

# Unit 38: Customer Value Management

<b>Unit code</b>	<b>L/508/0597</b>
<b>Unit level</b>	<b>5</b>
<b>Credit value</b>	<b>15</b>

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## Introduction

This unit is designed to enhance students' knowledge and understanding of why it is important for marketers to enhance and manage the value of the customer interactions. Students will learn the underpinning theories and frameworks, and will also be expected to relate these to real-world examples, including their own personal experiences.

Organisations ideally seek a mutually beneficial relationship between themselves and their customers. This is particularly important when considering the costs associated with acquiring a new customer. It has been suggested that it can cost five times as much to gain a new customer as it is to retain an existing one. Moreover, there is no guarantee that a new customer will be as loyal as a current one. Any organisation, whether for profit, NGO or a charity, seeks ways of retaining customers through enhanced customer experiences.

In order to retain loyal (and profitable) customers, organisations seek to understand them better. By understanding customers through the capture of relevant data, organisations can enhance a customer's lifetime value. They then aim to build a relationship with the customers where they remain loyal and continue to purchase a range of products/services.

The knowledge, understanding and skill sets that students will gain on successfully completing this unit will enhance their career opportunities; whether setting up in business independently or being employed by an organisation.

## **Learning Outcomes**

By the end of this unit a student will be able to:

- 1 Demonstrate an understanding of the concept of customer lifetime value, how to calculate it and the different factors that influence it.
- 2 Evaluate the different segments in a customer base and the appropriate opportunities for customer value creation.
- 3 Analyse appropriate techniques and methods in order to increase customer lifetime value.

## Essential Content

### LO1 **Demonstrate an understanding of the concept of customer lifetime value, how to calculate it and the different factors that influence it**

*Traditional concepts of marketing compared with those of value and retention:*

Customer value, satisfaction and retention.

Customer Lifetime Values (CLVs).

Merits of CLVs.

Value of customer data.

Measurement and analysis of CLVs.

*How to calculate and increase your customer lifetime value:*

Determining your customer acquisition costs, repeat transactions and customer retention rate.

Calculations applied to calculate customer lifetime value.

Creating balance in the business model

*Factors influencing CLVs:*

CLVs within both B2C and B2B contexts.

Customer experience and how it can affect CLVs.

### LO2 **Evaluate the different segments in a customer base and the appropriate opportunities for customer value creation**

*Marketing segmentation:*

The role of segmentation, targeting and positioning (STP) to identify lifetime value opportunities.

*Identification and diagnosis of value creation opportunities:*

Customer perceptions: section, nature of stimulus, expectations, motives and selective perception.

Consumer imagery: product and service positioning, price/quality relationships, company's image.

How consumers store, retain and retrieve information.

Involvement theory and consumer relevance.

Measures of consumer learning: recognition and recall, responses to media, brand loyalty.

Perceived risk: How customers handle risk.

Acquisition costs in relation to CLVs.

Basic B2C and B2B decision-making models.

**LO3 Analyse appropriate techniques and methods in order to increase customer lifetime value (e.g. cross-selling, loyalty and upselling)**

*Strategies for enhancing customer lifetimes values within both B2C and B2B contexts:*

Strategies for building long-term customer relationships

Digital strategies, including increased connectivity with customers through mobile device, apps, social media and online chats/forums.

Use of advanced technology such as 'Internet of Things' and Cognitive systems to gather real-time data and predict and forecast market trends.

Creating brand loyalty.

Cross-selling and upselling.

Choosing the right rewards and incentives.

Developing multiple points and channels of contact.

## Learning Outcomes and Assessment Criteria

Pass	Merit	Distinction
<b>LO1</b> Demonstrate an understanding of the concept of customer lifetime value, how to calculate it and the different factors that influence it		<b>LO1, LO2 and LO3</b>  <b>D1</b> Provide evidence of critical evaluation and synthesis of the key concepts of customer lifetime value management in an organisational context.
<b>P1</b> Explain and analyse the various components that enable an organisation to determine and calculate a customer's lifetime value.  <b>P2</b> Explain and justify the benefits of customer lifetime value to an organisation.  <b>P3</b> Evaluate the factors that influence the customer lifetime value.	<b>M1</b> Apply the concept of customer lifetime value and the use of collating customer data within a specific organisational B2C or B2B context.	
<b>LO2</b> Evaluate the different segments in a customer base and the appropriate opportunities for customer value creation		
<b>P4</b> Determine and explain the types of market segmentation strategies that can be applied to a customer base.  <b>P5</b> Evaluate B2C and B2B decision-making models and demonstrate how opportunities for customer value creation can be applied.	<b>M2</b> Critically evaluate various segmentation models in a B2C or B2B context to generate key insights and marketing intelligence for customer value creation.	
<b>LO3</b> Analyse appropriate techniques and methods in order to increase customer lifetime value		
<b>P6</b> Analyse the different techniques and methods organisations can apply to increase customer relationships and customer loyalty.	<b>M3</b> Evaluate the appropriateness of techniques and methods applied at different stages of the consumer decision-making process and CLV.	

## Recommended Resources

### Textbooks

BRASSINGTON, F. and PETTITT, S. (2012) *Essentials of Marketing*. 3rd Ed. Harlow: Pearson.

BUTTLE, F. and MAKLANS, S. (2015) *Customer Relationships Management: Concepts and Technologies*. 3rd Ed. Oxford: Routledge.

KUMAR, V. (2008) *Customer Lifetime Value: The Path to Profitability*. Hanover (MA): Now Publishers Inc.

SZMIGIN, I. and PLACENTINI, M. (2014) *Consumer Behaviour*. Oxford: Oxford University Press.

### Links

This unit links to the following related units:

*Unit 2: Marketing Essentials*

*Unit 23: Integrated Marketing Communications*

*Unit 24: Digital Marketing*

*Unit 29: Managing and Running a Small Business*

*Unit 37: Consumer Behaviour and Insight*