CREATING CUSTOMER VALUE, SATISFACTION, AND LOYALTY

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CHAPTER QUESTIONS

- What are customer value, satisfaction, and loyalty, and how can companies deliver them?

- What is the lifetime value of customers?

- How can companies cultivate strong customer relationships?

- How can companies both attract and retain customers?

- What is database marketing?

WHAT IS CUSTOMER PERCEIVED VALUE?

Customer perceived value is the difference between the prospective customer's evaluation of all the benefits and all the costs of an offering and the perceived alternatives.

FIGURE 5.2   DETERMINANTS OF CUSTOMER PERCEIVED VALUE

Total customer benefit	Total customer cost
Product benefit	Monetary cost
Services benefit	Time cost
Personal benefit	Energy cost
Image benefit	Psychological cost

STEPS IN A CUSTOMER VALUE ANALYSIS

- Identify major attributes and benefits that customers value

- Assess the qualitative importance of different attributes and benefits

- Assess the company's and competitor's performances on the different customer values against rated importance

- Examine ratings of specific segments

- Monitor customer values over time
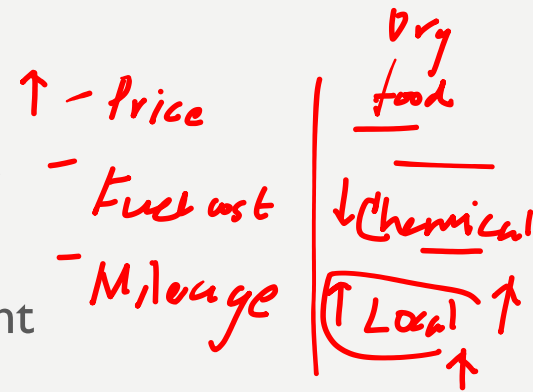
WHAT IS LOYALTY?

Loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior.

TOP BRANDS IN CUSTOMER LOYALTY

- Avis
- Google
- L.L. Bean
- Samsung (mobile phones)
- Yahoo!
- Canon (office copiers)

- Land's End
- Coors
- Hyatt
- Marriott
- Verizon
- KeySpan Energy
- Miller Genuine Draft
- Amazon

MEASURING SATISFACTION

- Periodic surveys
- Customer loss rate →
- Mystery shoppers
- Monitor competitive performance

[Handwritten annotations: "5 — Star / GR / NPS", "1 — 5", "0 — 10", "Recommendation"]

WHAT IS QUALITY?

Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs.

MAXIMIZING CUSTOMER LIFETIME VALUE

- Customer profitability ✓
- Customer equity ✓
- Lifetime value ✓

↓ Churn rate ——— ↓ customers   20 %

↑ Retention ˮ ——— Stay   80 %

Acquisition ——— ↑ Bring new customer
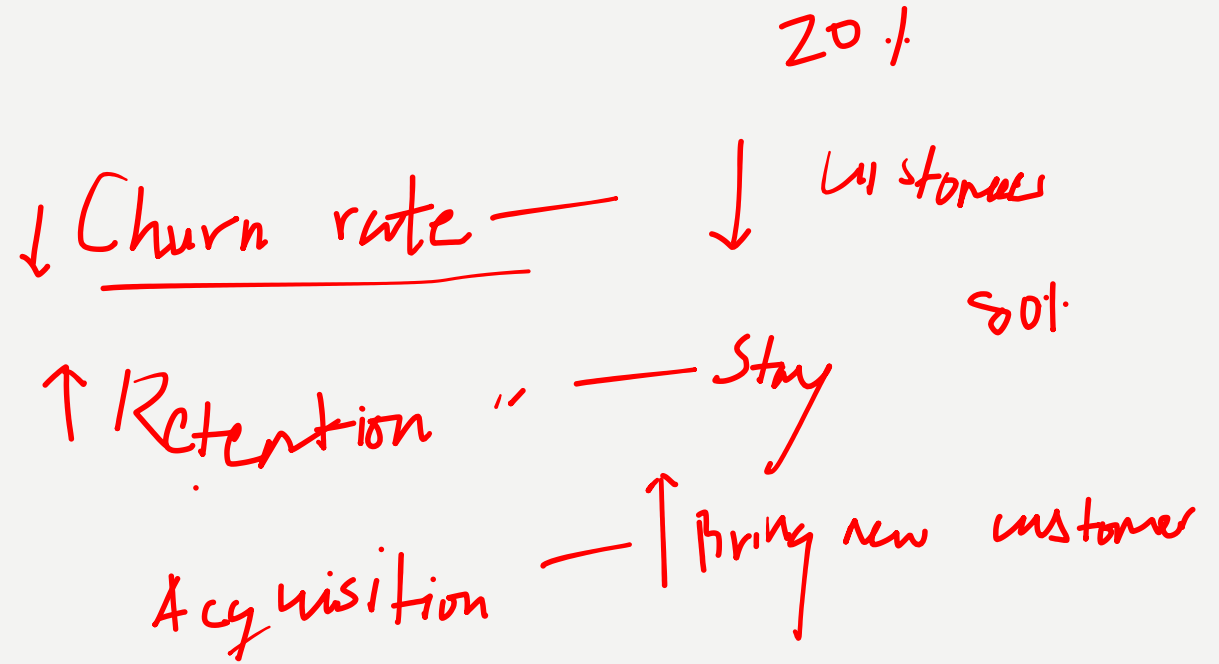
ESTIMATING LIFETIME VALUE

- Annual customer revenue: $500

- Average number of loyal years: 20

- Company profit margin: 10

- Customer lifetime value: $1000

WHAT IS CUSTOMER RELATIONSHIP MANAGEMENT?

CRM is the process of carefully managing detailed information about individual customers and all customer touchpoints to maximize customer loyalty.

FRAMEWORK FOR CRM

- Identify prospects and customers

- Differentiate customers by needs and value to company

- Interact to improve knowledge

- Customize for each customer

CRM STRATEGIES

- Reduce the rate of defection

- Increase longevity

- Enhance share of wallet

- Terminate low-profit customers

- Focus more effort on high-profit customers

CUSTOMER RETENTION

- Acquisition of customers can cost 5 times more than retaining current customers.

- The average customer loses 10% of its customers each year.

- A 5% reduction to the customer defection rate can increase profits by 25% to 85%.

- The customer profit rate increases over the life of a retained customer.

STEPS FOR CREATING CUSTOMER EVANGELISTS

- Customer plus-delta

- Napsterize your knowledge

- Build the buzz

- Create community

- Make bite-size chunks

- Create a cause

DATABASE KEY CONCEPTS

- Customer database

- Database marketing

- Mailing list

- Business database

- Data warehouse

- Data mining

USING THE DATABASE

- To identify prospects

- To target offers

- To deepen loyalty

- To reactivate customers

- To avoid mistakes

DON'T BUILD A DATABASE WHEN

- The product is a once-in-a-lifetime purchase

- Customers do not show loyalty

- The unit sale is very small

- The cost of gathering information is too high

PERILS OF CRM

- Implementing CRM before creating a customer strategy

- Rolling out CRM before changing the organization to match

- Assuming more CRM technology is better

- Stalking, not wooing, customers