

Unit 50: Customer Value Management

Unit code	L/508/0597
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 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 Business to Consumer (B2C) and Business to Business (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

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

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: Managing the Customer Experience

Unit 20: Tourism Consumer Behaviour and Insight

Unit 45: Sales Management