MEIM_2021-22

INTRO CUSTOMER-CENTRIC MNGT & VALUE CREATION FOR CUSTOMER

Lesson 1

MARCELLO RISITANO
Professor of Marketing Management
University of Naples «Parthenope»

MEIM_2021-22

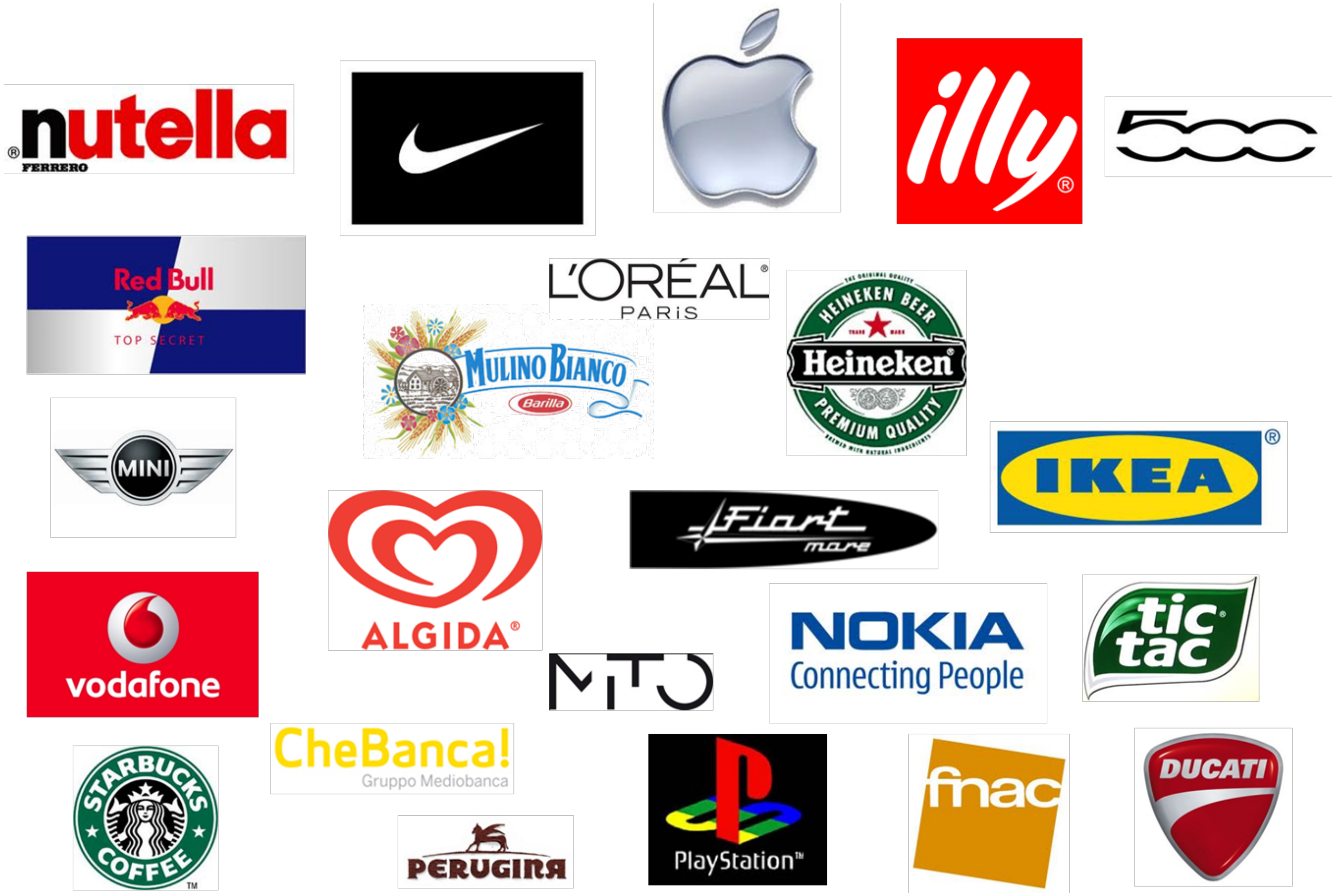
INTRO CUSTOMER-CENTRIC MNGT & VALUE CREATION FOR CUSTOMER

Lesson 1.1 – Customer-centric Management

MARCELLO RISITANO
Professor of Marketing Management
University of Naples «Parthenope»

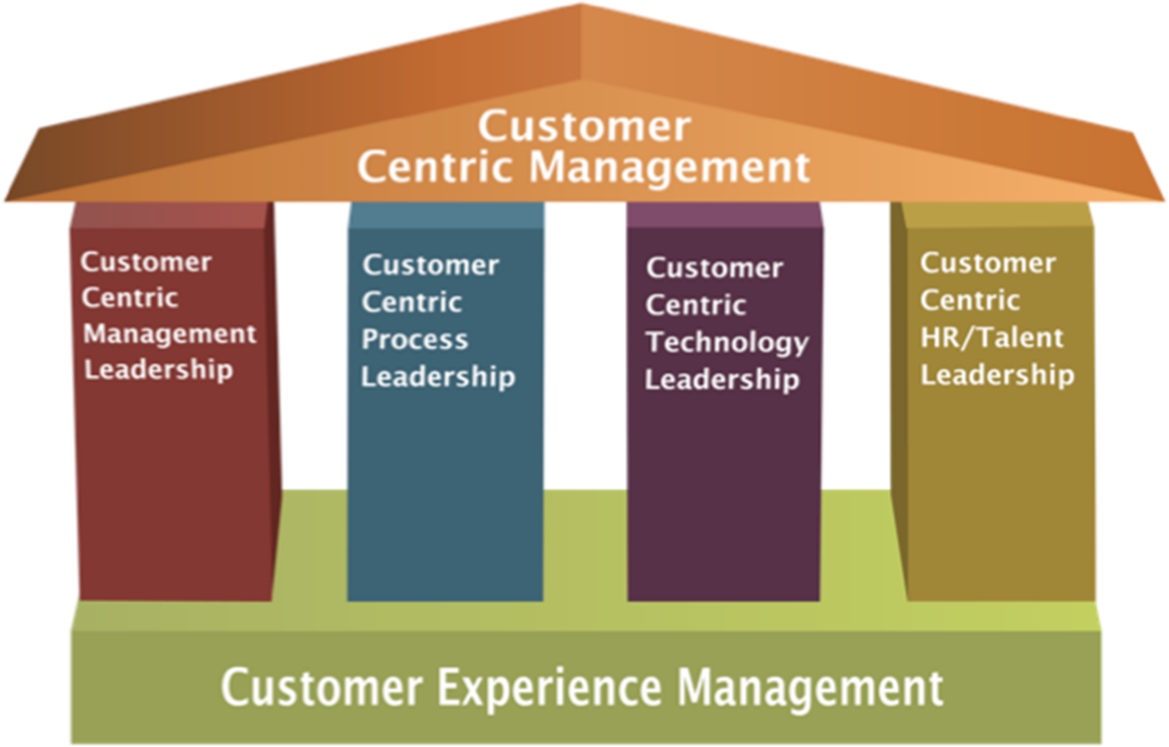
CUSTOMER CENTRIC MANAGEMENT

What? … and … What are these brands?


nutella
FERRERO
illy
500
Red Bull
TOP SECRET
L'ORÉAL PARiS
MULINO BIANCO
Barilla
HEINEKEN BEER
Heineken
PREMIUM QUALITY
MINI
IKEA
Fiart mare
ALGIDA
vodafone
MITO
NOKIA Connecting People
tic tac
CheBanca! Gruppo Mediobanca
STARBUCKS COFFEE
PERUGINA
PlayStation
fnac
DUCATI

CUSTOMER CENTRIC (EXPERIENCE) MANAGEMENT

The customer "centricity" in the marketing processes



Customer Centric Management

Customer Centric Management Leadership

Customer Centric Process Leadership

Customer Centric Technology Leadership

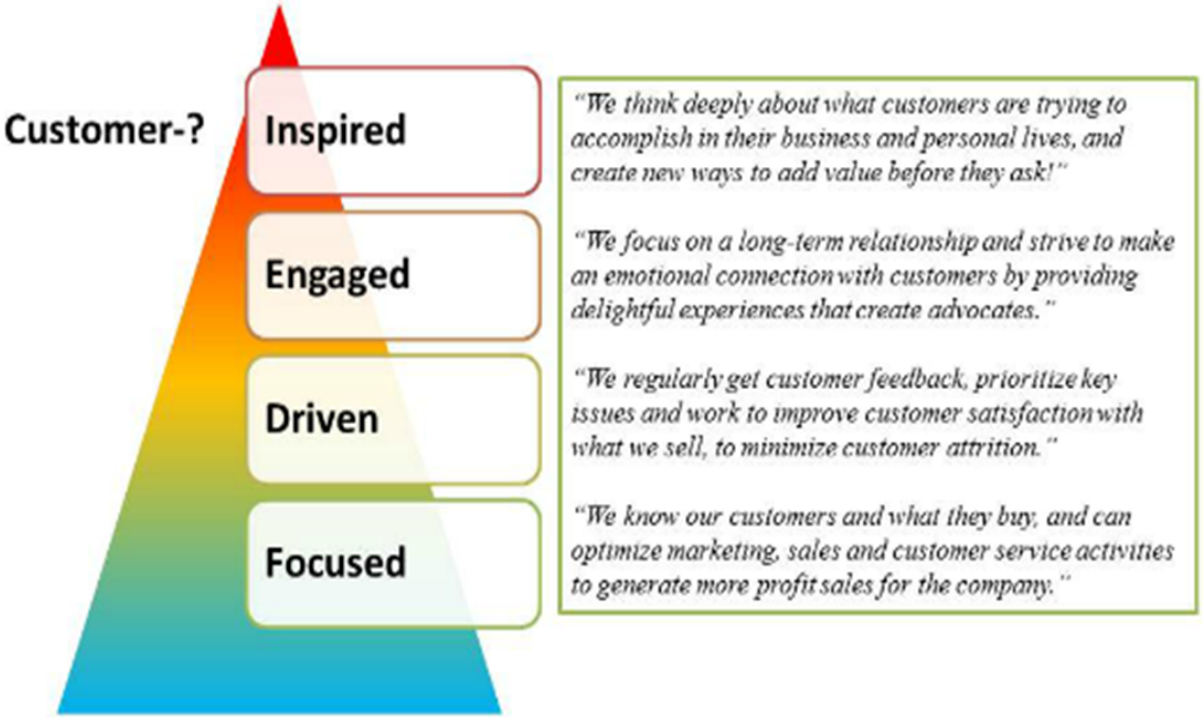
Customer Centric HR/Talent Leadership

Customer Experience Management

CUSTOMER CENTRIC (EXPERIENCE) MANAGEMENT

The customer "centricity" in the marketing processes

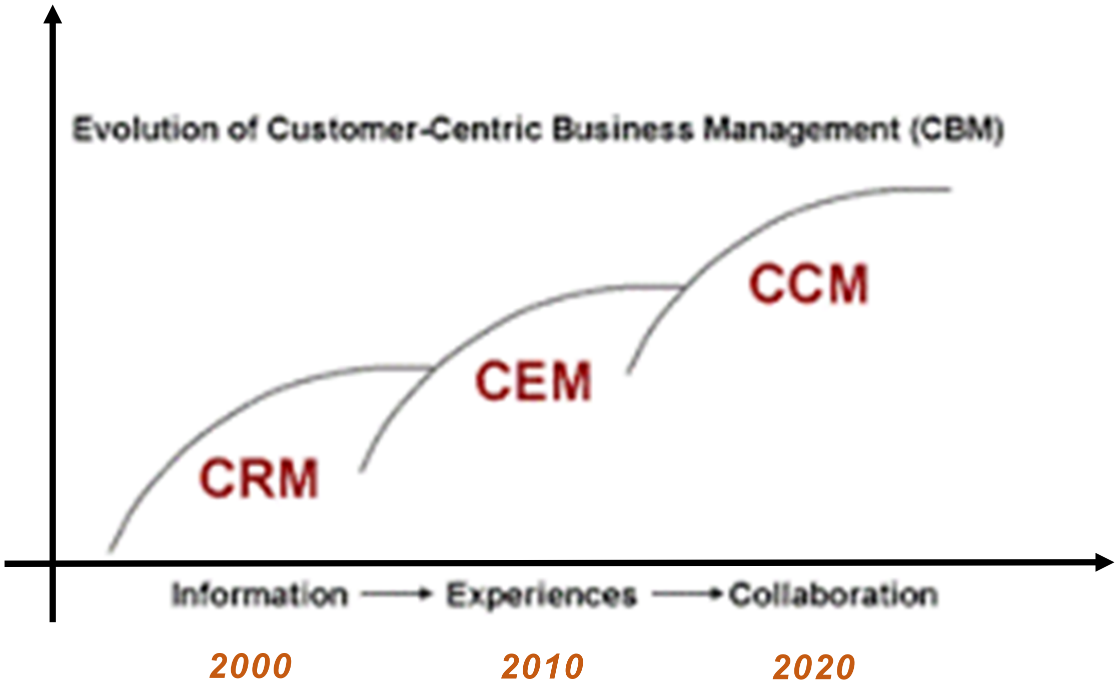
How customer-centric is your business?



Customer-?	
Inspired	*"We think deeply about what customers are trying to accomplish in their business and personal lives, and create new ways to add value before they ask!"*
Engaged	*"We focus on a long-term relationship and strive to make an emotional connection with customers by providing delightful experiences that create advocates."*
Driven	*"We regularly get customer feedback, prioritize key issues and work to improve customer satisfaction with what we sell, to minimize customer attrition."*
Focused	*"We know our customers and what they buy, and can optimize marketing, sales and customer service activities to generate more profit sales for the company."*

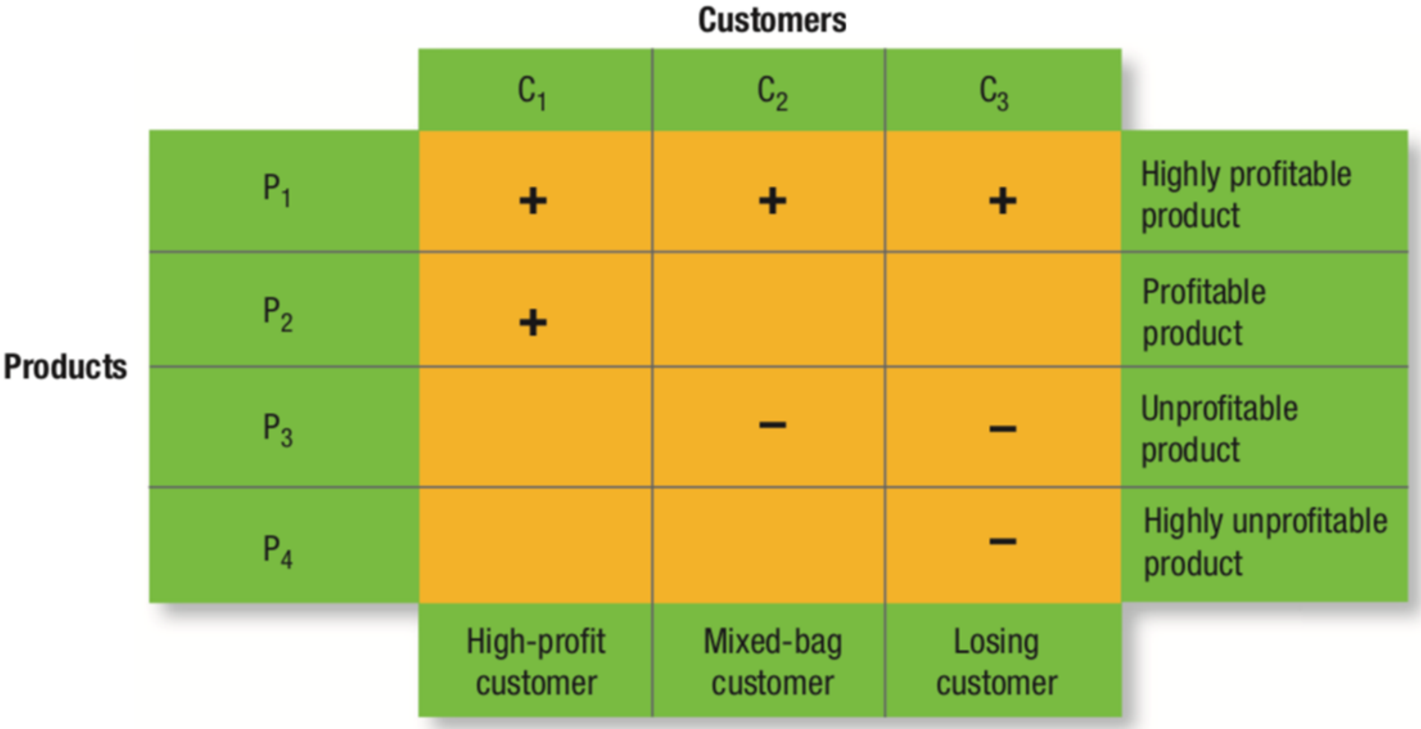
CUSTOMER CENTRIC (EXPERIENCE) MANAGEMENT

The customer "centricity" in the marketing processes


Evolution of Customer-Centric Business Management (CBM)
CRM
CEM
CCM
Information → Experiences → Collaboration
2000
2010
2020

THE CENTRALITY OF THE CUSTOMER RELATIONSHIP

Customer-Product Profitability Analysis

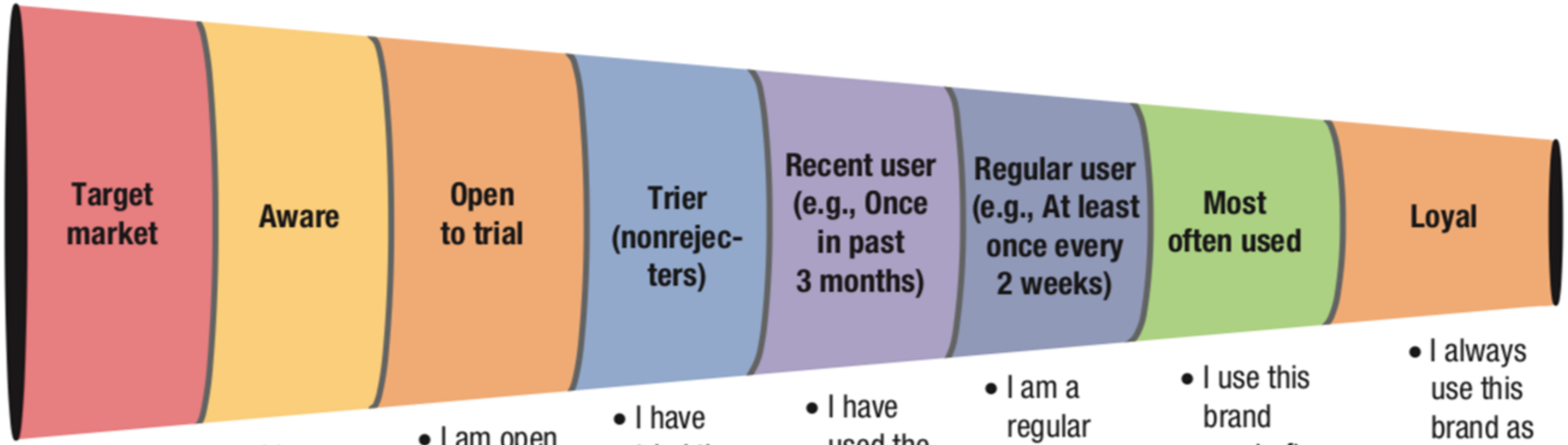


Customers

Products	C_1	C_2	C_3	
P_1	+	+	+	Highly profitable product
P_2	+			Profitable product
P_3		−	−	Unprofitable product
P_4			−	Highly unprofitable product
	High-profit customer	Mixed-bag customer	Losing customer	

THE CENTRALITY OF THE CUSTOMER RELATIONSHIP

From the target to the loyalty



Stage	Description
Target market	
Aware	I have heard of the brand.
Open to trial	I am open to trying the brand but have not done so.
Trier (nonrejecters)	I have tried the brand and would use again but have not done so in the past 3 months.
Recent user (e.g., Once in past 3 months)	I have used the brand in the past 3 months but am not a regular user.
Regular user (e.g., At least once every 2 weeks)	I am a regular user but this is not my most often used brand.
Most often used	I use this brand most often even though I do use other brands.
Loyal	I always use this brand as long as it is available.

MEIM_2021-22

INTRO CUSTOMER-CENTRIC MNGT & VALUE CREATION FOR CUSTOMER

Lesson 1.1.1 – Value Creation for Customer

MARCELLO RISITANO
Professor of Marketing Management
University of Naples «Parthenope»

MARKETING

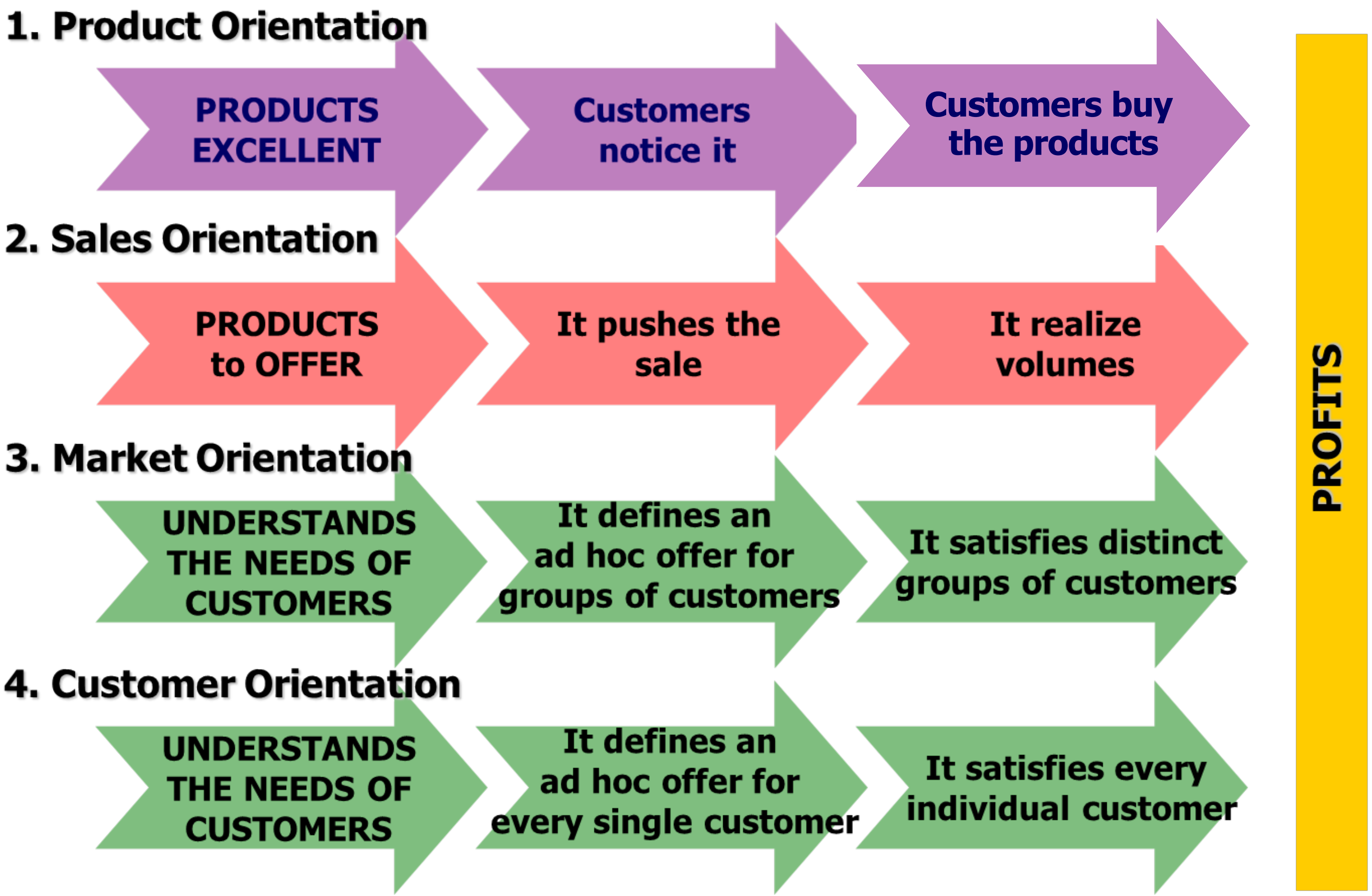
Definition

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*.

**** Definition of American Marketing Association (2017)***

MARKETING

The evolution of company orientations



1. Product Orientation

PRODUCTS EXCELLENT → Customers notice it → Customers buy the products

2. Sales Orientation

PRODUCTS to OFFER → It pushes the sale → It realize volumes

3. Market Orientation

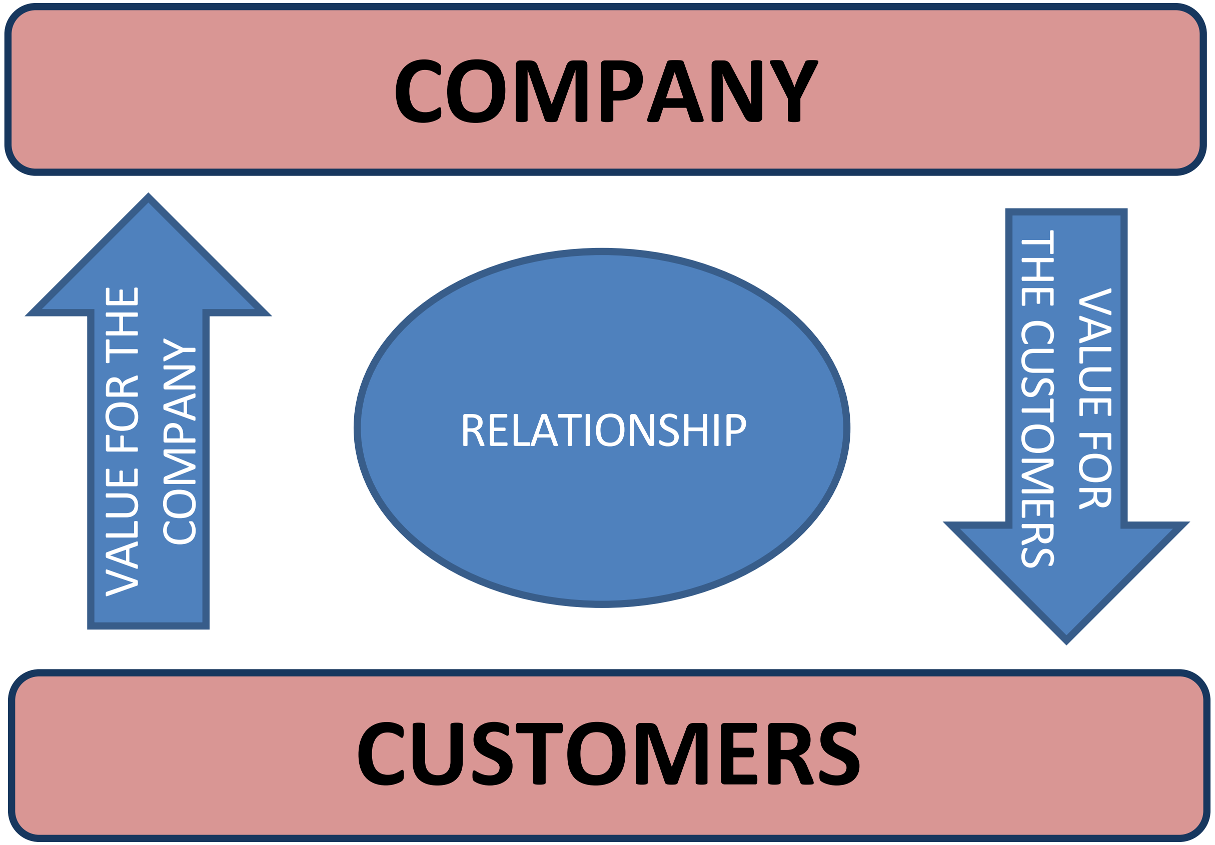
UNDERSTANDS THE NEEDS OF CUSTOMERS → It defines an ad hoc offer for groups of customers → It satisfies distinct groups of customers

4. Customer Orientation

UNDERSTANDS THE NEEDS OF CUSTOMERS → It defines an ad hoc offer for every single customer → It satisfies every individual customer

CUSTOMER VALUE MANAGEMENT

The value exchange processes



COMPANY

VALUE FOR THE COMPANY

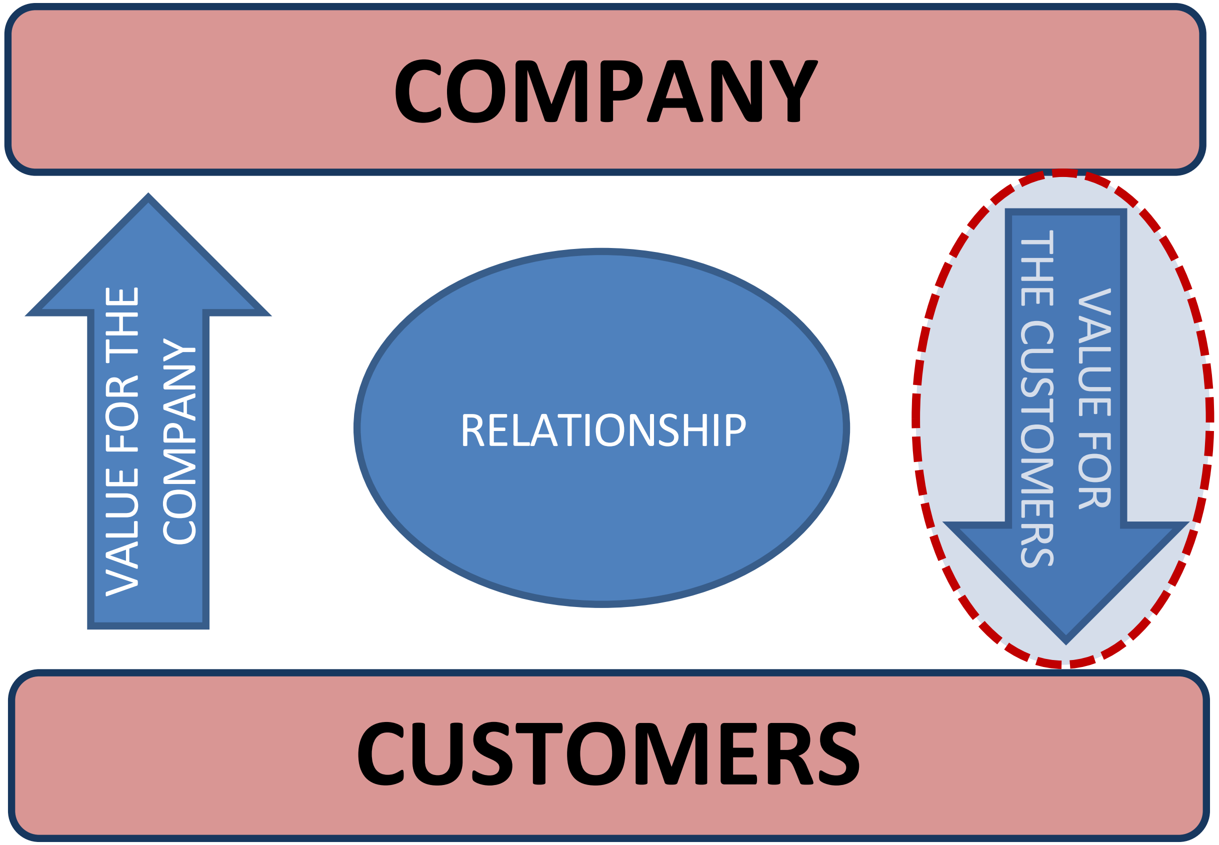
RELATIONSHIP

VALUE FOR THE CUSTOMERS

CUSTOMERS

CUSTOMER VALUE MANAGEMENT

The value exchange processes


COMPANY
VALUE FOR THE COMPANY
RELATIONSHIP
VALUE FOR THE CUSTOMERS
CUSTOMERS

CUSTOMER VALUE MANAGEMENT

The identification of the attributes related to the offering system

Extensive offer excursions

Destinations & Itineraries

After sales services

Fleet of ships

MSC Yacht Club

Staff on board

Average price of purchase

ZOE – Virtual Assistant

Quality Food & Beverage

Cruise Entertainment

Sea view cabin

Baby Club

Cabin size

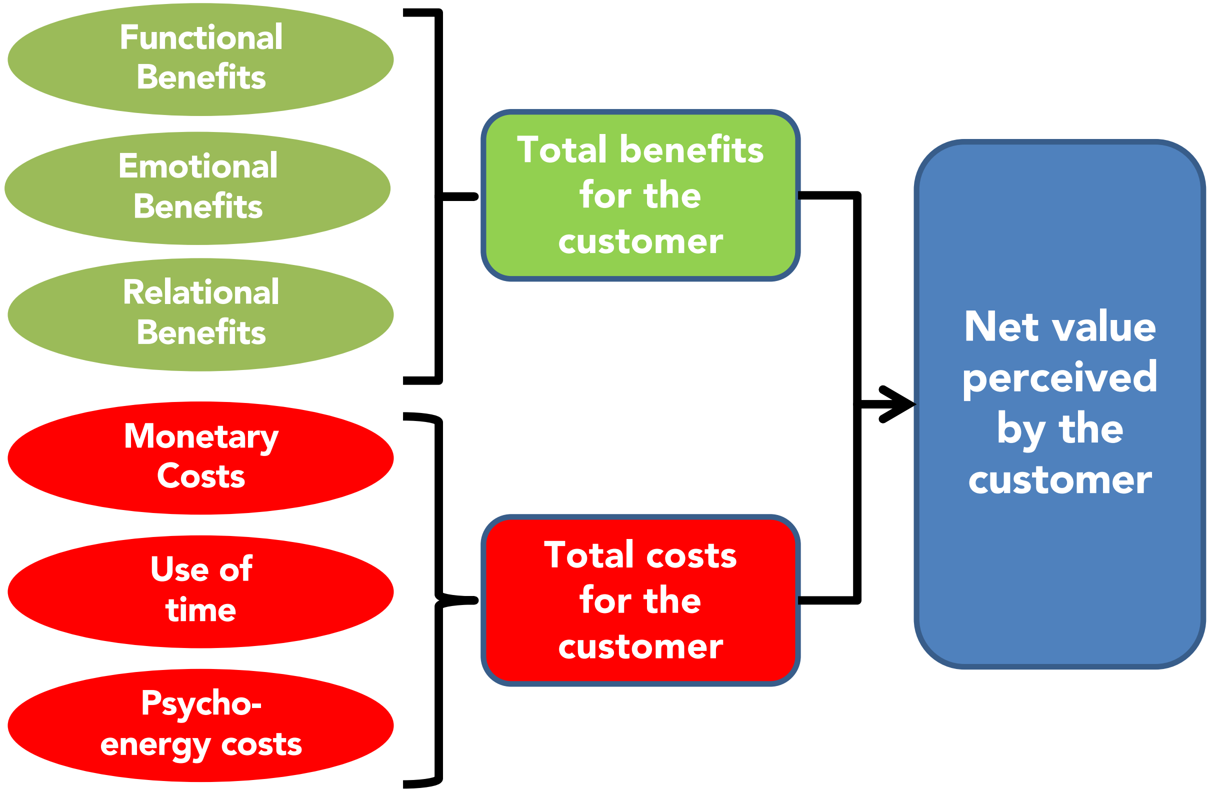
MSC GRANDIOSA
THE NUMBERS OF GREATNESS
msc

MSC - OFFER SYSTEM CRUISE

https://www.youtube.com/watch?v=4G0eHfRvWWs

CUSTOMER VALUE MANAGEMENT

The analytical model to monitor the value creation for customer



Functional Benefits

Emotional Benefits

Relational Benefits

Monetary Costs

Use of time

Psycho-energy costs

Total benefits for the customer

Total costs for the customer

Net value perceived by the customer

CUSTOMER VALUE MANAGEMENT

The analytical model to monitor the value creation for customer

>>> Classification of benefits

The macro-categories of customer benefits.

Total customer benefits can be classified into three main macro-categories:

1. **Functional benefits**, related to the objective and performance characteristics of the offer (for example, in the case of a cruise, cabin size, cleanliness, etc.);
2. **Emotional benefits**, related to the symbolic and image components of the offer (for example, in the case of cruises, status, personality, etc.);
3. **Relational benefits**, related to the ability to create value for the customer in moments of contact with the company (e.g., role of staff, management of booth spaces, etc.).

CUSTOMER VALUE MANAGEMENT

The analytical model to monitor the value creation for customer

>>> Classification of costs

The macro-categories of costs for the customer.

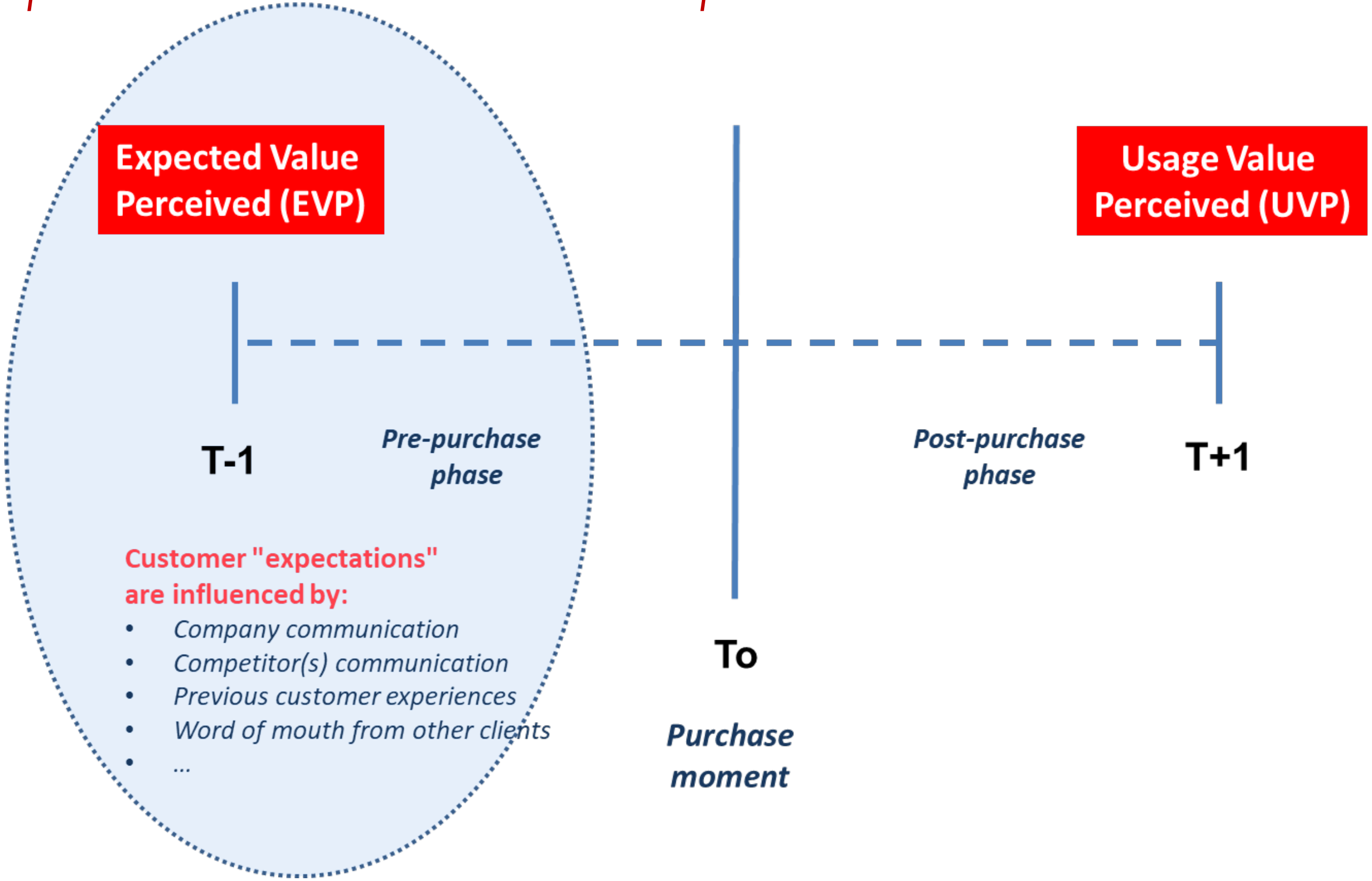
Total customer costs can be classified into the three macro-categories discussed below:

1. **Monetary costs**, related to the purchase price of the offer and any management costs for its use;
2. **Use of time**, required from the consumer in the process of purchase and fruition of the offer (waiting times, location of sales points, etc.);
3. **Psycho-energy costs**, related to any type of intellectual effort and/or energy required by the client to use the offer, even in the pre- and post-purchase phases (for example, difficulty in finding information, incorrect layout, etc.).

CUSTOMER VALUE MANAGEMENT

The analytical model to monitor the value creation for customer

>>> The problem of the "customer expectations"



Expected Value Perceived (EVP)

Usage Value Perceived (UVP)

T-1

Pre-purchase phase

To

Purchase moment

Post-purchase phase

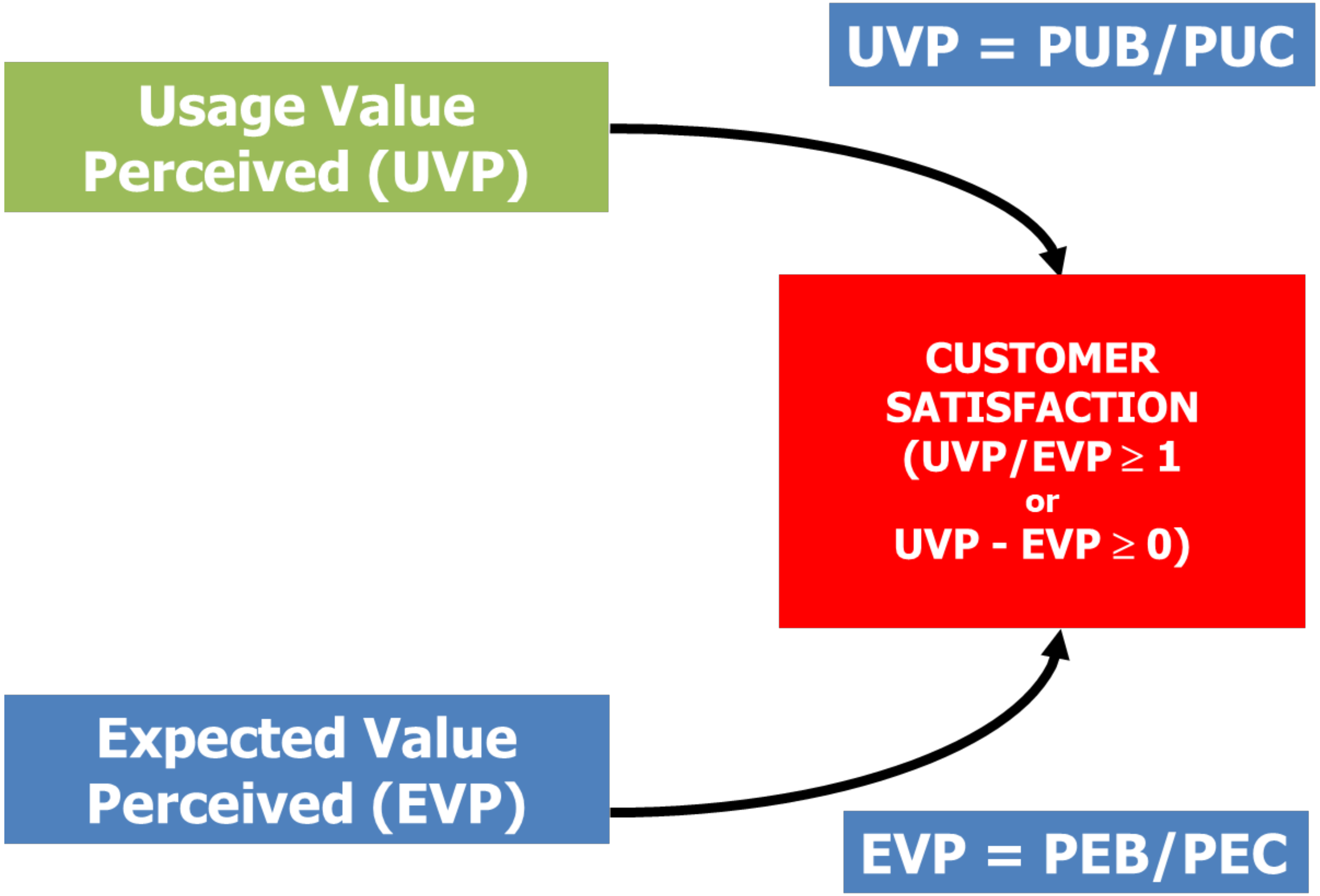
T+1

Customer "expectations" are influenced by:

- *Company communication*
- *Competitor(s) communication*
- *Previous customer experiences*
- *Word of mouth from other clients*
- *…*

CUSTOMER VALUE MANAGEMENT

The basics of the value for customer



UVP = PUB/PUC

Usage Value Perceived (UVP)

CUSTOMER SATISFACTION
(UVP/EVP ≥ 1
or
UVP - EVP ≥ 0)

Expected Value Perceived (EVP)

EVP = PEB/PEC

CUSTOMER VALUE MANAGEMENT

The basics of CSI (e.g. Casual Wear)

PERCEIVED EXPECTED BENEFITS *(PEB)*	**WEIGHT**	**PERCEIVED SCORE/PRESENCE**				**RATIO**
		OFFER 1		**OFFER 2**		
		ABS	**W**	ABS	**W**	
MATERIALS (quality, strength, care seams, etc.).	**0,20**	**8,00**	**1,60**	**7,00**	**1,40**	
STYLE/DESIGN (colors, fit, etc.)	**0,20**	**9,00**	**1,80**	**8,00**	**1,60**	
RANGE WIDTH (number, variety, etc.)	**0,20**	**8,00**	**1,60**	**6,00**	**1,20**	
PERSONALITY (image, status, testimonial)	**0,30**	**7,00**	**2,10**	**5,00**	**1,50**	
PERSONAL AVAILABILITY (competence, kindness)	**0,10**	**7,00**	**0,70**	**6,00**	**1,20**	
CUSTOMER PERCEIVED EXPECTED BENEFITS	**1,00**		**7,80**		**6,30**	
RATIO PERCEIVED EXPECTED BENEFITS						**1,24**
PERCEIVED EXPECTED COSTS *(PEC)*						
PURCHASE COST	**0,60**	**5,00**	**3,00**	**7,00**	**4,20**	
PROCESS COSTS (out store) (PdV location, parking lot)	**0,10**	**2,00**	**0,20**	**8,00**	**0,80**	
PROCESS COSTS (in store) (wait times, information costs, etc.).	**0,30**	**6,00**	**1,80**	**7,00**	**2,10**	
TOTAL PERCEIVED EXPECTED COSTS	**1,00**		**5,00**		**7,10**	
RATIO PERCEIVED EXPECTED COSTS						**0,70**
EXPECTED VALUE PERCEIVED BY THE CUSTOMER (EVP)			1,59		0,89	
RATIO EXPECTED VALUE PERCEIVED BY THE CUSTOMER (EVP)						**1,76**

CUSTOMER VALUE MANAGEMENT

The basics of CSI (e.g. Casual Wear)

PERCEIVED USAGE BENEFITS *(PUB)*	**WEIGHT**	**PERCEIVED SCORE/PRESENCE**				**RATIO**
		OFFER 1		**OFFER 2**		
		ABS	**W**	ABS	**W**	
MATERIALS (quality, strength, care seams, etc.).	**0,20**	**8,00**	**1,60**	**7,00**	**1,40**	
STYLE/DESIGN (colors, fit, etc.)	**0,20**	**9,00**	**1,80**	**8,00**	**1,60**	
RANGE WIDTH (number, variety, etc.)	**0,20**	**9,00**	**1,80**	**6,00**	**1,20**	
PERSONALITY (image, status, testimonial)	**0,30**	**9,00**	**2,70**	**5,00**	**1,50**	
PERSONAL AVAILABILITY (competence, kindness)	**0,10**	**7,00**	**0,70**	**6,00**	**1,20**	
CUSTOMER PERCEIVED EXPECTED BENEFITS	**1,00**		**8,60**		**6,30**	
RATIO PERCEIVED EXPECTED BENEFITS						**1,37**
PERCEIVED USAGE COSTS *(PUC)*						
PURCHASE COST	**0,60**	**5,00**	**3,00**	**7,00**	**4,20**	
PROCESS COSTS (out store) (PdV location, parking lot)	**0,10**	**2,00**	**0,20**	**8,00**	**0,80**	
PROCESS COSTS (in store) (wait times, information costs, etc.).	**0,30**	**3,00**	**0,90**	**7,00**	**2,10**	
TOTAL PERCEIVED EXPECTED COSTS	**1,00**		**4,10**		**7,10**	
RATIO PERCEIVED EXPECTED COSTS						**0,58**
USAGE VALUE PERCEIVED (UVP)			2,10		0,89	
RATIO USAGE VALUE PERCEIVED (UVP)						**2,36**
CUSTOMER SATISFACTION INDEX			1,34		1,00	
COMPARATIVE CUSTOMER SATISFACTION INDEX						**1,34**

CUSTOMER VALUE MANAGEMENT

The basics of CSI

$$CSI_k = UVP_k / EVP_k$$

$$UVP_k= (\Sigma_{(i=1,\ldots b)\ (j=1,\ldots n)} W_i\ PVUB_{kij} / n) / (\Sigma_{(i=1,\ldots c)\ (j=1,\ldots n)} W_i\ PVUC_{kij} / n)$$

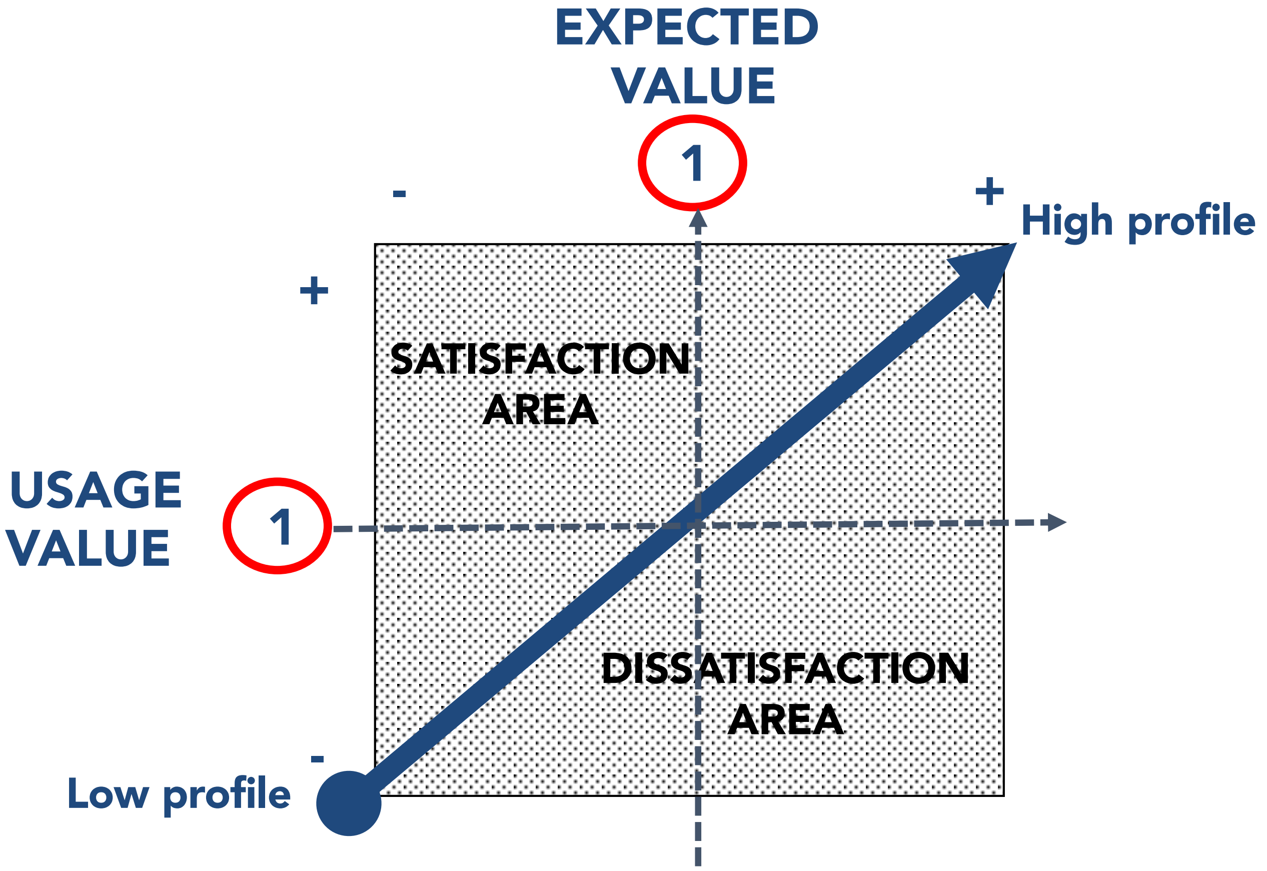
$$EVP_k= (\Sigma_{(i=1,\ldots b)\ (j=1,\ldots n)} W_i\ PEVB_{kij} / n) / (\Sigma_{(i=1,\ldots c)\ (j=1,\ldots n)} W_i\ PEVC_{kij} / n)$$

Legenda:
CSI_k= *Customer Satisfaction Index* by brand k;
UVP_{kj} = Usage Value Perceived by brand k;
EVP_{kj}= Expected Value Perceived by brand k;

$PVUB_{kij}$= Perceived Value in Use of the Benefit i, about brand k, from the customer j;
$PVUC_{kij}$= Perceived Value in Use of Cost i, about brand k, from the customer j;
$PEVB_{kij}$= Perceived Expected Value of Benefit i, about brand k, from the customer j;
$PECV_{kij}$= Perceived Expected Value of Cost i, about brand k, from the customer j;
W_i = weight attributed by customers to benefit/cost class i.
k = 1,2, ….m, brand;
i = 1,2, ….b…c, benefits /costs perceived;
j = 1,2, ….n, customers who expressed preference for brand k.

CUSTOMER VALUE MANAGEMENT

The basics of CSI


EXPECTED VALUE
1
-
+
High profile
+
SATISFACTION AREA
USAGE VALUE
1
DISSATISFACTION AREA
-
Low profile

CUSTOMER VALUE MANAGEMENT

The basics of CSI

		CUSTOMER SATISFACTION INDEX	
		Disatisf	**Satisf**
IMPORTANCE RELATED ATTRIBUTES	**High**	ATTENTION & RISKS IN CUSTOMER VALUE MANAGEMENT	WONDERFULL MANAGEMENT OF THE VALUE FOR CUSTOMER
	Low		EXCESSIVE EFFOTS BY THE COMPANY ?

MEIM_2021-22

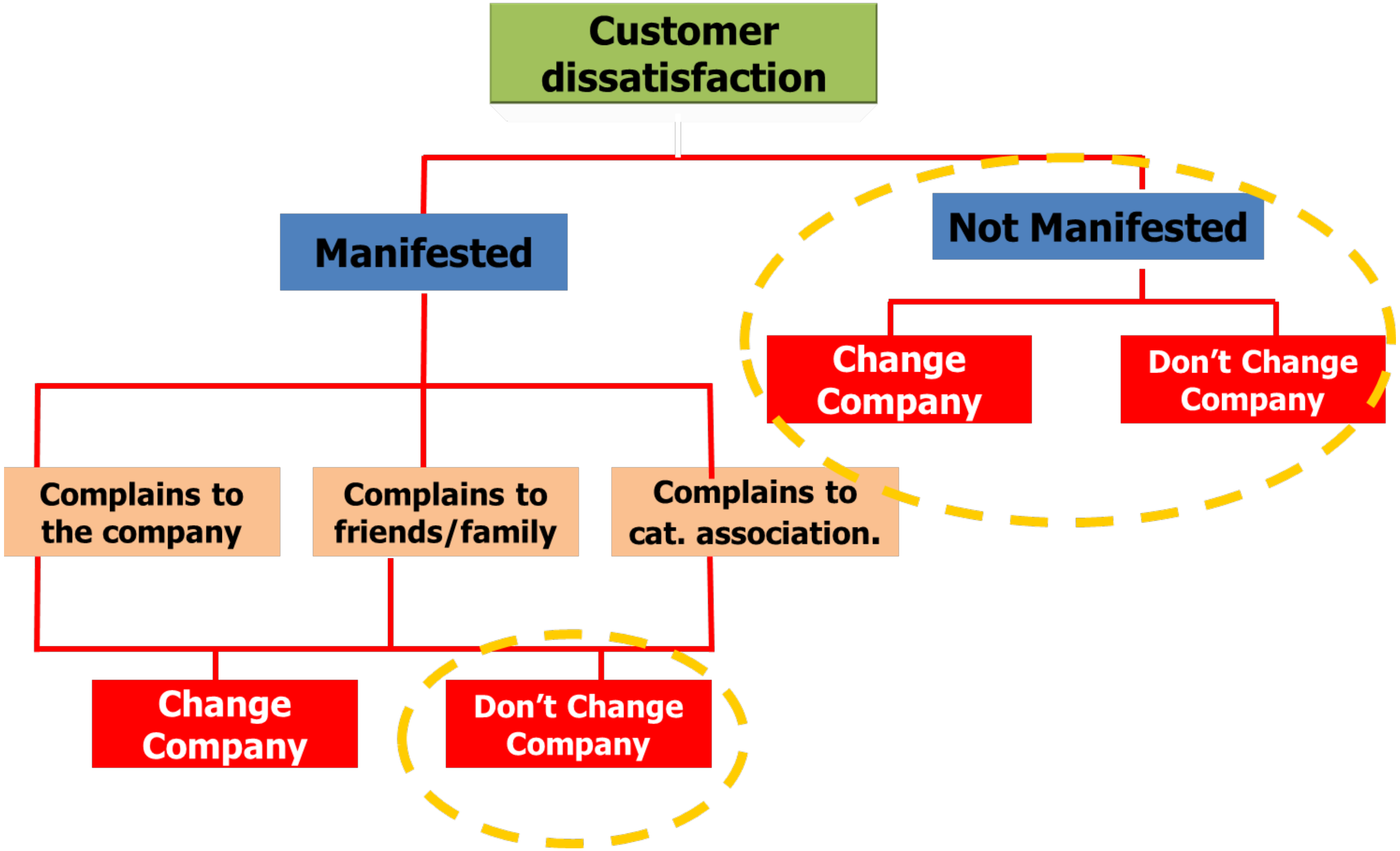
INTRO CUSTOMER-CENTRIC MNGT & VALUE CREATION FOR CUSTOMER

Lesson 1.1.2 – Customer dissatisfaction

Marcello Risitano
Professor of Marketing Management
University of Naples «Parthenope»

CUSTOMER RELATIONSHIP MANAGEMENT

The customer's reaction to dissatisfaction



Customer dissatisfaction

Manifested

Not Manifested

Change Company

Don't Change Company

Complains to the company

Complains to friends/family

Complains to cat. association.

Change Company

Don't Change Company

CUSTOMER RELATIONSHIP MANAGEMENT

The main types of dissatisfied customers

Customer dissatisfaction

THE PASSIVE - They are disinclined to take any kind of action. They assume that any type of complaint is useless;

CRITICS - They complain to the company, but generally do not generate negative word of mouth. They think the complaint will lead to an improvement in the service provided;

HYPERCRITICS - Are prone to switching companies and negative word of mouth. They are unwilling to give a second chance to the service provider;

ACTIVISTS - They are consumers inclined to complain; they complain to the company, generate negative word of mouth, and turn to associations. They are potential "centers of summary justice" in defending their rights as consumers.

CUSTOMER RELATIONSHIP MANAGEMENT

Unsatisfied customer recovery processes

Customer dissatisfaction

PROMOTE THE COMPLAINT WITH THE COMPANY

- Create a set **of collection tools/channels**;
- Build **alternative solutions** to promptly resolve the customer's problem (proceduralize disservice recovery).

ANALYZE THE CAUSES OF THE COMPLAINT(S)

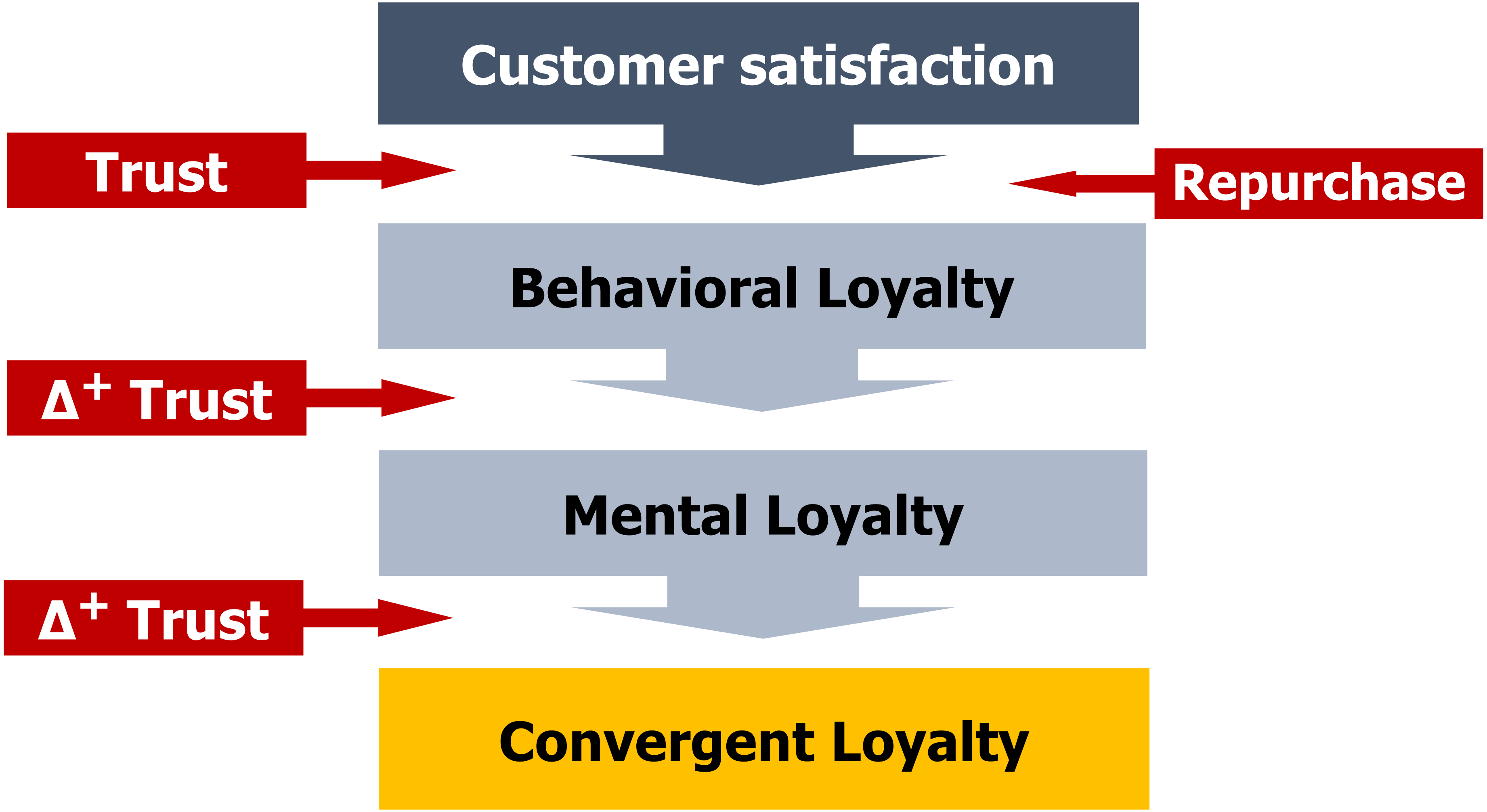
- Definition of a **model for measuring the causes of the complaint** (performance indicators, gap analysis, etc.);
- Identification of the **nature of the problem**.

STRATEGIC RESOLUTION OF THE NATURE OF THE PROBLEM

- **Communicate to the customer** the strategic problem resolution;
- Build ad hoc **retention tools for the "complaining" customer.**

CUSTOMER RELATIONSHIP MANAGEMENT

The three stages of satisfied customer loyalty



Customer satisfaction

Trust

Repurchase

Behavioral Loyalty

Δ^+ Trust

Mental Loyalty

Δ^+ Trust

Convergent Loyalty

MEIM_2021-22

Grazie per averci seguito!!!
Thanks for your attention!!!

MARCELLO RISITANO

Professor of Marketing Management

University of Naples «Parthenope»

E-mail. marcello.risitano@uniparthenope.it

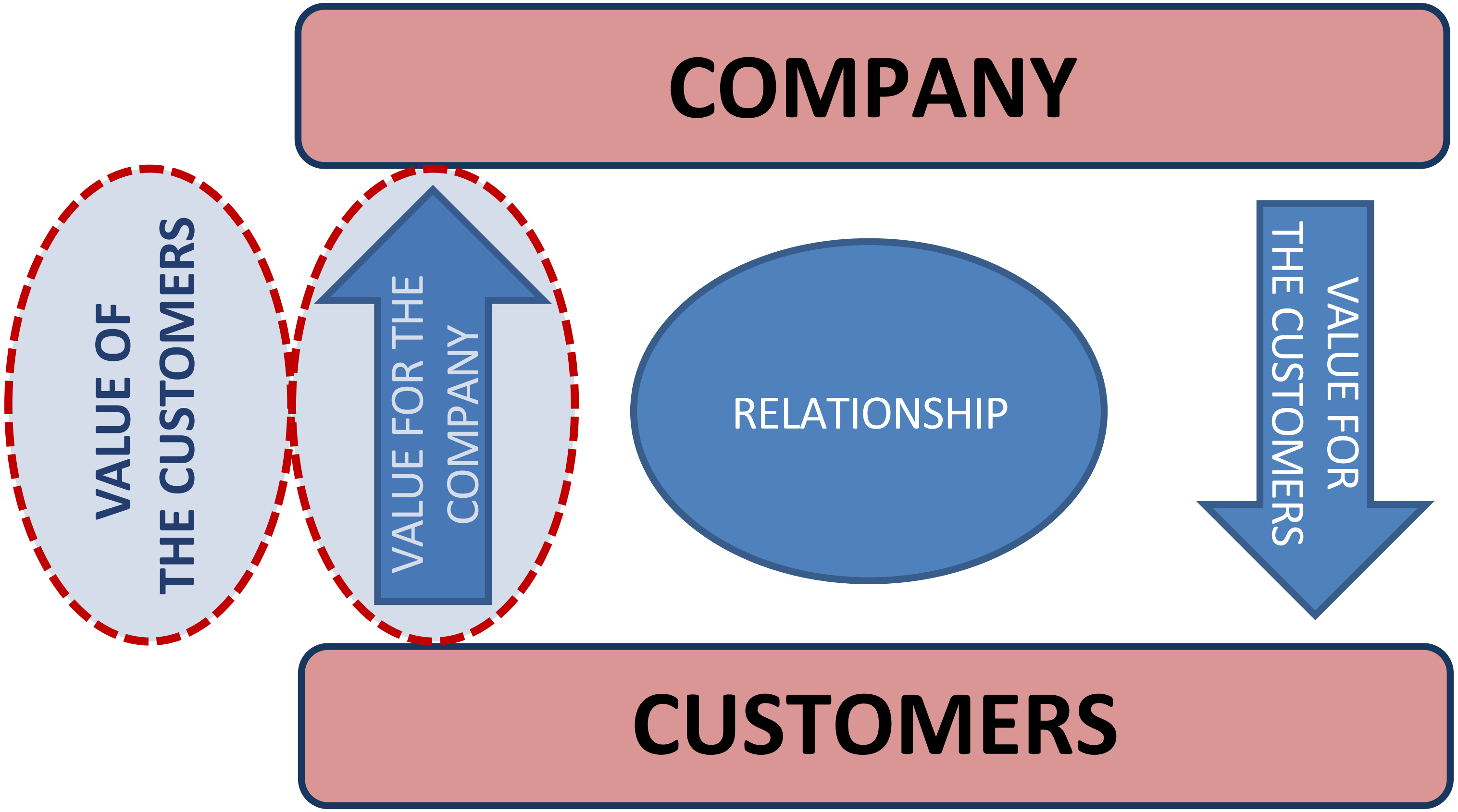
MEIM_2021-22
VALUE FOR THE CUSTOMER vs VALUE OF THE CUSTOMER

Lesson 1.2 – Customer Relationship Management (CRM)

MARCELLO RISITANO
Professor of Marketing Management
University of Naples «Parthenope»

CUSTOMER VALUE MANAGEMENT

The value exchange processes



COMPANY

VALUE OF THE CUSTOMERS

VALUE FOR THE COMPANY

RELATIONSHIP

VALUE FOR THE CUSTOMERS

CUSTOMERS

CUSTOMER RELATIONSHIP MANAGEMENT

Agenda

- Introduction to the topic: a definition of CRM
  - Relationship marketing and loyalty
- Information collection and customer portfolio analysis
  - CRM Monitoring indicators
- Loyalty-oriented strategies
  - Relationship management tools
- The case study of Fastweb

CUSTOMER RELATIONSHIP MANAGEMENT

Agenda

- Introduction to the topic: a definition of CRM
  - Relationship marketing and loyalty
- Information collection and customer portfolio analysis
  - CRM Monitoring indicators
- Loyalty-oriented strategies
  - Relationship management tools
- The case study of Fastweb

INTRODUCTION

- In recent years, **strategic management of customer relationships – adopting the marketing perspective - has changed dramatically**.
- Today's companies must know the entire **customer's needs and expectations** and know what value - not only economic value - they can generate throughout the relationship cycle.
- **Relationship marketing:** a philosophy for business management in which the strategic orientation is **to build, develop and maintain a strong customer base capable of increasing profitability in the medium / long term perspective**.

The **key factors that have driven CRM development** are:

1. *Relevance of customer information & power;*
2. *Development of integrated offerings;*
3. *ICT, digital and mobile marketing adoption;*
4. *Hyper-competitive context.*

CRM DEFINITION

…SET OF BUSINESS PROCESSES AND ACTIVITIES THAT ENABLES THE FIRM TO MANAGE ITS PORTFOLIO OF CUSTOMER RELATIONSHIPS …

…IN ORDER TO ACQUIRE, INCREASE AND MAINTAIN THE VALUE OF THE CUSTOMER BASE (*CUSTOMER EQUITY*)…

…AND THE FUTURE POTENTIAL TO GENERATE BUSINESS VALUE AND SUSTAIN COMPETITIVE ADVANTAGE IN THE MARKETING PERSPECTIVE.

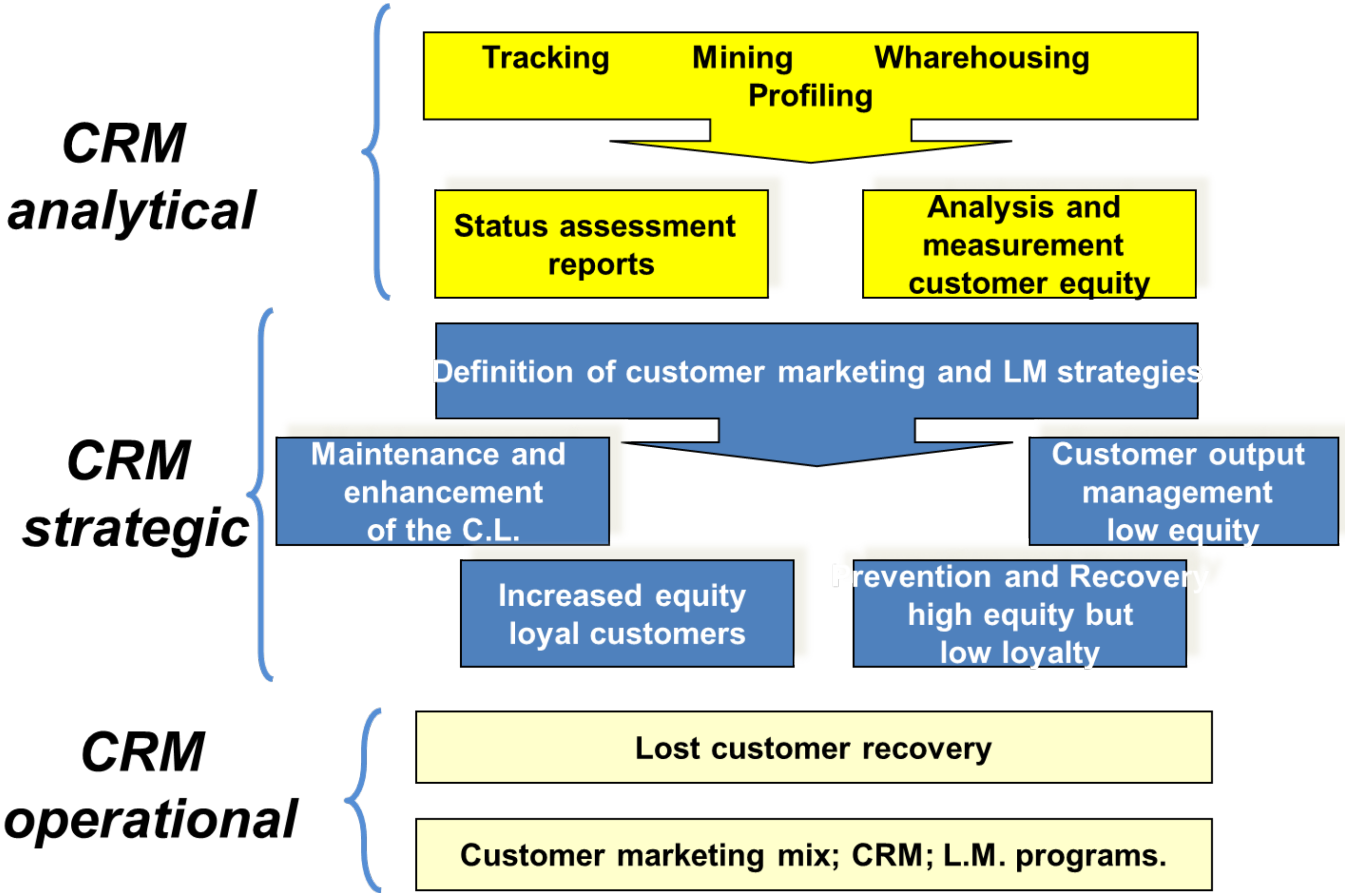
CRM DEFINITION

The focus on some critical changement

- **CUSTOMERS PORTFOLIO** vs **PRODUCTS PORTFOLIO**
- LEVERAGE **CUSTOMER KNOWLEDGE** TO **INCREASE THE VALUE OF RELATIONSHIPS**
- MEASURE THE **VALUE OF INDIVIDUAL CUSTOMER RELATIONSHIPS**, ONE-TO-ONE APPROACH
- **INNOVATIVE TOOLS:** ICT SOLUTIONS, DATAMINING, DIGITAL MARKETING, MOBILE & EXPERIENTAL MARKETING, SOCIAL MEDIA MARKETING

RELATIONSHIP MARKETING

The role of CRM: key levels, goals and activities



CRM analytical

Tracking Mining Wharehousing Profiling

Status assessment reports

Analysis and measurement customer equity

CRM strategic

Definition of customer marketing and LM strategies

Maintenance and enhancement of the C.L.

Customer output management low equity

Increased equity loyal customers

revention and Recovery high equity but low loyalty

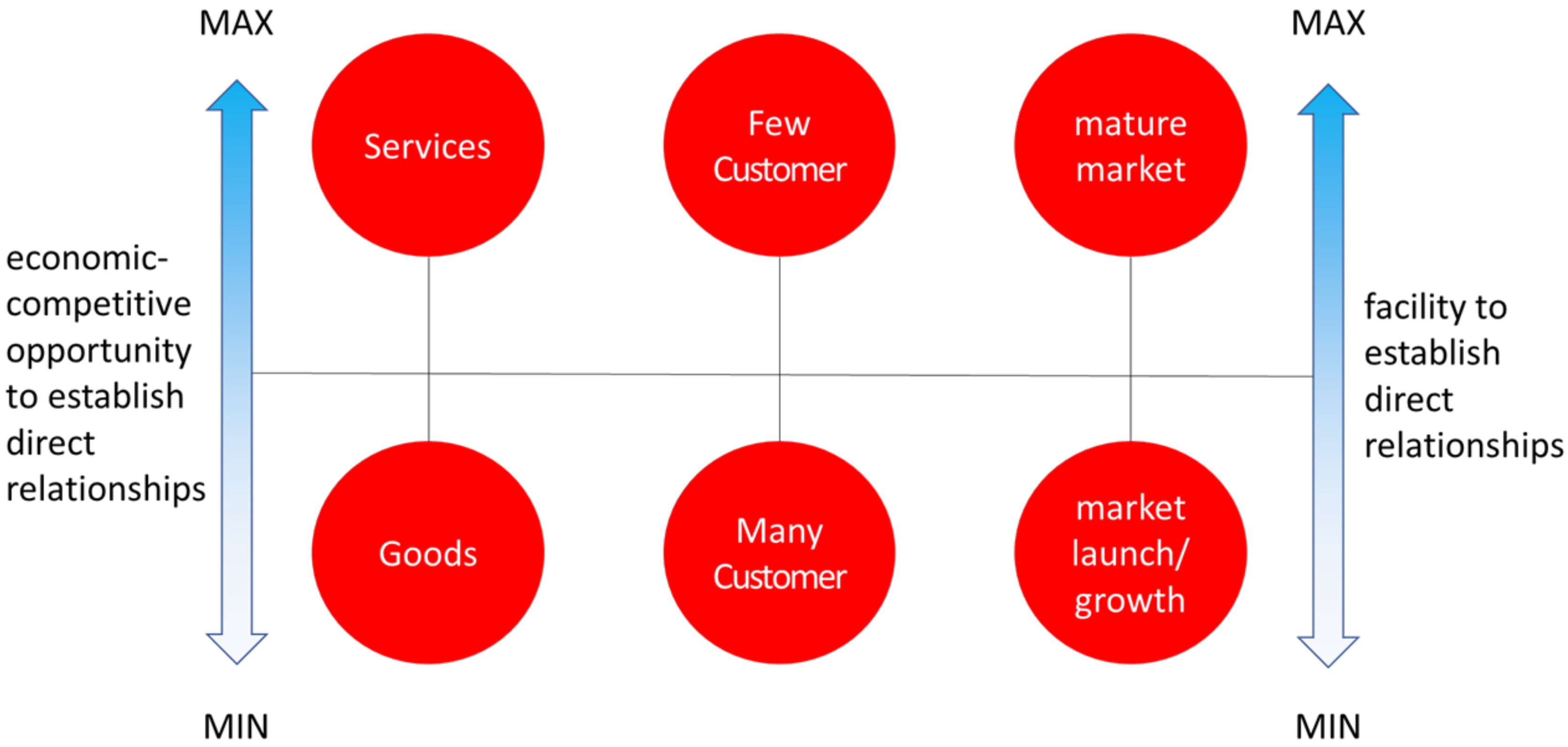
CRM operational

Lost customer recovery

Customer marketing mix; CRM; L.M. programs.

RELATIONSHIP MARKETING

Comparing orientations


MAX
MIN
economic-
competitive
opportunity
to establish
direct
relationships
Services
Goods
Few
Customer
Many
Customer
mature
market
market
launch/
growth
MAX
MIN
facility to
establish
direct
relationships

CUSTOMER RELATIONSHIP MANAGEMENT

Agenda

- Introduction to the topic: a definition of CRM
  - Relationship marketing and loyalty
- Information collection and customer portfolio analysis
  - CRM Monitoring indicators
- Loyalty-oriented strategies
  - Relationship management tools
- The case study of Fastweb

INFORMATION COLLECTION AND CUSTOMER PORTFOLIO ANALYSIS

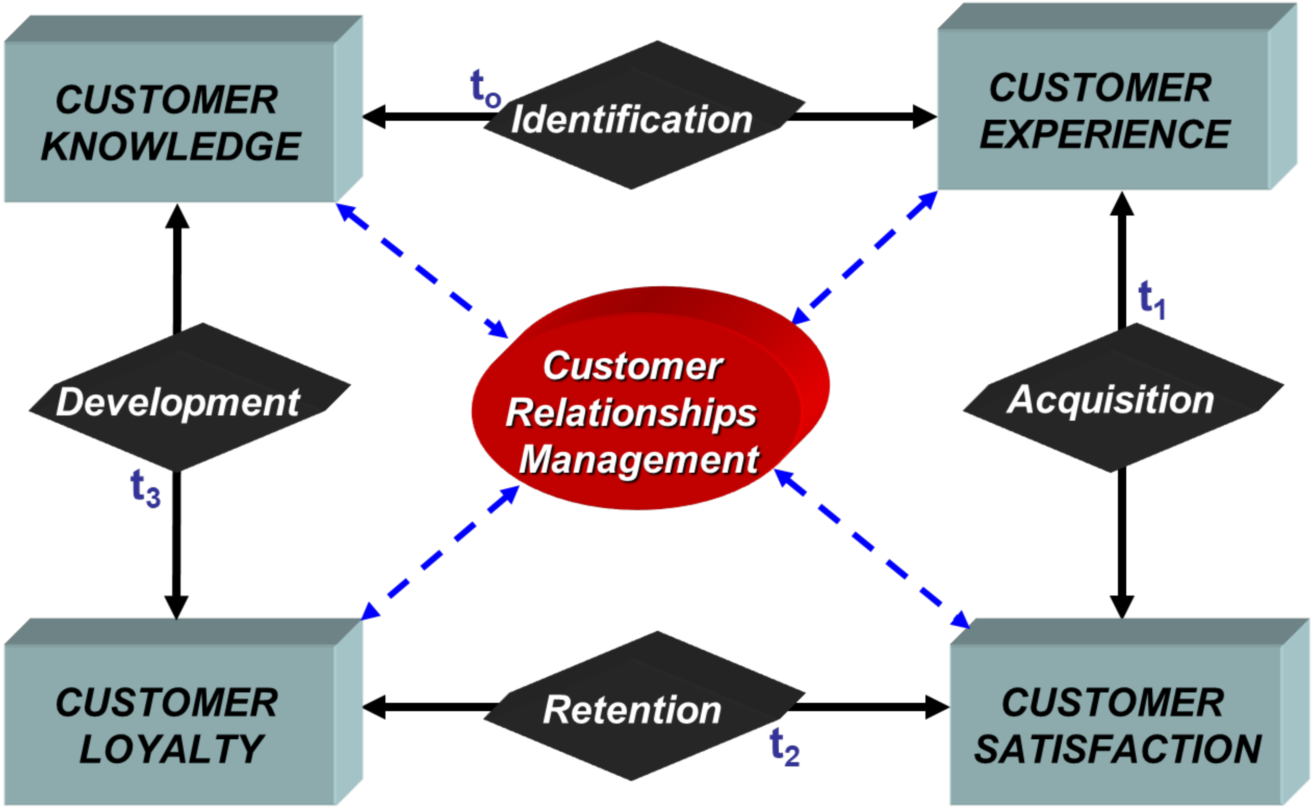
RELATIONSHIP MARKETING PERSPECTIVE: the customers are placed in the center of marketing management and customer loyalty is given a prominent role in marketing strategies.

THE COLLECTION OF INFORMATION: customer knowledge becomes fundamental in all the phases of the cycle of purchase; the companies use the customer database.

DATA WAREHOUSING: Integration, homogenization and historicization of elementary, internal and external data pertaining to individual clients. The data warehouse must be focused, integrated, time-varying and non-volatile (datamining).

INFORMATION COLLECTION & CRM

The stages and value determinants of CRM


CUSTOMER KNOWLEDGE
t_o
Identification
CUSTOMER EXPERIENCE
t_1
Development
Customer Relationships Management
Acquisition
t_3
CUSTOMER LOYALTY
Retention
t_2
CUSTOMER SATISFACTION

INFORMATION COLLECTION AND CUSTOMER PORTFOLIO ANALYSIS

The concept of customer profiling

CUSTOMER PROFILING: we mean those **systems of analysis that allow an in-depth knowledge of individual customers**, in order to identify which are the **best loyalty strategies and operational marketing actions** to acquire new customers and retain the acquired ones.

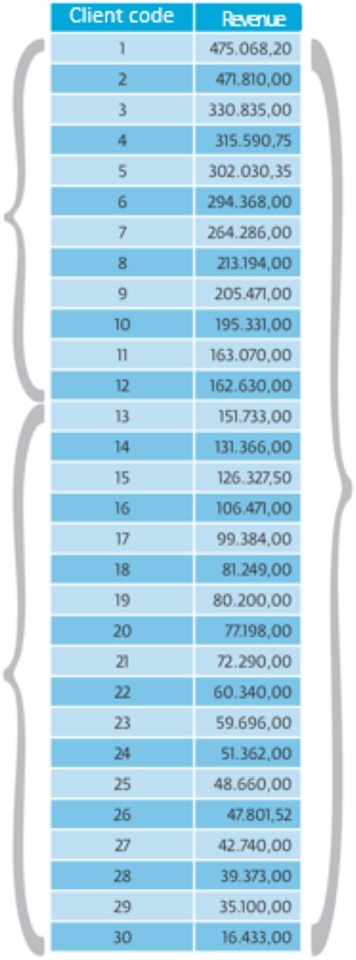
CUSTOMER PORTFOLIO ANALYSIS: CPA has as its final output **the identification of a customer pyramid** at the top of which typically fall the **most profitable customers**.

INFORMATION COLLECTION AND CUSTOMER PORTFOLIO ANALYSIS

Methods for analyzing the client portfolio

1. **Pareto Principle:** 20% of customers generate about 80% of total revenue
2. **Calculation of average customer turnover** and value by which to divide the customer portfolio into distinct classes
3. **Determine the importance of your customer base** based on two variables you consider most relevant to your business

EXAMPLE OF CLASS IDENTIFICATION OF A CLIENT PORTFOLIO



Client code	Revenue
1	475.068,20
2	471.810,00
3	330.835,00
4	315.590,75
5	302.030,35
6	294.368,00
7	264.286,00
8	213.194,00
9	205.471,00
10	195.331,00
11	163.070,00
12	162.630,00
13	151.733,00
14	131.366,00
15	126.327,50
16	106.471,00
17	99.384,00
18	81.249,00
19	80.200,00
20	77.198,00
21	72.290,00
22	60.340,00
23	59.696,00
24	51.362,00
25	48.660,00
26	47.801,52
27	42.740,00
28	39.373,00
29	35.100,00
30	16.433,00

Average of customers 1-12= 282,807

Average of customers 12-30= 73,762

Customers class A

Customers class B

30 customers average = 157

Customers class C

Customers class D

INFORMATION COLLECTION AND CUSTOMER PORTFOLIO ANALYSIS

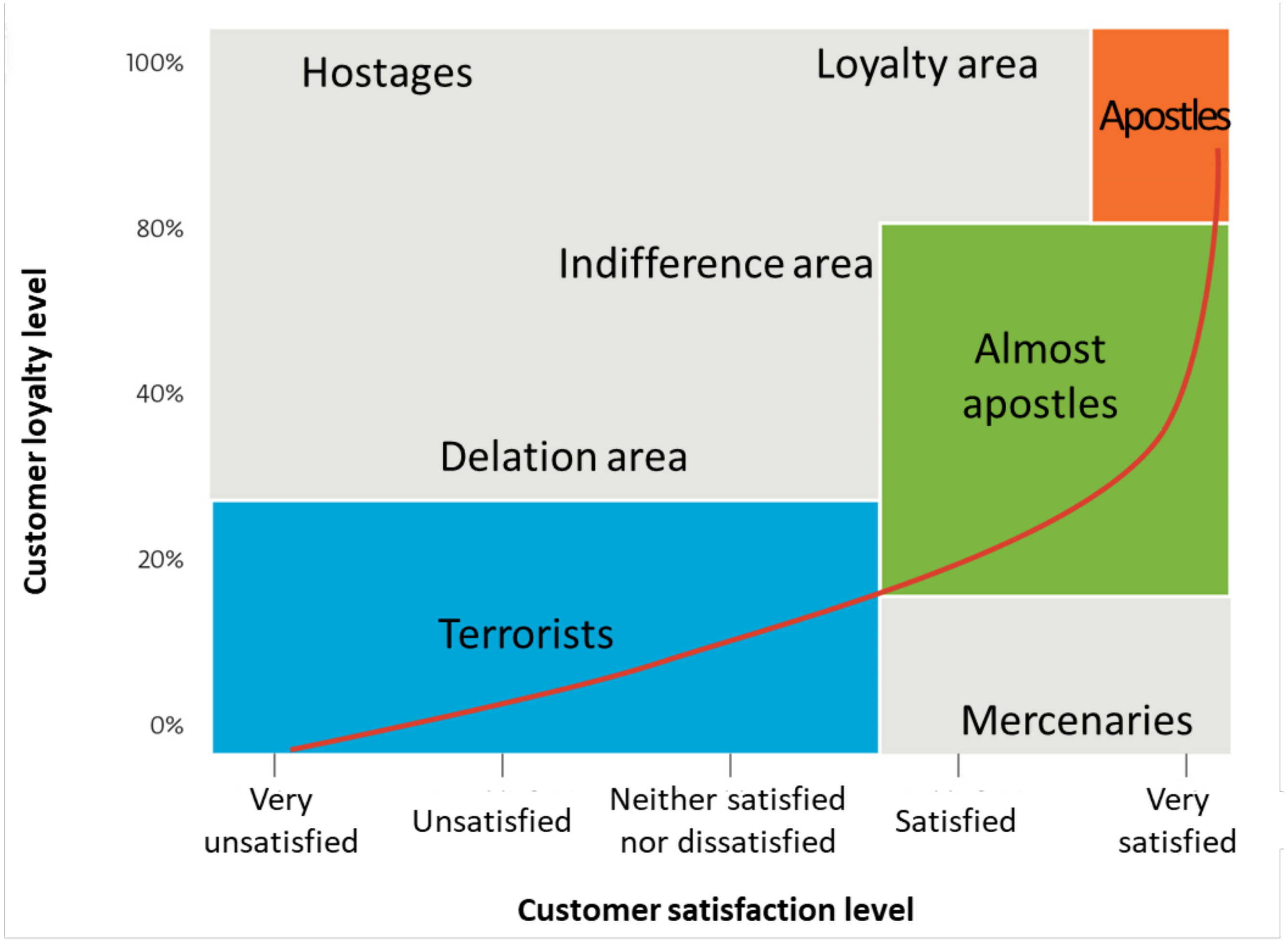
Methods for analyzing the client portfolio

Customer analysis matrices can be grouped into three macro categories:

1. *Customer profitability analysis matrices*
2. *Customer competitive analysis matrices*
3. *Customer relationship analysis matrices*

The most widely used matrix over time - for developing Customer relationship analysis - is based on the **level of customer satisfaction and customer loyalty.**

CUSTOMER TYPES AND RELATIONSHIPS BETWEEN SATISFACTION AND LOYALTY



CUSTOMER RELATIONSHIP MANAGEMENT

Agenda

- Introduction to the topic: a definition of CRM
  - Relationship marketing and loyalty
- Information collection and customer portfolio analysis
  - CRM Monitoring indicators
- Loyalty-oriented strategies
  - Relationship management tools
- The case study of Fastweb

ANALYZING THE CUSTOMER PORTFOLIO

The FRM Analysis

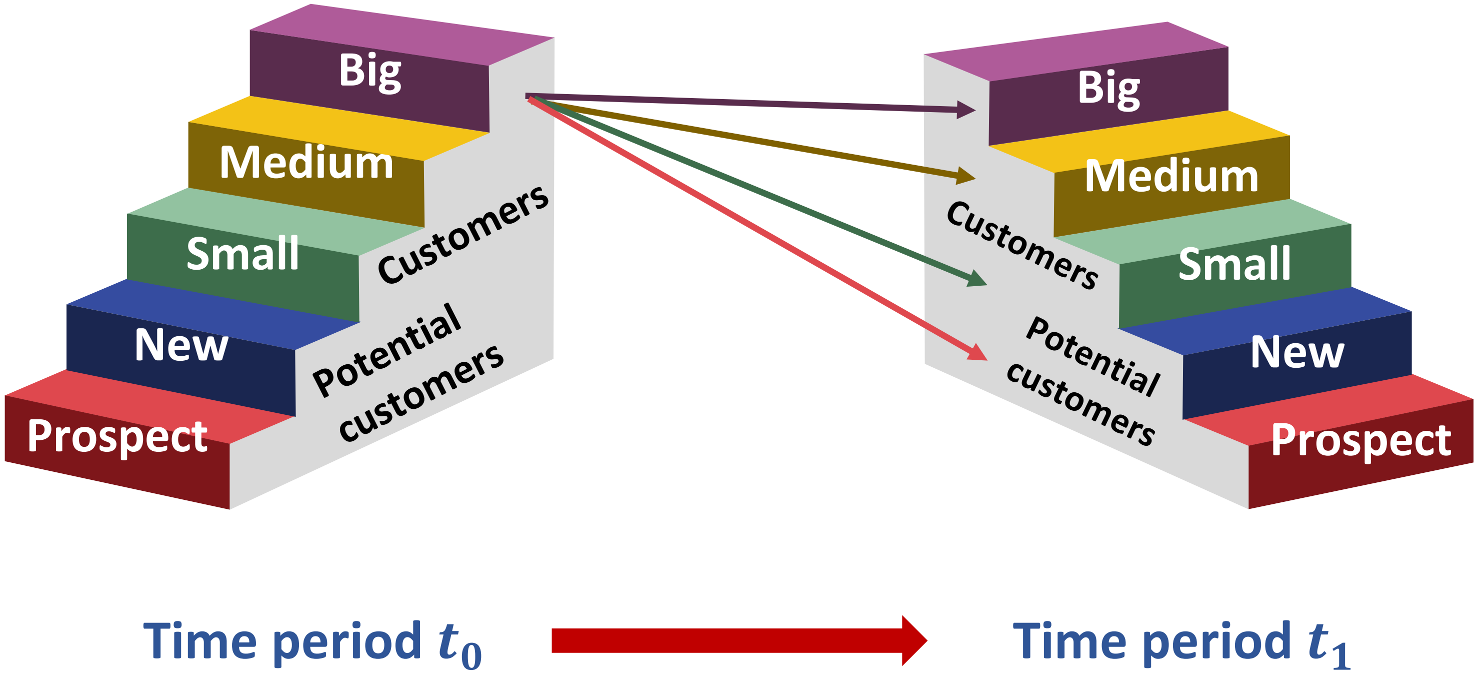
A criterion for identifying strategic customers is the so-called FRM (Frequency - Recency - Monetary) based on three variables (appropriately indexed and weighted): frequency of purchase, last purchase made (i.e. Recency) and amount spent in a given period of time (i.e. Monetary).

Customer	Frequency	Recency	Monetary	Frequency score	Recency score	Monetary score	Total
Rossi	1	July	400.000	5	10	16	31
Bianchi	2	April	150.000	10	5	6	21
Verdi	2	February	550.000	10	5	322	37

Indexing assumptions (analysis performed at year-end)
Recency = 15 for the third quarter; 10 for the second quarter; 5 for the first quarter
Frequency = number of purchases multiplied by 5
Monetary = 0.004% of value

ANALYZING THE CUSTOMER PORTFOLIO

A focus on the dynamic analysis (over the time)


Big
Medium
Small
New
Prospect
Customers
Potential customers
Big
Medium
Small
New
Prospect
Customers
Potential customers
Time period t_0
Time period t_1

ANALYZING THE CUSTOMER PORTFOLIO

Key performance indicators

In order to monitor customer loyalty, it would be appropriate to build a loyalty "monitoring dashboard" consisting of a number of indicators:

1. **Customer Retention Rate** (CRR; number of loyal customers at the end of the period);
2. **Average customer seniority** (average length of relationship in years);
3. **Churn Rate** (rate of customer churn in favor of a specific competitor);
4. **Probability of repurchase** (called active, i.e., the likelihood that the customer will remain active in subsequent months);
5. **Interpurchase Time** (IPT; average time between one purchase and the next).

These indicators are useful to calculate the cd. Customer Life Time Value (CLTV), i.e. the value generated by the customer for the company.

CUSTOMER RELATIONSHIP MANAGEMENT

The concept of customer Life Time Value (LTV)

$$LTV_j = ATV \times AFT \times RL$$

LEGENDA:

LTV_j = Customer Life Time Value j
ATV = Average Transaction Value
AFT = Average Frequency of Transactions in period t
RL = Relationship lifecycle (i.e. the period of time: year, month, etc.)
j = general customer

Ex. Flights ALITALIA - Multinational company

150€ x 40 (flights purchased per month) x 24 months = € 144,000

CUSTOMER RELATIONSHIP MANAGEMENT

The concept of customer Life Time Value (LTV)

$$LTV_{jSE} = \#C \times ATV \times AFT \times RL$$

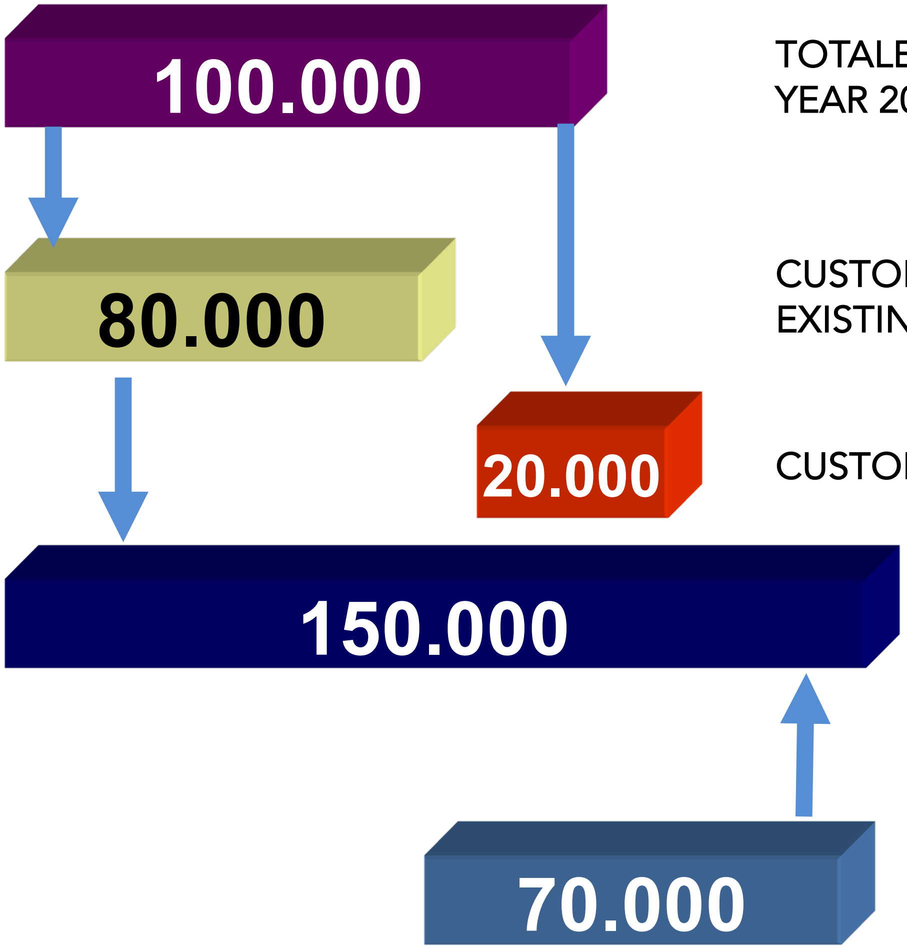
LEGENDA:
LTV_j = Total Life Time Value of customer segment
#C = Total number of customers j belonging to the segment
ATV = Average Transaction Value
AFT = Average Frequency of Transactions in period t
RL = Relationship lifecycle (i.e. the period of time: year, month, etc.)
j = general customer

Ex. Acq. Flights ALITALIA - Multinational companies AREA 1 NIELSEN
20 (# companies) X €150 x 40 (flights purchased per month)
x 24 months = €2,880,000

CUSTOMER PORTFOLIO MANAGEMENT

BlueSerena Case

BLUSERENA
VILLAGGI 4 STELLE



100.000 — TOTALE CUSTOMERS – IN BEGINNING YEAR 200x

80.000 — CUSTOMERS - END OF YEAR 200x, EXISTING CUSTOMERS BEGINNING YEAR 200x

20.000 — CUSTOMERS - LOST YEAR END 200x

150.000 — TOTAL CUSTOMERS - YEAR END 200x

70.000 — NEW CUSTOMERS - YEAR END 200x

CUSTOMER PORTFOLIO MANAGEMENT

BlueSerena Case

Customer Retention Rate (CRR)

$$CRRi = \frac{\text{N° OF CUSTOMERS IN THE END OF YEAR EXISTING AT BEGINNING OF YEAR}}{\text{N° OF TOTAL CUSTOMERS IN THE BEGINNING OF THE YEAR}} * 100$$

Customer Churn Rate (CCR)

$$CCRi = \frac{\text{N° OF CUSTOMERS LOST AT THE END OF THE YEAR EXISTING AT THE BEGINNING OF THE YEAR}}{\text{(N° CUSTOMERS BEGINNING OF THE YEAR + N° END OF YEAR CUSTOMERS)} / 2} * 100$$

CUSTOMER PORTFOLIO MANAGEMENT

BlueSerena Case

Customer Development Rate (CDR)

$$\text{CDRi} = \frac{\text{N° NEW CUSTOMERS PRESENT AT THE END OF THE YEAR}}{\text{N° TOTAL CUSTOMERS PRESENT AT THE END OF THE YEAR}} * 100$$

Average Customer Duration (Turnover)

$$\text{ACD} = \frac{1}{1 - \text{CRR}}$$

CUSTOMER PORTFOLIO MANAGEMENT

BlueSerena Case

CRR i= (80/100) * 100 = 80%

CCR i= (20/ (100+150)/2) * 100 = 16,0%

CDRi= (70/150) * 100 = 46,7%

ACDi= 1 / (1-0,80) = 5

CUSTOMER RELATIONSHIP MANAGEMENT

Agenda

- Introduction to the topic: a definition of CRM
  - Relationship marketing and loyalty
- Information collection and customer portfolio analysis
  - CRM Monitoring indicators
- **Loyalty-oriented strategies**
  - **Relationship management tools**
- The case study of Fastweb

RELATIONSHIP MANAGEMENT TOOLS

RELATIONAL TOOLS CAN BE DIVIDED INTO TWO MACRO-CATEGORIES BASED ON THE BENEFITS OFFERED TO CUSTOMERS

1. Instruments that offer economic benefits
2. Instruments that offer benefits of an intangible and social nature

These tools could also be broken down by when the benefit is provided, so immediate or requiring a longer period.

A FURTHER CLASSIFICATION IS BASED ON THE OBJECTIVES OF RELATIONSHIP MANAGEMENT AND OPTIMIZATION

1. Tools and practices defined for improving the duration of the relationship
2. Tools and practices defined for extending the breadth of the relationship (cross-selling)
3. Tools and practices defined for extending the depth of the relationship (up-selling)

STRATEGIC OPTIONS

CUSTOMER BASE		
Current	DEVELOPMENT CUSTOMER EQUITY (Penetration Up selling Cross selling)	DEVELOPMENT BUSINESS WITH THE SAME BASE OF CUSTOMERS
New	DEVELOPMENT OF CLIENTS (Attraction new customers)	DEVELOPMENT OF CLIENTS AND PORTFOLIO OF BUSINESS
	Current	Expanded

BUSINESS PORTFOLIO

CUSTOMER RELATIONSHIP MANAGEMENT

Agenda

- Introduction to the topic: a definition of CRM
  - Relationship marketing and loyalty
- Information collection and customer portfolio analysis
  - CRM Monitoring indicators
- Loyalty-oriented strategies
  - Relationship management tools
- The case study of Fastweb

MEIM_2021-22

Grazie per averci seguito!!!
Thanks for your attention!!!

MARCELLO RISITANO

Professor of Marketing Management

University of Naples «Parthenope»

E-mail. marcello.risitano@uniparthenope.it

MEIM_2021-22
VALUE FOR THE CUSTOMER
>>> THE EXPERIENTAL MARKETING PERSPECTIVE

Lesson 1.3 – Customer Experience Management (CEM)

Marcello Risitano
Professor of Marketing Management
University of Naples «Parthenope»

CUSTOMER EXPERIENCE MANAGEMENT

Agenda

- INTRODUCTION
- CEM VS CRM
  - *- CEM: beyond the CRM*
- THE EXPERIENTIAL MARKETING
- THE CASE STUDY OF A "FLIGHT COMPANY"

CUSTOMER EXPERIENCE MANAGEMENT

Agenda

- INTRODUCTION
- CEM vs CRM
    - *- CEM: beyond the CRM*
- THE EXPERIENTIAL MARKETING
- THE CASE STUDY OF A "FLIGHT COMPANY"

CUSTOMER EXPERIENCE MANAGEMENT

Introduction (1/3)

- Holbrook and Hirschman's are the pioneers academics that have studied – in terms of hedonic consumption (1982) - the **experiential nature of consumer behavior**.

- The Authors, in fact, highlighted the role of **emotions, feelings and fun** as key drivers of consumer behavior processes in the field of hedonistic products.

CUSTOMER EXPERIENCE MANAGEMENT

Introduction (2/3)

- Analyzing the characteristics of experience economy, after many years, Pine and Gilmore (1999, 2009) emphasized the **concept of customer experience during the stages of purchase and use of products**.

- They suggested to embed goods and services in an experiential brand, in **a co-evolution process with the customers as key-player.**

CUSTOMER EXPERIENCE MANAGEMENT

Introduction (3/3)

- Customer experience could be considered as "**the set of all moments of interaction (i.e. touchpoints) between an organization and a customer, in which physical, functional and emotional factors stimulate the senses of customers**" (Shaw and Ivens, 2005).

- According to Carù and Covà (2003), this concept has to be extended beyond the consumer- firm context, recognizing the **importance of consumption-related experience** that takes place with family, friends and the wider community (i.e. on-line and off-line experience).

CUSTOMER EXPERIENCE MANAGEMENT

Agenda

- INTRODUCTION
- CEM vs CRM
    - *- CEM: beyond the CRM*
- THE EXPERIENTIAL MARKETING
- THE CASE STUDY OF A “FLIGHT COMPANY”

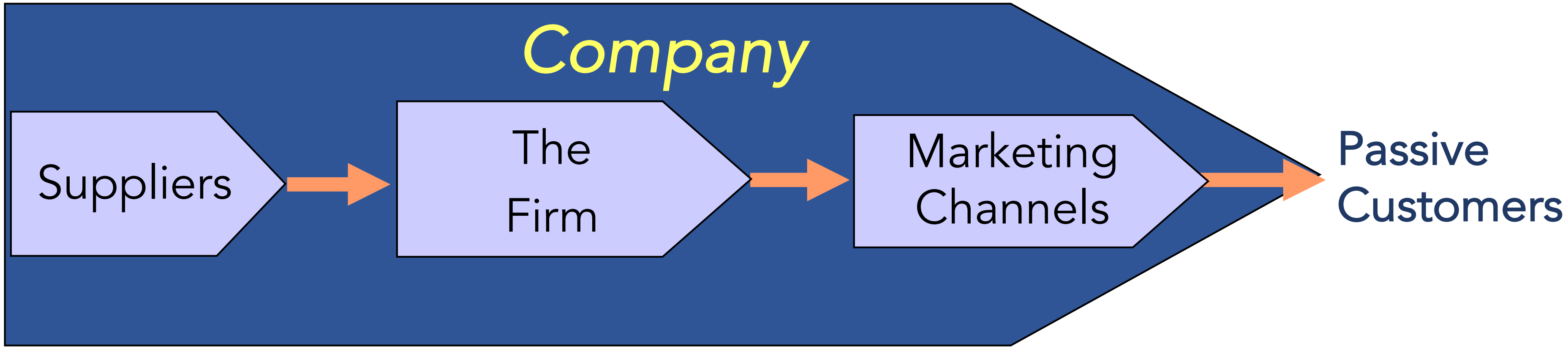
CUSTOMER EXPERIENCE MANAGEMENT

CEM vs CRM

- It's important emphasize that **customer experience management (CEM)** differs from **customer relationship management (CRM)**, because it focuses on the experience in place of the customers, rather than the history of customer's purchasing patterns.

- In fact, **CRM strategies are principally related to manage the value creation process between firm and customer**, through deep analysis of data with technology software (**analytical CRM**). The acquisition of customer knowledge and the diffusion of this knowledge in the firm' s organization allow "the **development of appropriate relationships with specific customers, integrating the marketing processes** across the many areas of the firm and across the network of firms that collaborate to generate customer value" (Boulding et al., 2005).

Historically, Business Has Been about Designing, Making and Selling Competitive Products and Services …



Company

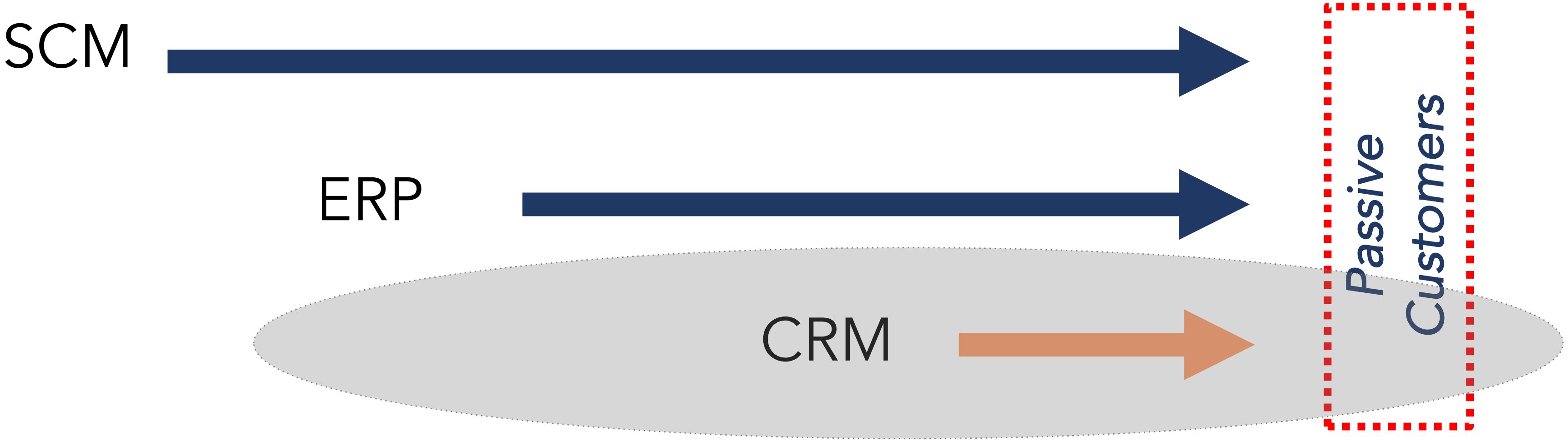
Suppliers

The Firm

Marketing Channels

Passive Customers

… and Most Functions and Processes Have Largely Been Focused on **Creating an “Inside-Out” Efficiency for the Firm**



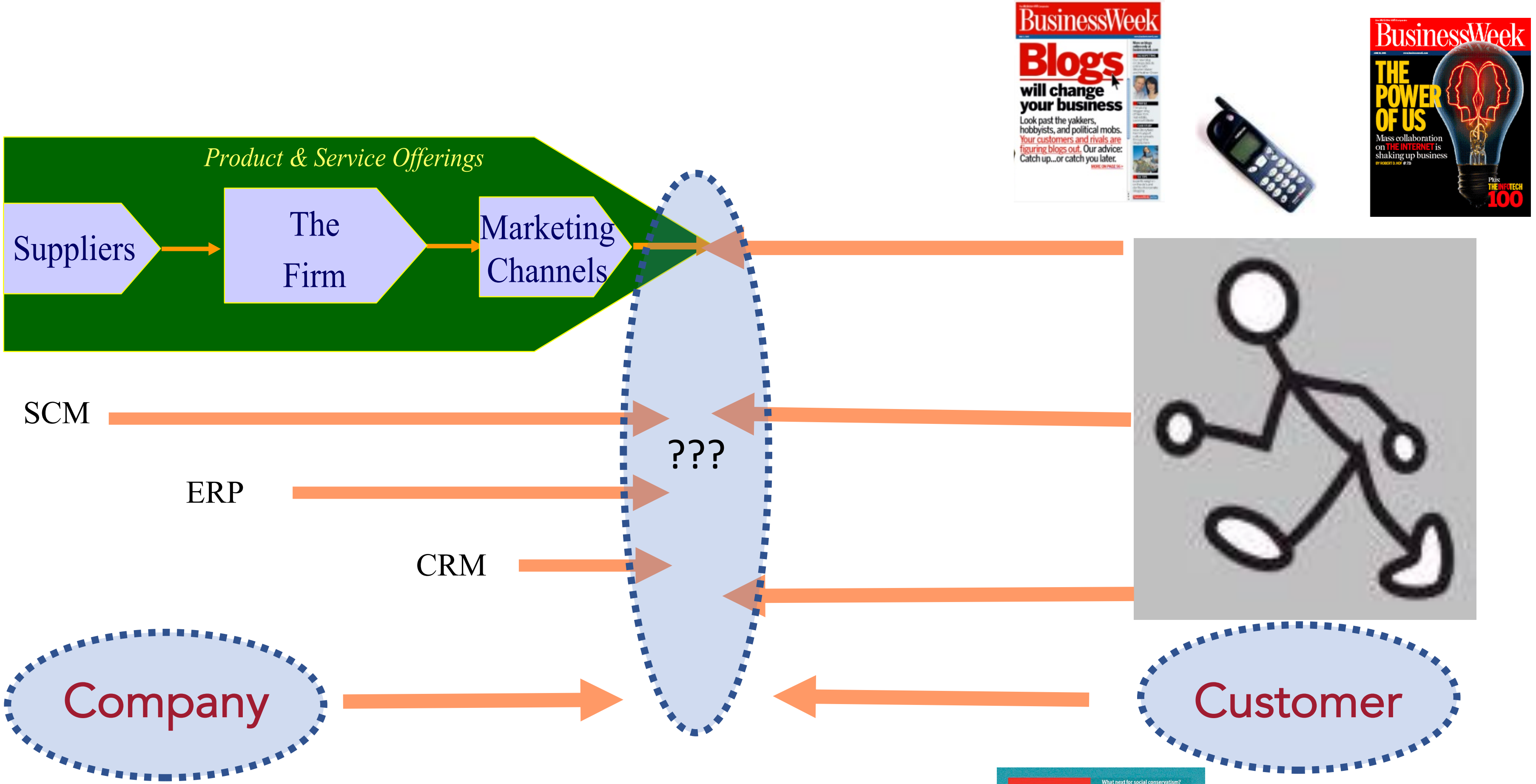
SCM

ERP

CRM

Passive Customers

Today, Individuals (Customers) are Highly Connected and Informed…. and are No Longer Passive Recipients


Product & Service Offerings
Suppliers
The Firm
Marketing Channels
SCM
ERP
CRM
???
Company
Customer
BusinessWeek
Blogs will change your business
Look past the yakkers, hobbyists, and political mobs. Your customers and rivals are figuring blogs out. Our advice: Catch up...or catch you later.
BusinessWeek
THE POWER OF US
Mass collaboration on THE INTERNET is shaking up business
Plus: THE INFOTECH 100

The Economist

What next for social conservatism? PAGES 14 AND 27

Paul Volcker's UN torture PAGES 12 AND 29

Wall Street's titans in trouble PAGE 65

Islam, tolerance and the Dutch PAGES 24-26

www.economist.com

Power at last

How the internet means the consumer really is king (and queen)

14-PAGE SPECIAL REPORT

Google Blog Search BETA

Search Blogs

Advanced Blog Search

Preferences

Find blogs on your favorite topics

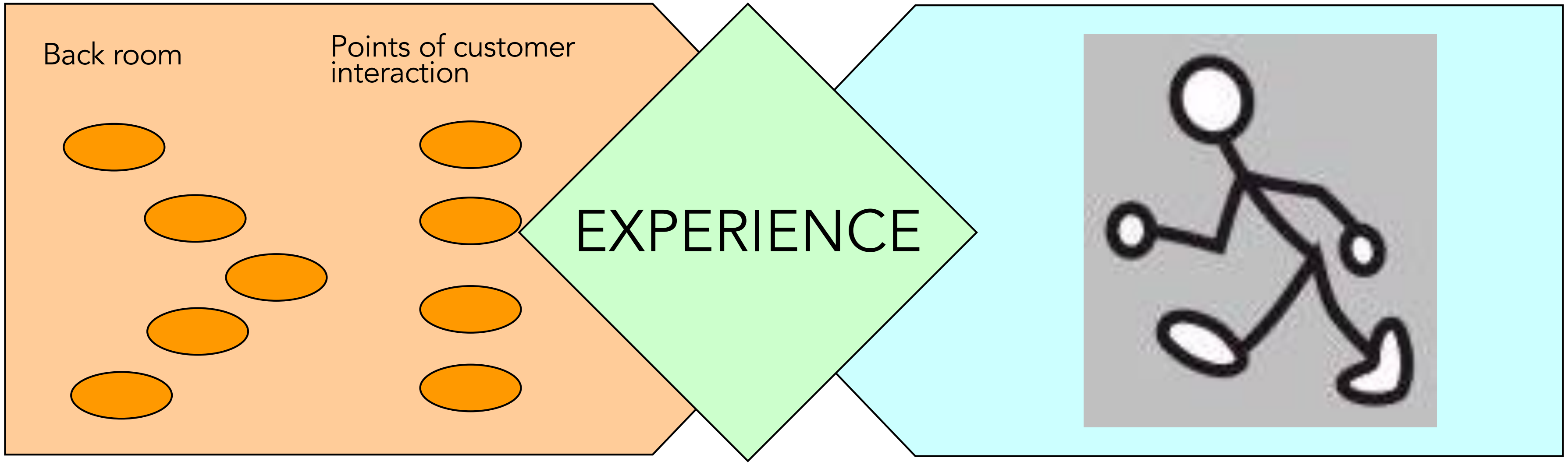
Google Home - About Google Blog Search

©2005 Google

myspace.com a place for friends

CUSTOMER EXPERIENCE MANAGEMENT

WHAT CUSTOMERS WANT IS A UNIQUE EXPERIENCE IN INTERACTING WITH THE COMPANY …


Back room
Points of customer interaction
EXPERIENCE

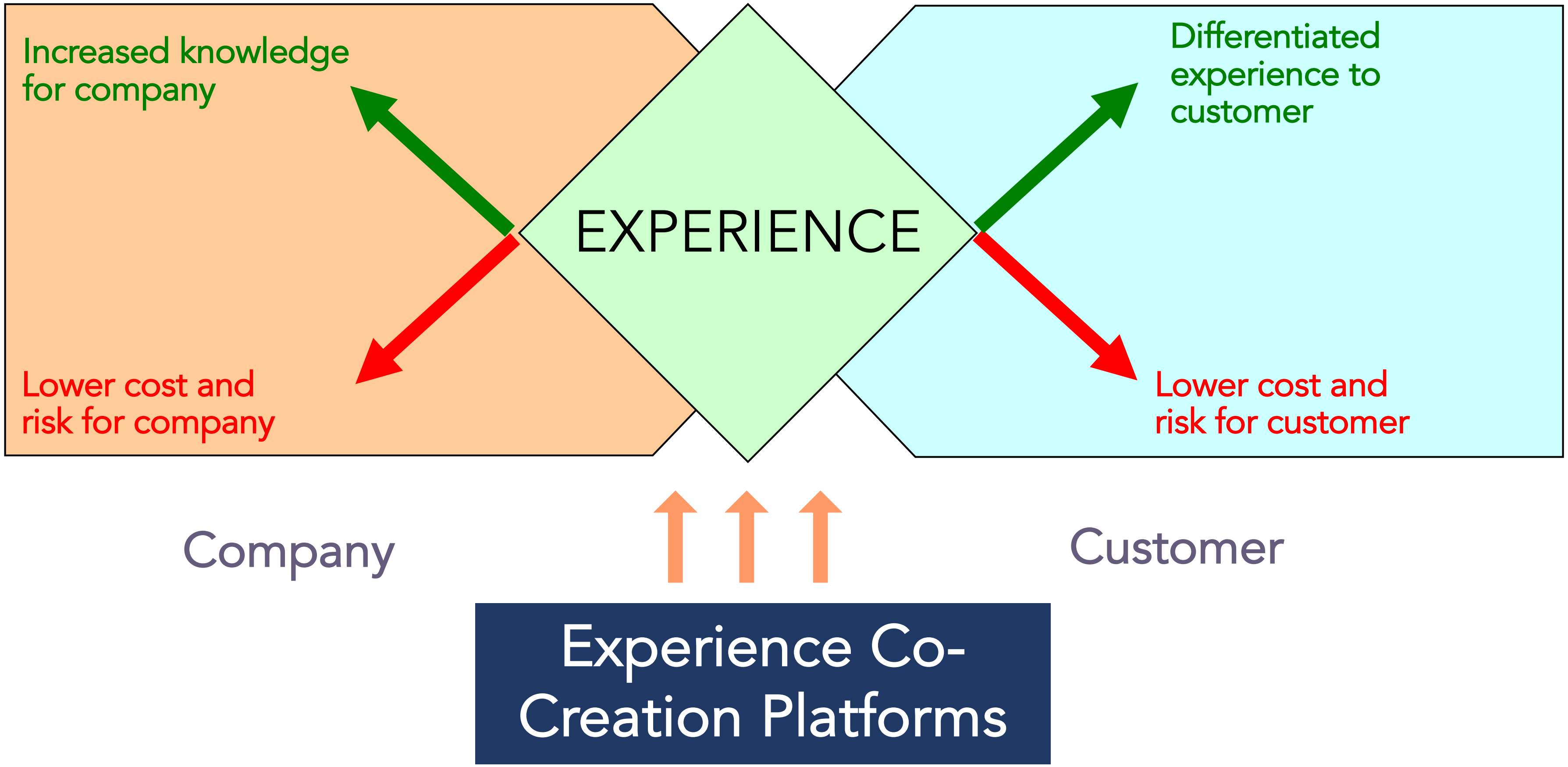
Company

Customer

… AND THE BEST EXPERIENCE IS “CO-CREATED” BETWEEN THE COMPANY AND THE CUSTOMER

CUSTOMER EXPERIENCE MANAGEMENT

THE CO-CREATION PLATFORMS PRODUCE A DUAL SET OF BENEFITS FOR BOTH PARTIES


Increased knowledge for company
Lower cost and risk for company
EXPERIENCE
Differentiated experience to customer
Lower cost and risk for customer
Company
Customer
Experience Co-Creation Platforms

CUSTOMER EXPERIENCE (& CENTRIC) MANAGEMENT

Case studies

nutella FERRERO

illy

500

Red Bull TOP SECRET

L'ORÉAL PARIS

MULINO BIANCO Barilla

HEINEKEN BEER Heineken PREMIUM QUALITY

MINI

IKEA

ALGIDA

Fiart mare

vodafone

MiTo

NOKIA Connecting People

tic tac

CheBanca! Gruppo Mediobanca

STARBUCKS COFFEE

PERUGINA

PlayStation

fnac

DUCATI

CUSTOMER EXPERIENCE MANAGEMENT

CEM: beyond the CRM (1/2)

- Schmitt (2003, 2013) examines how the companies build **experiential marketing strategies** in the customer relationship management. He recognizes the customer experience management (CEM) "**as the process of managing a customer's entire experience with a product, a brand or a company**".
- Many Authors analyze the **creating distinctive of customer experience as a process of value co-creation with the customers** (*Prahalad, Ramaswamy, 2004; Vargo, Lusch, 2004, 2008, 2016; Frow, Payne, 2007; Risitano et al. 2017, 2020*)
- Academics studies argue that the firm does not create and deliver value to the passive customer, but rather, **through interactions**, embeds value in the co-creation process between the firm and its customers (Tynan, McKechnie, Chhuon, 2009).

CUSTOMER EXPERIENCE MANAGEMENT

CEM: beyond the CRM (2/2)

Schmitt (2003, 2013) interprets the CEM process as a **new customer-centric marketing strategy**, based on five steps:

a. the analysis of the customer's experiential world;
b. the creation of an experiential platform;
c. the design of the brand experience;
d. the structuring of the customer's interface;
e. the customer's engagement in continuous business innovation.

Designing, implementing and managing a CEM program allows to maximize two key objectives for the firms:

1. **to create value for the customers**, defining a unique and memorable experience respect to the competitors;
2. **to provide revenue, profits and cash flow for the company**.

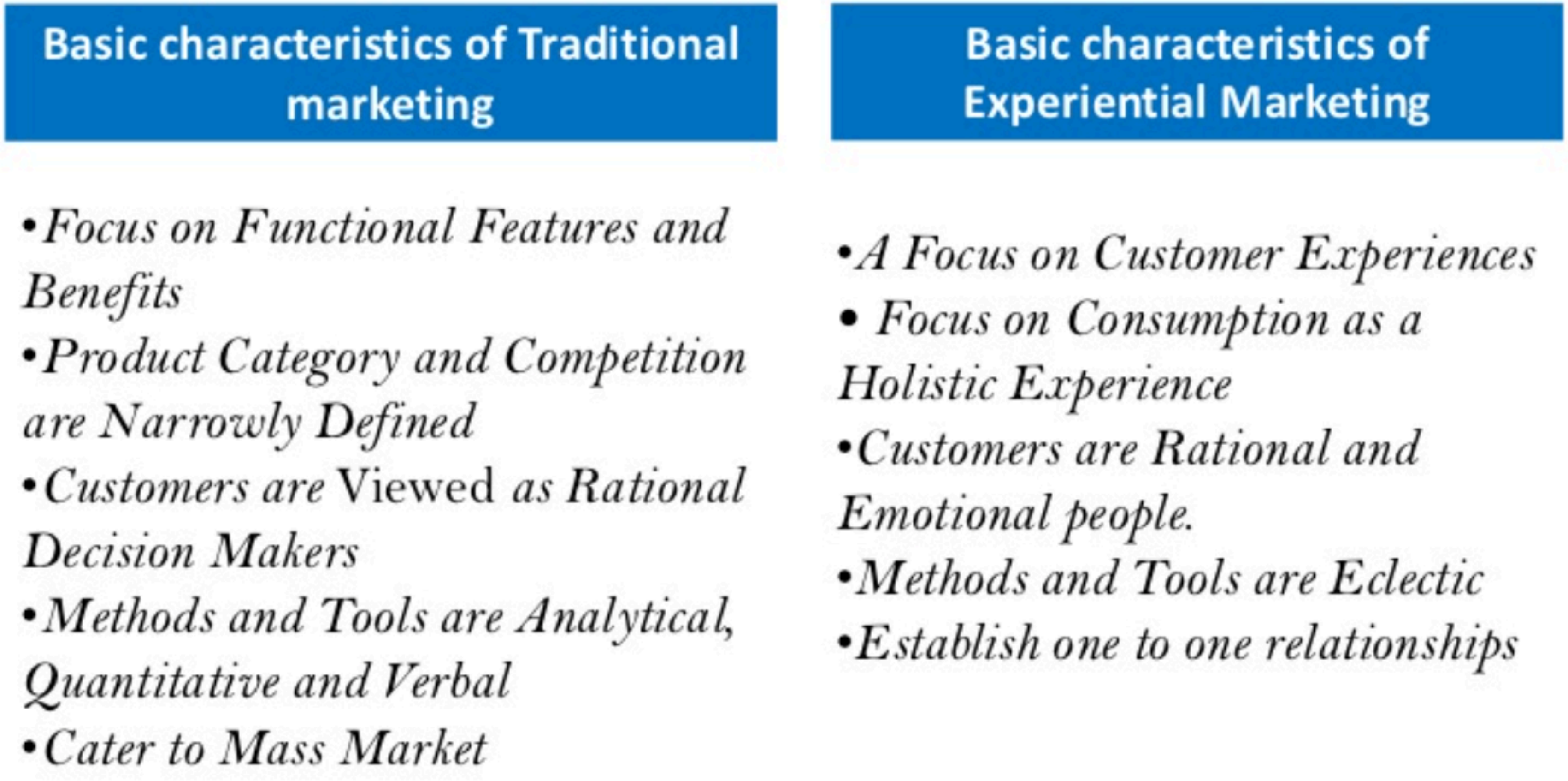
CUSTOMER EXPERIENCE MANAGEMENT

Agenda

- INTRODUCTION
- CEM vs CRM
    - *- CEM: beyond the CRM*
- THE EXPERIENTIAL MARKETING
- THE CASE STUDY OF A "FLIGHT COMPANY"

CUSTOMER EXPERIENCE MANAGEMENT

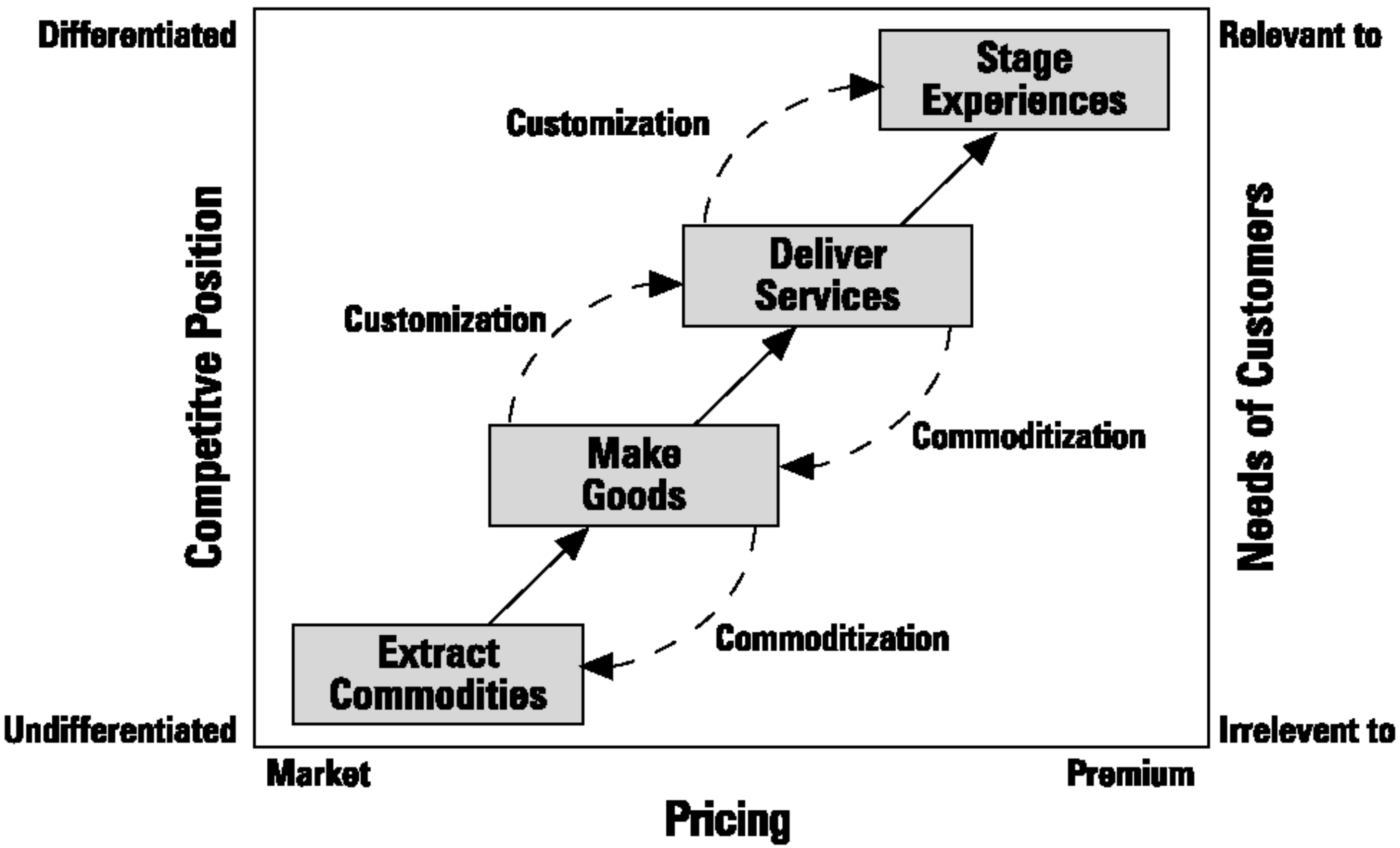
The Experiential Marketing



Basic characteristics of Traditional marketing	Basic characteristics of Experiential Marketing
Focus on Functional Features and Benefits	*A Focus on Customer Experiences*
Product Category and Competition are Narrowly Defined	*Focus on Consumption as a Holistic Experience*
Customers are Viewed as Rational Decision Makers	*Customers are Rational and Emotional people.*
Methods and Tools are Analytical, Quantitative and Verbal	*Methods and Tools are Eclectic*
Cater to Mass Market	*Establish one to one relationships*

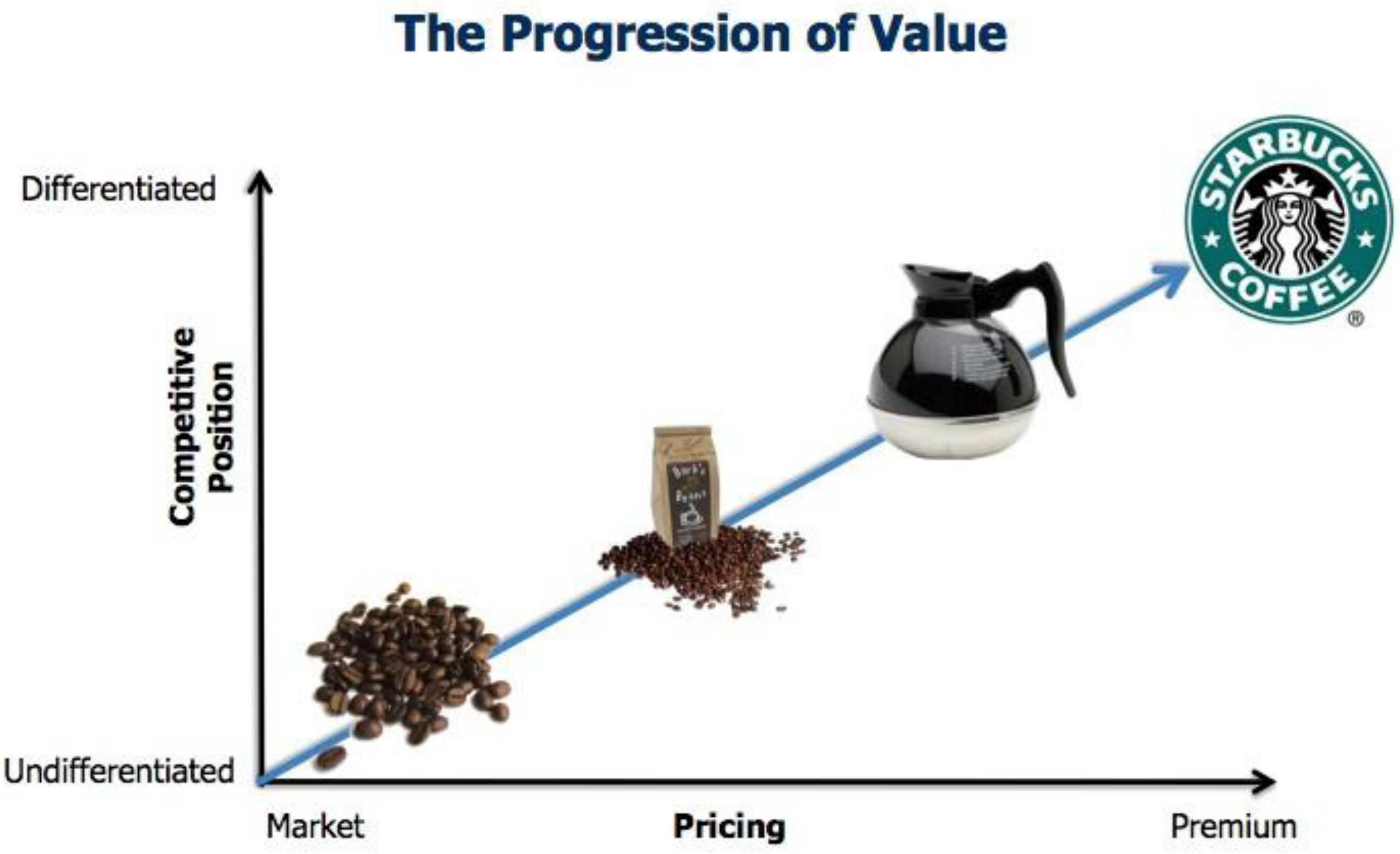
CUSTOMER EXPERIENCE MANAGEMENT

The Experiential Marketing > The progression of value


Differentiated
Undifferentiated
Competitive Position
Relevant to
Irrelevent to
Needs of Customers
Market
Premium
Pricing
Stage Experiences
Deliver Services
Make Goods
Extract Commodities
Customization
Customization
Commoditization
Commoditization

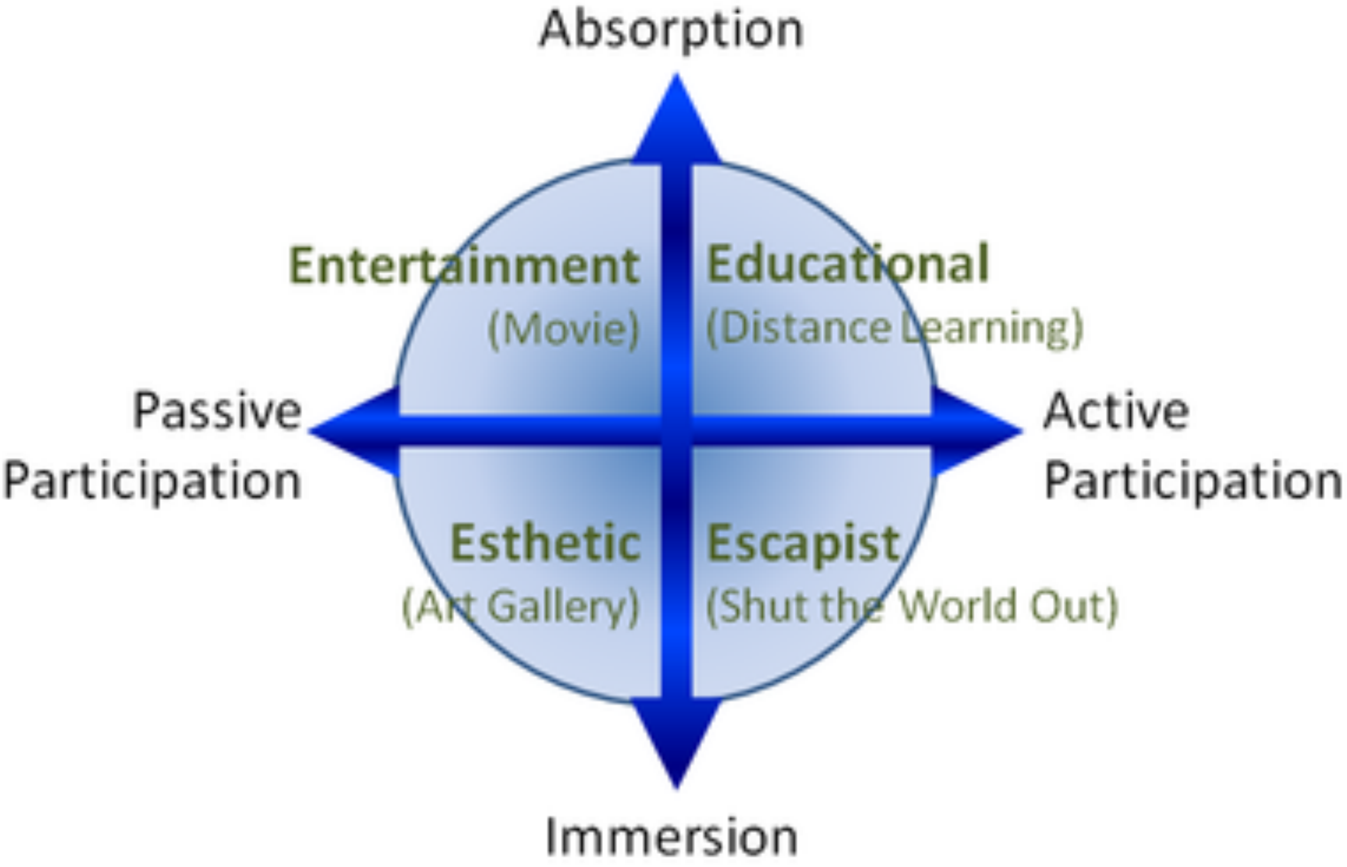
CUSTOMER EXPERIENCE MANAGEMENT

The Experiential Marketing > A case study


The Progression of Value
Differentiated
Competitive Position
Undifferentiated
Market
Pricing
Premium
STARBUCKS COFFEE

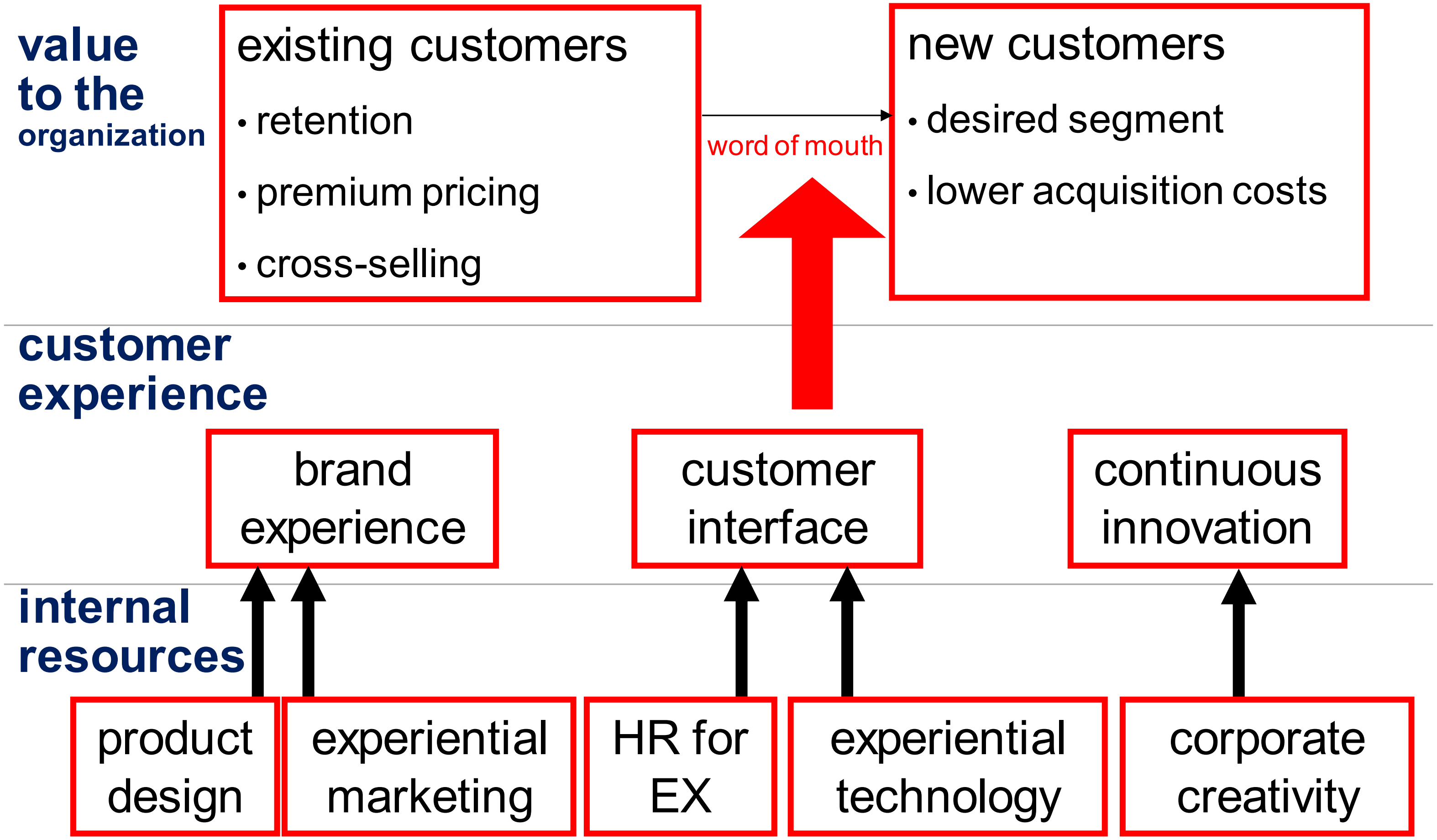
CUSTOMER EXPERIENCE MANAGEMENT

The Experiential Marketing > Partecipation vs Involvement


Absorption
Entertainment
(Movie)
Educational
(Distance Learning)
Passive
Participation
Active
Participation
Esthetic
(Art Gallery)
Escapist
(Shut the World Out)
Immersion

CUSTOMER EXPERIENCE MANAGEMENT

The Experiential Marketing > Towards a sustainable competitive adv



value to the organization
existing customers
• retention
• premium pricing
• cross-selling
word of mouth
new customers
• desired segment
• lower acquisition costs
customer experience
brand experience
customer interface
continuous innovation
internal resources
product design
experiential marketing
HR for EX
experiential technology
corporate creativity

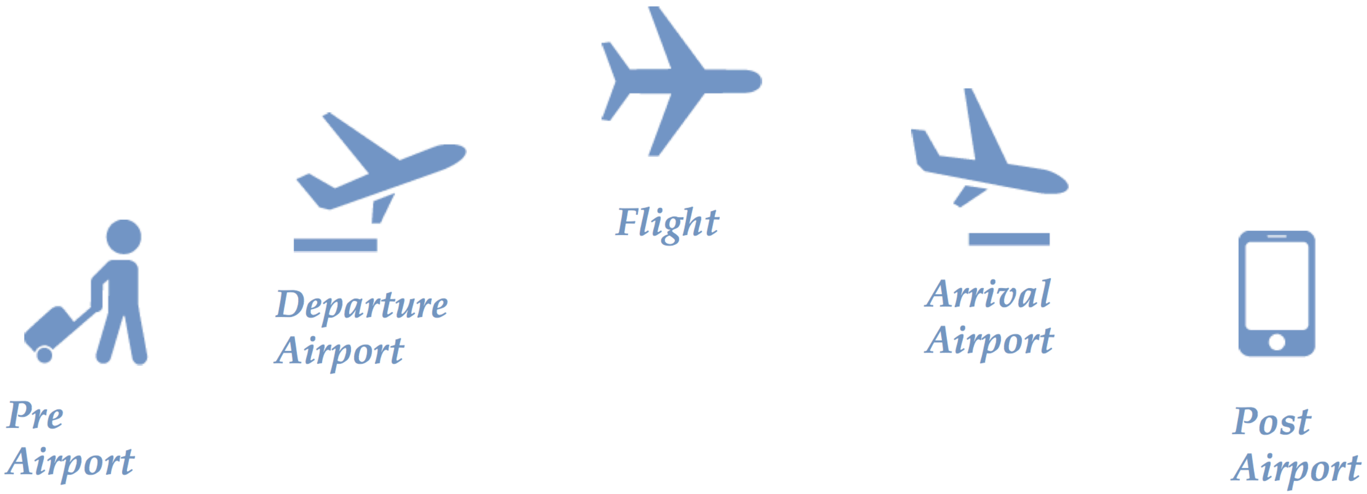
CUSTOMER EXPERIENCE MANAGEMENT

Agenda

- INTRODUCTION
- CEM VS CRM
    - *- CEM: beyond the CRM*
- THE EXPERIENTIAL MARKETING
- THE CASE STUDY OF A "FLIGHT COMPANY"

CUSTOMER EXPERIENCE MANAGEMENT

The case study of a "flight company" > Analysing the user experience



Pre Airport

Departure Airport

Flight

Arrival Airport

Post Airport

CUSTOMER EXPERIENCE MANAGEMENT

The case study of a "flight company" > The Touch Points

5 Types of Touch Points

The touch points in the user experience have been differentiated in 5 types:

Visual	Visually affects the brand image
Added Value Services	Direct benefits for the user that affect the brand perception
Personal Interaction	Direct contact with the personnel
User Interface	User interface and user experience touch points
Product interaction	Direct contact with products offered by

CUSTOMER EXPERIENCE MANAGEMENT

The case study of a "flight company" > The Touch Points Color Code

Touch point Color Code

The touch points mapped in the user experience can be either:

🟠	🔴	◩	🔵	○
Economy (eg: Economy seat)	**Business Exclusive** (eg: VIP lounge)	**Common touch point but different treatment for Economy and Business** (eg: Check-in Line)	**Common to Business and Economy** (Brand Web)	**No** Brand

MEIM_2021-22

Grazie per averci seguito!!!
Thanks for your attention!!!

MARCELLO RISITANO
Professor of Marketing Management
University of Naples «Parthenope»
E-mail. marcello.risitano@uniparthenope.it