Unit 48: Customer Value Management

Unit code	**F/618/5129**
Unit level	**5**
Credit value	**15**

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 customer interactions. Students will learn underpinning theories and frameworks, and will be expected to relate them to real-world examples, including their own 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.

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 customer where they remain loyal and continue to purchase a range of products and services.

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

Learning Outcomes

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

LO1 Examine the concept of customer lifetime value, how to calculate it and the different factors that influence it

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

LO3 Apply appropriate techniques and methods in order to increase customer lifetime value.

Essential Content

LO1 Examine 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:

The benefits of managing customer value, satisfaction and retention.

Customer lifetime values (CLVs).

Merits of CLVs.

Value of customer data.

Measurement and analysis of CLVs.

The key factors that drive CLV, e.g. transaction value, number of repeat sales, customer retention.

How to calculate and increase your CLV:

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

Calculations applied to calculate CLV.

Creating balance in the business model.

Factors influencing CLVs:

CLVs in both a B2C and B2B context.

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, e.g. section, nature of stimulus, expectations, motives and selective perception.

Consumer imagery, covering:

- 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, including recognition and recall, responses to media, brand loyalty.

Perceived risk and methods for handling risk.

Acquisition costs in relation to CLVs.

Basic B2C and B2B decision-making models.

LO3 Apply appropriate techniques and methods in order to increase customer lifetime value.

Strategies for enhancing customer lifetimes values in both a B2C and B2B context:

Strategies for building long-term customer relationships and making CLV a strategic priority.

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

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

Creating brand loyalty.

Techniques and methods:

Different types of communication to build brand loyalty and advocacy.

Personalisation of content and leveraging dynamic content on website, app, social media to target specific personal preferences.

Rewarding loyalty by creating exclusive offers and choosing the right rewards and incentives.

Value-driven cross-selling and upselling.

Developing multiple points and channels of contact.

Learning Outcomes and Assessment Criteria

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

Recommended Resources

Textbooks

BUTTLE, F. and MAKLAN, S. (2019) *Customer Relationships Management: Concepts and Technologies.* 4th Ed. Oxford: Routledge.

GOODMAN, J. (2019) *Strategic Customer Service: Managing the Customer Experience to Increase Positive Word of Mouth, Build Loyalty, and Maximize Profits.* 2nd Ed. Maidenhead: Amacom.

KUMAR, V. and REINARTZ, W. (2018) *Customer Lifetime Value: Concept, Strategy and Tools.* 3rd Ed. Springer.

Websites

www.acca-global.com	Customer Care Association Global
	Research and publications (General reference)
www.mckinsey.com	McKinsey & Company
	The expanding role of design in creating an end-to-end customer experience
	(Article)
www.mindtools.com	Mind Tools
	Customer Experience Mapping
	(General reference)

Links

This unit links to the following related units:

Unit 2: Marketing Processes and Planning

Unit 33: Marketing Insights and Analytics

Unit 35: Integrated Marketing Communications

Unit 51: Brand Management