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MANAGEMENT PERSPECTIVES

CUSTOMER FOCUSED MARKETING

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It wasn't too long ago that public and not-for-profit executives thought of marketing as an activity that was beneath them, or that compromised their integrity. Over the last twenty years, however, leading management and marketing thinkers have dispelled those notions by developing and implementing strategic marketing practices and principles in other than for profit environments. Today, many leading nonprofit managers view marketing efforts as central to their activities, and their roles of providing quality services to their customers.

Housing Authorities have been notoriously behind the times in this regard. I think there have been some important reasons as to why this is the case, and these reasons are explored further in this article.

First though, it is important to distinguish the difference between marketing and selling. A person or organization that has a set of products or services that they want to push out into any market they can find is selling. The orientation is the product and not the end user. For example, a person who prints and sells t-shirts is involved in "selling" them if he doesn't care how they're sold or who buys them. The seller's goal is to reduce the inventory.

The marketer starts with the customer that he wants to serve. The marketer makes a determination as to what his potential customer wants, and then develops a product or service to meet that need. If the business is t-shirts for example, the marketing oriented person identifies a potential customer (say, the Special Olympics Organization), and determines what products or services they need (a fund raising t-shirt promoting the annual event, for example). The marketer's goal is to satisfy the customer.

Harvard professor Philip Kotler, talks about customer centered organizations in his book Strategic Marketing for Non Profit Organizations. He states that "a customer centered

organization is one that makes every effort to sense, serve, and satisfy the needs and wants of its clients and publics within the constraints of its budget.”

“A customer centered organization always asks:

- To whom are we planning to market?
- Where are they and what are they like?
- What are their current perceptions, needs and wants?
- Will these perceptions, needs and wants be different in the future when our strategy is to be implemented?
- How satisfied are our customers with our offering?

Customer centered organizations build their plans on something that housing authority managers have not generally worked with in the past, and that is customer research. As any experienced marketing professional will point out, what might seem to be an organization’s “problem” based on intuition or common sense could well prove to be untrue once the proper research is conducted. This is why Kotler points out that “the truly customer-centered manager must continually “think research”. The manager should assume that what he or she “believes” is not necessarily what is true. Intuition, casual observation, or “just common sense” does not constitute the ideal bedrock on which to build solid marketing strategies and sound tactical decisions.”

Advantages aside however, many thoughtful readers of this article are probably thinking that this is all well and good, but not realistic in our line of work. Consider the following:

1. PHAs lack resources. It is difficult to attract, pay for, train and motivate employees that understand and can work with the concepts of customer centered marketing. This is particularly the case since over the years, PHAs have been in the business of carrying out the intentions of Congress, not the needs of the local community. Changing attitudes is difficult.
2. Until only recently, PHAs were not allowed to choose the segments to whom they would market. Federal preferences dictated, for the most part, who would receive housing assistance nation-wide.
3. Congress funnels significant funds tied to specific target audiences, i.e., ROSS grant requirements that 51%+ of a development must be occupied by residents affected by TANF. Unless an Authority can massage the data to meet the program requirements, they lose out on opportunities for funding. These program initiatives work directly against consumer oriented marketing.
4. Career safety is a concern for many. As Kotler suggests, “too much change, too much variation, too much experimentation may seem to imply that one really isn’t too sure about what to do.” It easier to stay with the “tried and true” even if it doesn’t produce the intended results.

5. PHA executives that work in unionized environments believe that they lack the power to require employees to provide customer oriented service.
6. Housing authorities are subject to public scrutiny, and money spent on marketing could be considered a waste of taxpayer dollars.
7. And, there's the extensive work involved in creating a marketing centered organization. Not only do housing authorities have to plan programs for the final consumer – the resident and participant – they must also plan strategies and focus considerable staff resources on ensuring continuing support from HUD.

So what's the advantage of customer based marketing? It is this: it is truly possible to provide programs and services that solve our residents and program participants problems. What follows is an adaptation of a speech made by Maxene Johnson that was presented to the Foundation for American Communications on December 8, 1989. The complete text can be found in Kotler's Strategic Marketing for Nonprofit Organizations.

Here are Ms. Johnson's words:

"The Weingart Center is a facility that has been serving the homeless and poor in Los Angeles since 1984. In that year, the business community responded to the homelessness issue by creating the Weingart Center Association (WCA). The Association was formed to manage the renovated 12-story skid row hotel, now known as the Weingart Center. In 1984, millions of dollars had been spent to rehabilitate and renovate this down-at-the-heels skid row hotel for the purpose of converting it into an alcohol rehabilitation and low-income housing facility. But by the time it opened its doors, the Center was deep in financial trouble, even threatened with imminent foreclosure for outstanding and mounting debt.

WCA – the Association – was actually formed to confront, and hopefully, surmount this looming crisis. We began – and I cannot stress this point too greatly – by developing a business plan. We set out to learn what people – both customers and investors – desired, and we gave it to them. It should not have been a surprise, though it continues to be just that for many, to learn that the majority of people using our center – our customers – want exits off the streets, a way out of the special despair that accompanies homelessness. For some it meant getting jobs, for some it meant finding an apartment, for some it meant getting needed medication, and for some it merely meant getting their government benefits.

Unfortunately, we all have myths about the homeless. We have pictures in our minds' eye about aging, disheveled ladies huddled in doorways against the cold of night, or perched on a bench somewhere for an afternoon's warmth, with a grocery cart Hefty-bagged personal belongings near at hand. Is that the center's customer, we asked? And I think many of us believed that that, together with the hapless denizens of skid row in general, was the correct answer.

But in fact it wasn't. And it isn't. In fact, that homeless majority is mythical.

The homeless form a diverse market. Families increasingly are joining individuals in this market. And then too, there is the grand myth that the homeless are something like a rag-tag army of sun seekers on holiday who, as winter approaches, head for Southern California or other Sunbelt locales. The fact is, most homeless are our neighbors; they truly are *our* homeless.

So in implementing our strategy to be customer driven and entrepreneurial in approach, our first step was to face the fact that the homeless customers we were to serve were different one from another. Thus we segmented our market accordingly.

- Derailed – the “have-nots”
- Disabled – the “can nots” [Ms. Johnson’s definition -- not mine]
- Dysfunctional – the “will nots”

As a second step in implementing the game plan, we made satisfying investor orientation a priority.

- Public investors wanted beds and buildings
- Private investors wanted organizations and options
- Brokers [service deliverers] wanted better public policy and equity for the poor

For our third step, we planned and built a multiservice organization with a shared vision. And finally, we provided customer-driven services:

- One-stop shopping
- Service brokers for nine independent service agencies operating under our roof

Service Results

The Center today serves more than 2,000 people each day. It is organized to deliver quality services with a one-stop shopping approach. Nine public and private service agencies, ranging from the county departments of mental health and health services, American Red Cross, and the State Departments of Housing and Corrections, to the Federal Veterans Administration operate under one roof. The business community serves as the entrepreneur and broker among these entities, ensuring that the center, which operates from a mixture of public and private revenues, is responsible to those it was established to serve.

Self-sufficiency, not temporary shelter, is our goal. One of the center’s programs, aimed at returning people who have never before been homeless back to the community with jobs, housing and self-respect, has a 62% success rate. In 46 months, out of approximately 8,000 clients, almost 5,000 have succeeded in meeting their goals.”

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