformed itself from a brick-and-mortar company to the leading online portal to the higher education community. The company has followed a business strategy that includes creating Web sites that appeal to college students and forming partnerships with businesses and universities. Through its activities, Student Advantage has assembled a wealth of information about college students, all organized around a common student identifier. This information is important to Student Advantage and to its partners who are willing to pay for the insights that Student Advantage can provide about the college market. Interestingly, Student Advantage only recently developed a strong in-house information technology capability. This capability is now allowing Student Advantage to implement a variety of e-marketing applications. Lessons learned from Student Advantage's experiences are discussed.

INTRODUCTION

In what many people call "the new economy," there are three kinds of businesses. There are the traditional "brick and mortar" companies that sell their products through physical retail outlets. Then there are the "pure plays" that operate only electronically and have no physical stores. And finally, there are the "bricks and clicks" that operate in both the electronic and physical worlds.

Each kind of company faces challenges. The brick and mortars are at potential risk, at least for lost sales opportunities, if they do not have electronic channels. The pure plays have the cost savings of not operating physical stores, but frequently experience serious order fulfillment problems that can lead to their demise. The bricks and clicks are normally the result of brick and mortar companies establishing a presence on the Internet, but they often have a difficult time adding an electronic business to their existing ones. There are several reasons for this:

- The need to change the mindsets of existing organizational personnel;
- The need to change organization structures and reward systems;
- The need to manage offline and online businesses in an integrated manner;
- The need to integrate disparate systems using a common customer identifier;
- The need to create a stable, scalable architecture; and
- The need to present a "single face" to the customer.

These are difficult challenges and not all companies have handled them well. One that has is Student Advantage. In 2000, The Data Warehousing Institute selected Student Advantage for inclusion in its study, "Harnessing Customer Information for Strategic Advantage: Technical Challenges and Business Solutions." The companies included in this study had demonstrated "best practices" in their use of customer information. Student Advantage was selected, in part, for its successful integration of its physical and electronic businesses. This chapter presents the Study Advantage case study and provides you with valuable insights about how to successfully create and operate bricks and clicks companies. It also describes how contemporary information technology can be used to support electronic marketing.

ABOUT STUDENT ADVANTAGE

In 1992, Student Advantage started as a traditional brick and mortar company. At that time, its only product was a card that college students used with participating merchants to obtain a discount on their purchases. Over the last five years, Student Advantage has successfully transformed itself and moved online with a variety of new products and services. It has become the leading media and commerce connection for students and the businesses and universities that serve them.

Student Advantage's mission is to help students save money, work smarter, and make more informed life decisions. In carrying out its mission, Student Advantage has developed relationships with universities and business partners. It helps universities provide services to their students at little or no cost. It helps business partners increase sales and better understand the college market. Information, in general, and information about the college market, in particular, is a large part of Student Advantage's business.

Student Advantage's position in the marketplace has been hard won. For its college student members, it has continued to be fresh and relevant with the products, services, and content provided. Equally important, Student Advantage has developed long-term relationships with universities and business partners built on trust and performance. This two-prong strategy has been the source of a sustainable competitive advantage.

Student Advantage's creative, constantly evolving business strategy—enabled by information technology—has allowed Student Advantage to:

- Develop an estimated membership base of nearly 2 million college students at the end of the fall 2000 semester, in over 125 local markets;
- Become the leading provider of online and offline content, products, and services for the college market;
- Develop proprietary business relationships with over 15,000 business partners; and
- Position itself for success in the networked economy.

In this case, the history and evolving business strategy of Student Advantage are described. Of importance is how the company has changed while still capitalizing on its previous strengths. Critical to the successful evolution have been the fundamental beliefs about how Student Advantage should responsibly handle its interactions with students, universities, and business partners. Next, Student Advantage's various products and services are described, followed by a description of the technology that makes it all possible. Several applications are described that illustrate how Student Advantage uses data and technology to understand and develop relationships with college students. The case concludes with a discussion of Student Advantage's business model, the lessons learned, and future directions.

COMPANY HISTORY

As a college student, Student Advantage founder Ray Sozzi wondered why no one had successfully organized the purchasing power of college students at a national level, as the American Association for Retired People (AARP) had done for senior citizens. After all, college students represent the most sought-after demographic group by marketers everywhere–first-time heads of household, destined to join the most educated, high-income segment of the economy. Faced with new decisions to be made every day–from simple to complex, from choosing a telecommunications provider to selecting soap–college students' good experiences stay with them, often for a lifetime.

For most businesses, recognizing the significance of the college market was easy; however, targeting marketing campaigns was more problematic. Although much generic information was known about the group, specifics were tough to come by. Businesses knew their average age–could even segment them into specific groups based on class year, and knew they lived predominantly in towns in which universities were located. However, college students are among the most transient population group; the typical college student moves twice every year. The college population has significant turnover, and students neither read the same publications nor watch similar television shows across their demographic group. Thus, the issue becomes, how does a firm really locate this easy-to-find population?

Following up on his idea, Sozzi started Student Advantage in 1992. The initial business model was to provide college students with a discount card that they could use with participating merchants. The idea was simple and inherently appealing on two fronts: (1) students did not have much money, and retailers felt good about cutting them a break, and (2) students were receptive to the discounts. For the next two years, Student Advantage systematically increased its reach to more college campuses and businesses. In the early years, the Student Advantage Membership Card was simply shown at the local retailer when a purchase was made. No data were captured beyond the initial membership application from the student.

In 1994, Student Advantage signed an agreement with American Express that made the Student Advantage Card available to student American Express cardholders. Continuing to go national, in 1996 Student Advantage struck an agreement with AT&T that resulted in the offering of an AT&T/Student Advantage Card that functioned both as a discount and a calling card. The agreement was a major turning point that extended AT&T's and Student

Advantage's presence in the college market, and almost overnight, Student Advantage increased its membership to 1.3 million students in 80 local college markets. As part of the relationship, Student Advantage also provided AT&T with information about the college market based on analyses of the Student Advantage student database.

Next, Student Advantage aggressively signed agreements with national, best of breed companies like Amtrak, Barnes and Noble, Greyhound, and Foot Locker that serve the college market but tend to not compete with one another. Once again, part of the agreement was to provide the participating companies with information about how college students use their products.

By 1996, the Internet had become important to interacting with customers and Student Advantage took its business to the Web. The initial motivation was to reduce the cost of servicing members by providing information on the Web rather than through the mail. This began the movement from an offline, bricks-and-mortar business to one with most of its activities online. This was a turning point for Student Advantage and created both challenges and opportunities. As with most dot.coms, the challenge was to grow market share by offering an increasing set of online products and services in order to create an electronic "community." To do this required in-house application development, the acquisition of competing companies, and the further development of relationships with business partners and universities.

On the university side, Student Advantage worked to become a trusted partner. For example, its acquisition of Campus Direct allowed students to access their grades online and to have a cash card that could be used on and off campus. The business model was to help universities better provide their students with an enhanced set of services but at little or no cost to the schools.

As a result of these efforts, Student Advantage's network of Web sites (e.g., studentadvantage.com, CollegeClub.com, uwire.com, FANSonly.com and estudentloan.com) offers a variety of products, services, and information –discounts on products, news from college campuses nationwide, entertainment, sports information, scholarship information, and help with term papers –all things that appeal to college students. In June 1999, Student Advantage went public and is traded on the Nasdaq as STAD. Student Advantage's corporate offices are located in Boston, Massachusetts. A series of acquisitions, most notably of FANSonly, a popular college sports destination, and CollegeClub.com, a leading integrated communications and media Internet company, has taken the size of the company's workforce to approximately 450 full-time employees.

THE COLLEGE MARKET BUSINESS STRATEGY

Student Advantage's objective is to enhance its position as the leading media and commerce connection for college students and the businesses and universities that serve them. It intends to increase the breadth and depth of its relationships with students by continuing to serve the needs of its three constituencies: students, businesses, and universities. The key elements of their strategy include:

- Strengthen the online destination for students. By extending its already comprehensive network of Web sites, Student Advantage through studentadvantage.com and CollegeClub.com, will offer students e-commerce services, content, and community, all targeted specifically to their demographic group. Toward this goal, Student Advantage is continuing to acquire or form strategic alliances with companies in the higher education space.
- Continue to build brand. Student Advantage's market leadership position has been driven by its membership program and by partnering with leading national and local sponsors and universities. To sustain this leadership position, Student Advantage will continue its aggressive brand-building activities.
- Aggressively grow membership. Student Advantage has implemented a variety of initiatives to increase its membership. It is currently promoting memberships through its Web site and has increased its e-commerce partners to increase traffic to the site. It has expanded its on-campus marketing services, added corporate sponsors, and begun to offer programs to high school students and college graduates.
- Enhance relationships with students, businesses, and universities. Concurrent with its aggressive marketing to students, Student Advantage is also offering new services to its corporate sponsors, such as visitor and membership data that will allow Student Advantage and its business partners to better target advertising, make recommendations to students, and provide for a more personalized and engaging experience for students. Student Advantage will also continue to offer universities an outsourcing solution for specific online services, such as providing transcripts and grade reporting online, and Web development and maintenance for university athletic departments and campus newspapers.
- Continue to pursue strategic alliances and acquisitions. Student Advan-

tage has acquired and fully integrated ten businesses that have helped it expand and strengthen its online and offline offerings to students. Such acquisitions and alliances will continue.

A business strategy challenge that Student Advantage faced was what Todd Eichler, Senior Vice President, calls “the chicken and egg” problem. What comes first, develop the corporate partners or the student members? The corporate partners are needed to create the “deals” that attract students, while the students are needed to attract the corporate partners. The solution was to do both at the same time.

COMPETITORS

Currently, Student Advantage has no competitors that compete across the board with a comparable set of products and services. However, over the years, Student Advantage has faced many competitors who have focused on one of two areas. The first area is competitors who provide either online or offline student-focused products. This has included scores of young entrepreneurs offering discount coupon books and cards. Some of these competitors were hired by Student Advantage and their products were rebranded with the Student Advantage name. The second area is competitors who try to partner with universities and businesses to provide services to students. One of these was Collegiate Advantage who did events and promotions on campuses for companies. The competitive solution was to acquire Collegiate Advantage.

There have been numerous companies that have gone after specific niches in the college market. Some of them have been heavily funded by venture capitalists and were able to put much more money into their niches than Student Advantage. The founders (e.g., Ray Sozzi and Todd Eichler) internally funded Student Advantage until 1998. Competing against well-funded startups was one of Student Advantages major challenges. The disadvantage that these competitors faced was that they did not have the broad, synergistic set of products, services, and relationships that Student Advantage had developed. Many of these companies went out of business, while some of them (e.g., CollegeClub.com) were acquired by Student Advantage when it was felt that they could be made profitable within the Student Advantage business model.

Interestingly, the downturn of the dot.com world in 2001 reduced Student Advantage’s competition. Venture capitalists became less willing to invest money in online businesses, including those that might compete with Student Advantage. This was a turning point for Student Advantage.

PRODUCTS AND SERVICES

Students can become a Student Advantage Member in several ways: (1) by paying an annual membership fee of $20; (2) by buying products or services from corporate sponsors, such as Barnes & Noble Bookstores and Wells Fargo, who "pay" for the students' memberships; and (3) through college or college-related programs where the sponsoring organizations purchase memberships in bulk for distribution free of charge to students. A Student Advantage Member has access to many products and services; see Figure 1 for examples of how students use their memberships.

Student Advantage's products, services, and structure are organized around three groups: Student Services, University Services, and Business Services. Each group's offerings are described below

Student Services

The Student Services group provides the leading online and offline resources for information, services and commerce for the student community, including exclusive discounts. The division's offerings are available throughout the United States, locally on college campuses, and on the Student Advantage Network, giving students the "advantage" in every aspect of their daily lives, in partnership with the universities they attend.

The Student Advantage Network of sites provides content, community,

Figure 1: How students use Student Advantage

10:02a.m.	Tim (Student Advantage Member #3756831954), a UCLA junior, checks out the basketball scores at Student Advantage's FANSonly Network, FANSonly.com
12:20a.m.	Deb (Student Advantage Member #3556493274), an Ameri can University senior, gets a 15% discount on her spring break Amtrak tickets
2:05p.m.	Phil (Student Advantage Member #3017359284), a recent Seton Hall graduate, plans his dream "post graduation trip" to Europe at railconnection.com
4:55p.m.	Tom (Student Advantage Member #3788075344), a Carnegie Mellon senior, orders a bouquet from 1-800-FLOWERS.com for his girlfriend and saves 15%
6:37p.m.	Yolanda (Student Advantage Member #3869625124), a fresh-man at Penn State, checks her grades at Student Advantage's getgrades.com
7:33p.m.	Kerry (Student Advantage Member #3941304554), an Azusa Pacific junior, on a deadline for the upcoming newspaper, downloads an article from Student Advantage's U-WIRE, at u-wire.com
9:12p.m.	Peter (Student Advantage Member 3068676514), a Boston College sophomore, gets $3 off a regularly priced CD at Tower Records

and e-commerce to address the needs of college students. The sites offer services and information targeted to college students, including discount purchasing, travel alternatives, college sporting news, career and job searches, lifestyle and extracurricular decisions, and financial aid information. The Web sites:

- enable access to approximately 500 college and university newspapers;
- offer an e-commerce marketplace; and
- include a searchable directory of sponsors that offer discounts for Student Advantage Members.

Business Services

The Business Services group serves the business-to-business market, offering experienced marketing information services, expertise in events and promotions, and database mining capabilities for national businesses that target students. Through this division, Student Advantage's business partners obtain critical information about this attractive demographic group.

Student Advantage reaches members through numerous channels: The Student Advantage Membership Program, the FANSonly Network, University Wire (U-Wire), Student Advantage Research, ScholarAid, Rail Connection, and Campus Direct. Other services include Student Advantage Cash and the SA Marketing Group.

Student Advantage provides a platform for businesses to market their products and services to a large, demographically attractive market. Student Advantage combines:

- access to the college student market;
- database marketing capabilities;
- a trusted brand;
- program usage tracking;
- quality online and offline content; and
- community interaction.

Student Advantage maintains contact with students throughout their college years and has established strong relationships with universities. In doing so, it benefits its sponsors by providing on-going targeted and continued access for advertising and marketing efforts. Additionally, sponsors also benefit from Student Advantage's experience, knowledge, and expertise in designing and implementing effective marketing techniques to reach college students.

University Services

The University Services group provides university-specific information services that are relevant to students' lives. The division's full range of capabilities creates tailored opportunities for each university by providing complete Internet content and data management, telephone grade reporting, networked news offices, sports information, and complementary school ID systems.

The Student Advantage Membership Program has been endorsed by more than 60 colleges, universities, and university organizations. The typical agreement is for schools to co-market the Student Advantage Membership Program to their students. This includes sending a letter to students explaining the program along with an application for membership, and receiving a percentage of the associated membership fees. Some universities have purchased Student Advantage Memberships in bulk, at varying discount levels depending on the number of memberships, and have distributed memberships to students free of charge.

Student Advantage has also entered contractual relationships with many schools whereby Student Advantage acts as a service provider to the school. Services provided include Athletic Department Web site operation and maintenance through FANSonly, school newspaper online publishing through U-Wire, grade and financial aid status reporting through the Campus Direct brand, and stored value card program operation and management through the Student Advantage Cash program.

THE EVOLUTION OF THE ENABLING TECHNOLOGY

Considering that Student Advantage in 1992 tracked no information about its cardholders, its transformation into an information-intensive business is remarkable. Before information technology provided Student Advantage with database capabilities, it was impossible to determine card usage electronically. Student Advantage would visit a campus, sell discount cards for $20 and leave campus with the sales revenues, but with no information about its customers. If Student Advantage wanted to know how much the cards were being used, it asked the retailers, and often got answers such as "Yeah, we saw a lot of cards this week."

Fortunately, Student Advantage recognized early in its history that keeping all the data it did collect in one place was critical, regardless of the data's source. Whether the data came from student memberships, sponsor reports, corporate partners, or its fulfillment vendor, the Student Advantage ID number was the control for everything. Pulling the data together was never the issue; using it effectively was something Student Advantage had to learn. However, by never creating islands of data, Student Advantage successfully avoided a major stumbling block to data integration.

Still, in 1994, its internal IT capabilities were extremely limited. Erik Geisler, the Director of Product Operations, was the only IT-skilled employee, and he was not trained for the emerging Internet world. The first real database project happened almost by accident. When American Express made the Student Advantage Card available to its college card holding members, it sent Student Advantage a tape containing member information, and Student Advantage sensed the opportunity to create a database of its student member information.

By 1994, when AT&T came on board, Student Advantage, with a very limited internal IT support staff, was able to access its customer data, and even provide valuable data back to AT&T. AERO (the fulfillment vendor) created an interface to a FoxPro database with some baseline query capabilities, and Student Advantage could, for the first time, respond to customer inquiries and verify current address information for those students who failed to receive a requested discount card.

When Amtrak and Student Advantage formed their business alliance, customer information became more critical, and Student Advantage was ready for the challenge. Amtrak asked Student Advantage to provide student customer information it could not generate itself. When college students bought train tickets using their Student Advantage Card, they did not supply their names and addresses, but Student Advantage had that data and could provide it to Amtrak. Because Student Advantage was not a threat to either Amtrak or AT&T's business, but rather a resource, both companies were willing to help Student Advantage learn what it needed to know about their databases.

Student Advantage's first online initiative was begun in 1996. Initially, the development and maintenance of the Web site was outsourced. The site only provided information about the Student Advantage discount program. The material presented was nothing more than "brochureware."

Student Advantage took an unusual next step to expand its Web site. The company went to Boston University and created the Student Studio—a program whereby BU sent students to Student Advantage to develop, manage, and run a portion of its Web site. It paid the students—who signed on for a single semester—through work-study programs, and in return, Student Advantage had a Web site for use by college students that was designed by college students. The program, which ran until summer 1999, was an outstanding success for both partners. Boston University could offer its students a real-world work experience, and Student Advantage received excellent support and a fertile proving ground for new hires. During the time of the Student Studio agreement, Student Advantage's Web site was voted one of the top five college Web sites in the world.

As the Web site was evolving, Student Advantage added the magnetic strip to its cards. Now, for the first time, it was able to collect reliable and accurate information about the card's usage at retail outlets. Although not all stores had the technology to read the cards, data began to flow in. As Student Advantage evolved, acquired more businesses, and formed more strategic alliances, its information processing needs grew.

In late 1998, Student Advantage started bringing in IT personnel. It hired a Vice President of Technology and seasoned Web developers. Once it filed to go public in 1999, it became a "dot.com" and needed to develop a sustainable IT infrastructure. Its Student Studio program was no longer adequate—especially during exam time when many of its student employees were unavailable. Working with firms such as US Web and Handshake Dynamics, it began to strengthen its online position and bring the database in-house and under tighter control.

Decisions that Student Advantage made during this transition from offline to online were critical to its successful migration. From the start, its online and offline customer database was integrated, and when it sent a mailer asking a college student to visit its Web site, it made sure that the student, once there, would not have to input any data that Student Advantage already had. Student Advantage already knew its students, and it was critical that the Web-savvy students realized this.

Although consultants are still used, Student Advantage has built a highly competent technology team. It currently is doing most of its projects in-house, sometimes using the technical expertise obtained through an acquisition.

Figure 2 shows how data flows in Student Advantage's current technical environment. Everything begins with a Student Advantage member taking an action. The student may go to an offline merchant, like a coffee shop, to make a purchase. If the merchant has a POS device, the student's magnetic card is swiped and the data related to the transaction is sent to Student Advantage's data warehouse. Some local merchants (as opposed to national chains) do not have the technology in place to read the student membership cards; consequently, data resulting from these transactions is lost.

A student may also go to studentadvantage.com and the details of this visit are recorded and sent to the data warehouse. While at Student Advantage's

Web site, a student may link to a business partner's Web site, with the possible intention of making a purchase or obtaining information. The student may also go directly to a business partner's Web site, without first going to Student Advantage's. After authenticating that the student is a Student Advantage Member through a member I.D. number, the student is able to purchase at a discount. Data from students' visits to the business partners' Web sites is also sent to the data warehouse.

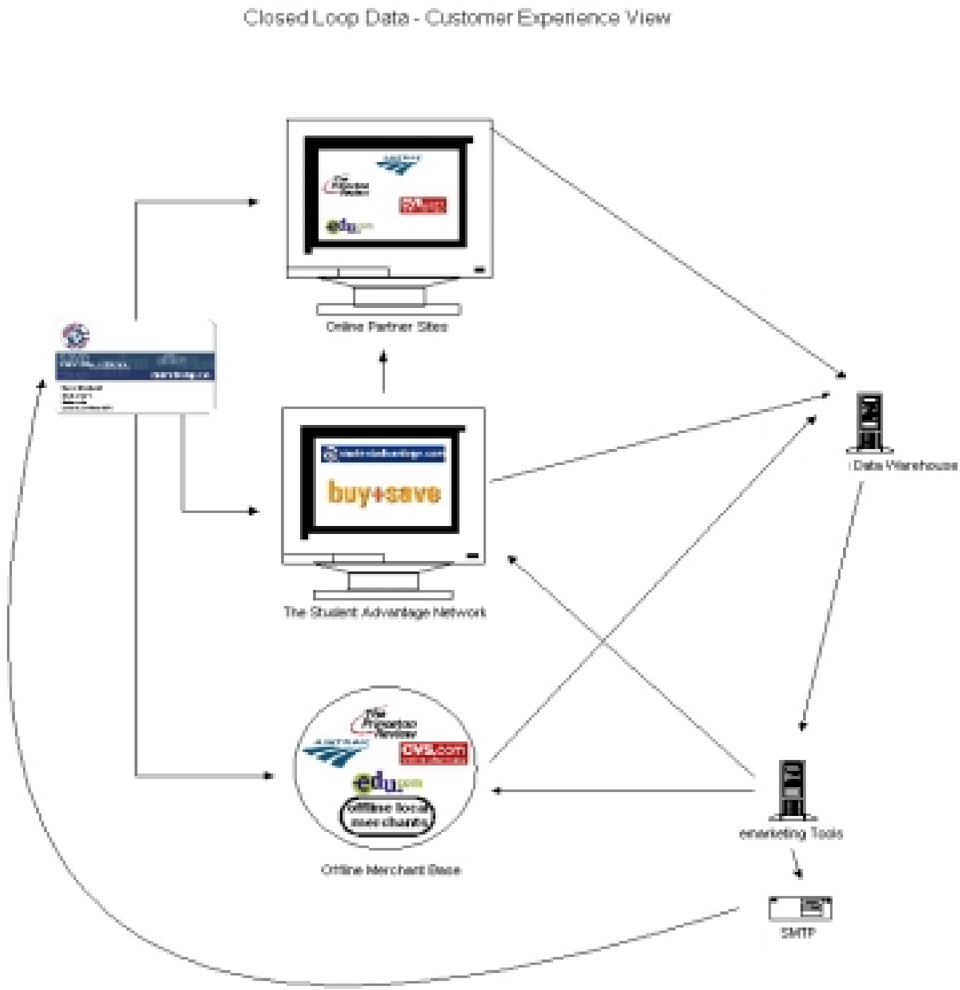
The data in the warehouse can then be analyzed using e-marketing tools. For example, the tools may be used to plan and execute a marketing campaign. If this is the case, the list of students to be included in the campaign, the campaign message, and the collateral materials are student to Student Advantage's SMTP server, where they are then sent to the targeted students.

Third-party software provides Student Advantage with its e-marketing capabilities. The software resides on Student Advantage's hardware. Figure 3 shows how this software supports closed-loop marketing. The starting point is the entering of data to the data warehouse from Student Advantage's internal systems. These sources include the student membership database, internal fulfillment databases, customer service applications, and general leads. Another source is from external systems. These tend to be ad hoc and might include a business partner that wants Student Advantage to market to its customers and make its data available. Student Advantage's internal systems usually have the same student keys (i.e., Student Advantage Member Number), but this is not the case with external systems. The software utilizes a cross-reference table in assigning a unique, universal key to each student and for use within the e-marketing software. The cross-reference table also makes it possible to go back to the source data using the universal key.

The e-marketing software then loads the data into its database. This is the basic extraction, transformation, and loading process associated with data warehousing. Once done, a process is used to import the data into the e-marketing campaign application. It is here that the market segment(s) are identified for the marketing campaigns. An outbound email server then sends the marketing message to the leads (i.e., students) that have been selected. The landing pad is used to buffer the responses to the campaign. When a student responds to the message, the landing pad gets the instructions for what to do. For example, the instructions might be to present a particular Web page, ask a set of questions, follow a particular workflow, and track everything that transpires. It has a "lights out" functionality that allows it to process responses around the clock.

The responses to the campaign are automatically entered into the e-

Figure 2: The data flows in Student Advantage's technical environment



marketing software. Also returned to the e-marketing system is data collected when students go to Student Advantage's or a partner's Web site in response to the campaign. When the campaign is for a business partner, information about the campaign outcomes is passed on to the partner. For example, the outcomes might be that these (listed) customers purchased these (particular) items on the partner's Web site.

Student Advantage uses Brio software to analyze the e-marketing data. A user can either view predefined reports, drilldown into existing reports, or generate new reports by writing queries to the database. The ability to create and track campaigns from beginning to end provides a closed-loop marketing capability.

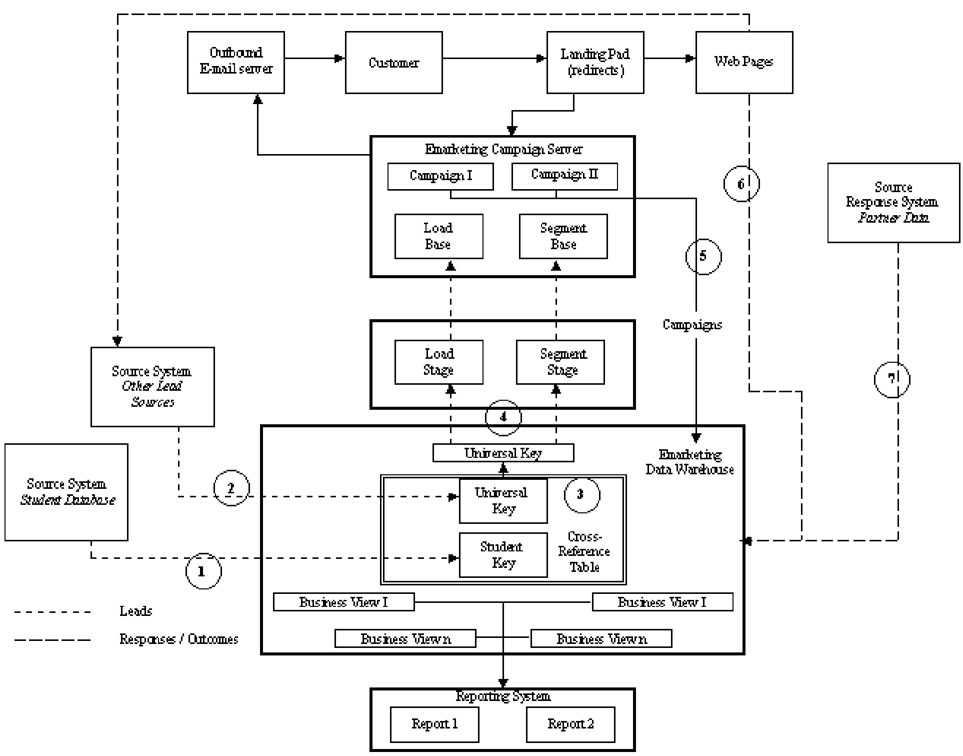
APPLICATIONS

Student Advantage has used its college student data in a variety of ways over the years.

Early Applications

One of the earliest target marketing campaigns was done for Amtrak. To help Amtrak build ridership on its weakest routes, Student Advantage identified all its members who attended a university within 30 miles of an Amtrak station. They then drilled down within this group of students to locate those students whose home addresses were also within 30 miles of an Amtrak station. To this select group, Amtrak offered deep discounts (up to 50 percent) and companion tickets in a major "Home for the Holidays" campaign. The campaign was highly successful for Amtrak and Student Advantage, not only because it had the desired effect of increasing Amtrak's ridership, but also because it validated how useful Student Advantage's student database could

Figure 3: Using Student Advantage's e-marketing system to provide closed loop marketing



be. It began to take information technology very seriously, and started analyzing the data from all its partners.

Another successful campaign was one of the first email campaigns. Emails advertising a Web site to purchase textbooks were sent to 60,000 students. Many responded by going to the site and buying a book. The site had so much traffic it had to shut down and a new server had to be installed. Those students buying books were also asked to participate in a survey and responses indicated a high level of trust in Student Advantage.

Recent Applications

The e-marketing system software is used for many recent applications. It is employed for ad hoc and predefined analyses of Student Advantage's data. Of primary importance are historical relationships: How did each student come to be a member of Student Advantage? Was the membership card purchased, or was it given to the student by a university? Is the card a renewal or a first-time membership? Is there a mailing address on file, or just an email address? In addition to the demographic profile, there is also a behavioral profile for each student. Has the student registered online, and shopped at one of the retailers? What has the student done lately? While the demographic profile is much more developed than the behavioral one, plans are underway to enhance this area.

Other applications analyze Web traffic and Web site performance. Most of this information is used for internal purposes, but a high level report is prepared quarterly and given to the financial community. The information is also used to report back the results of campaigns sponsored by Student Advantage's business partners.

Campaign planning and management are other applications that utilize the e-marketing system. A campaign might be designed to attract new members, generate business, and/or create traffic to a Web site. For example, an email campaign designed for Textbooks.com should result in increased Web traffic and textbook sales. Once a campaign is designed, the budget and market segmentations are determined, and the campaign collateral (e.g., the messages, surveys) is developed. The campaign is then tracked, with the results fed back, to provide closed-loop marketing.

The first test campaigns using the e-marketing system were developed in February 2000. One campaign had Student Advantage's on-campus student representatives offering incentives to other students to visit studentadvantage.com. Here's how they did it. Using an on-campus "Wheel of Fortune" game, students either entered their email address, swiped their Student Advantage card, or signed up for a card, and then spun a "virtual" wheel to determine a prize. Within 36 hours of spinning the wheel, the students received an email message telling them what prize they had won and instructing them to visit the Student Advantage Web site to claim their prize. There was a 60 percent response rate to the email messages, and of that group, 14 percent went beyond the prize-claiming page to become registered members. While one goal of the promotion was to have current Student Advantage Members visit the Web site, 2,600 new students became Student Advantage Members, at an acquisition cost far less than previous campaigns.

ASSESSING STUDENT ADVANTAGE'S BUSINESS MODEL

Over the last decade, Student Advantage has evolved its business model from being an offline provider of a student discount card to being the leading online provider of content, products, and services for the higher education community and the businesses trying to reach the college market. This transformation has been achieved by a management team that has been willing to change organizational direction quickly, establish synergistic business relationships with business partners and universities, acquire other companies that complement the business strategy, and use information technology as the key enabler.

Like most dot.coms, creating market share is critical to long-term success. It is by this measure that Student Advantage has been especially successful. It has over 1.8 million college students as members – more than any other company that targets the college market. It also has established exclusive relationships with more than 15,000 business partners looking to attract college students. Student Advantage has also established an information technology infrastructure that allows it to develop and execute targeted marketing campaigns for itself and its business partners. Because of the data that Student Advantage has on college students and the ability to analyze that data, the company is well positioned to be the primary source of information on the most attractive demographic group in the country – college students.

An interesting problem that Student Advantage faces each year is the graduation of 20 percent of its members. There are ongoing discussions within Student Advantage about whether to try to retain these members by offering products and services designed specifically for them. An important complicating factor is that many of Student Advantage's business partners offer great deals to Student Advantage's members only because they are college students. Once they enter the workforce, it is hoped that they become lifetime "full value" customers. So, in addition to the question of whether Student Advantage should expand its focus to include college graduates, there is the issue of whether and how its business partners would be part of such an initiative.

FUTURE DIRECTIONS

Student Advantage plans to capture and use more student data in the future. These plans include:

- analyzing clickstream data more thoroughly and storing the findings with the member profiles. This will increase the ability to personalize interactions and messages with members;
- incorporating behavioral data from all of Student Advantage's business units. This will provide a more comprehensive view of members;
- installing tracking devices at a number of local and national business partners in order to better understand student behavior; and
- developing an application that will eliminate the need for business partners to send back information about member activity at their Web site. Instead, Student Advantage will track its members' activities on the Web site.

Student Advantage is also striving to become more involved in the transactions between students and merchants, and as a result, is increasing its revenue stream. This initiative is associated with Student Advantage placing devices for swiping student cards in merchants' stores (both national and "mom and pop") and the growth of stored value debit cards like the Student Advantage Cash card. These cards typically allow students to make purchases both on (e.g., school cafeteria) and off (e.g., coffee shop) campus. When cards are run through the devices at Student Advantage's participating merchants, Student Advantage is able to understand student spending patterns and can sell the insights gleaned to business partners. Student Advantage is also in a position to receive a share of each transaction, much like credit card companies do.

LESSONS LEARNED

Important lessons have been learned at Student Advantage, including:

- Integrate data from different systems whenever possible. Student Advantage began to implement a formal data strategy at the same time that it developed its Internet strategy. This enabled Student

Advantage to create a data strategy that took all data sources into account from the beginning, including offline partner data, online data, e-marketing data, and customer service data. This approach eliminated inconsistencies in data across channels, thus better supporting data mining and creating the basis for providing a better customer experience.

- Partner data is valuable and sensitive. Much of Student Advantage's business model relies on obtaining student customer data from Student Advantage's network of business partners. Student Advantage had to present a strong business case for why its business partners should share its data. Student Advantage also has had to earn and maintain the trust of its student customers. Student Advantage spends a considerable amount of time researching and modifying its privacy policies. In addition, they are extremely careful in how it shares and uses student data.
- Give marketers access to the data. Initially, only employees with strong technical skills had access to Student Advantage's data. It was soon recognized, however, that most of the people who knew "what to do" with the data were non-technical. Student Advantage implemented simple data access tools that "put the power" back in the hands of the marketers.
- Do not over-collect data. Student Advantage has learned the hard way that just because data is available, it does not mean that it should be tracked. At first, Student Advantage was tracking every aspect of what its customers did. After running into performance and storage problems, Student Advantage focused on capturing only the "necessary" parts of these transactions. Prior to capturing any data, Student Advantage asks the question, "What will this data be used for?" in an effort to reduce extraneous data capture.
- Maintain a unique identifier across all channels. Student Advantage was able to eliminate any discrepancies or match problems by maintaining the Student Advantage Member Number across all membership-related channels. As the business grows, email addresses will be used as another identifier.

CONCLUSION

Ray Sozzi's original business model was to provide discount cards to college students who showed their Student Advantage Membership Card to participating merchants. This model changed as the Internet emerged and new business opportunities became apparent. The current business model focuses on college students and works closely with colleges and business partners, capitalizing on the information that Student Advantage has about the college market. A key part of Student Advantage's competitive position is the long-term relationships it had built with universities and business partners.

Like all dot.com companies, information technology is a vital, integral component of Student Advantage's business. Without it, there is no business. It is interesting to observe, however, that until recently, Student Advantage had little internal IT expertise and contracted out the required work. It even relied on Boston University students to maintain its Web site. What Student Advantage did have, however, was a strong management vision of how technology could be used. In the marketplace, it was able to acquire the technology and skills needed to implement the vision. For the long haul, Student Advantage recognized the need for in-house IT expertise to integrate, run, and manage an increasingly technologically complex environment and to provide leadership for future initiatives.

Student Advantage still has obstacles to overcome. It must continue to grow, evolve, and become profitable (targeted for Q4, 2001). It must continue to develop an internal IT staff and infrastructure that will allow the company to capitalize on its college student data.

Still, Student Advantage has done several things exceptionally well. It has successfully transformed from an offline to a predominately online business. Through internal development and acquisitions, it has expanded the scope and content of its Web site in order to become the major electronic community for college students. It is poised to take advantage of its large membership base, the relationships it has carefully developed with colleges and business partners, and the unique information that it can generate from its database.

ENDNOTE

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BIOGRAPHICAL SKETCHES

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