MEIM_2022-23

INTRO CUSTOMER-CENTRIC MNGT & VALUE CREATION FOR CUSTOMER

Lesson 1

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

MEIM_2022-23

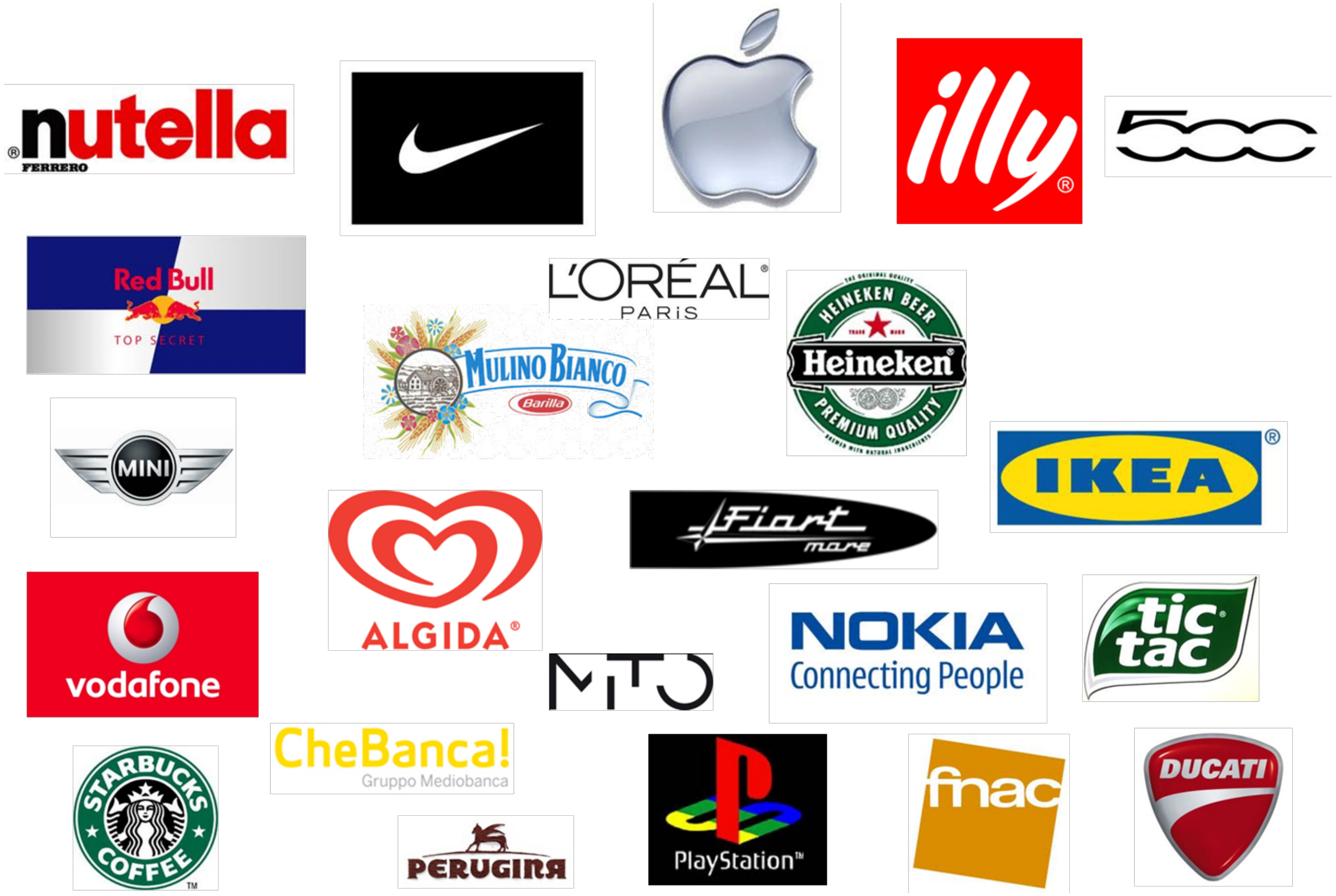
INTRO CUSTOMER-CENTRIC MNGT & VALUE CREATION FOR CUSTOMER

Lesson 1.1 – Customer-centric Management

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

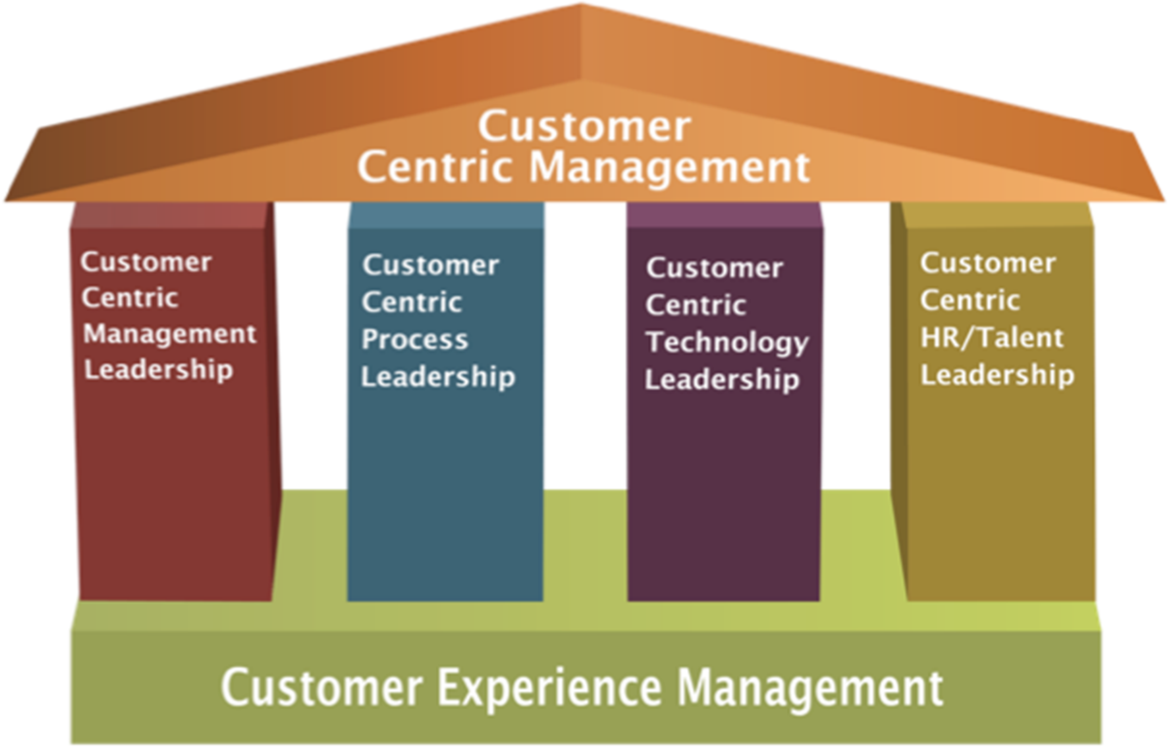
CUSTOMER CENTRIC MANAGEMENT

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

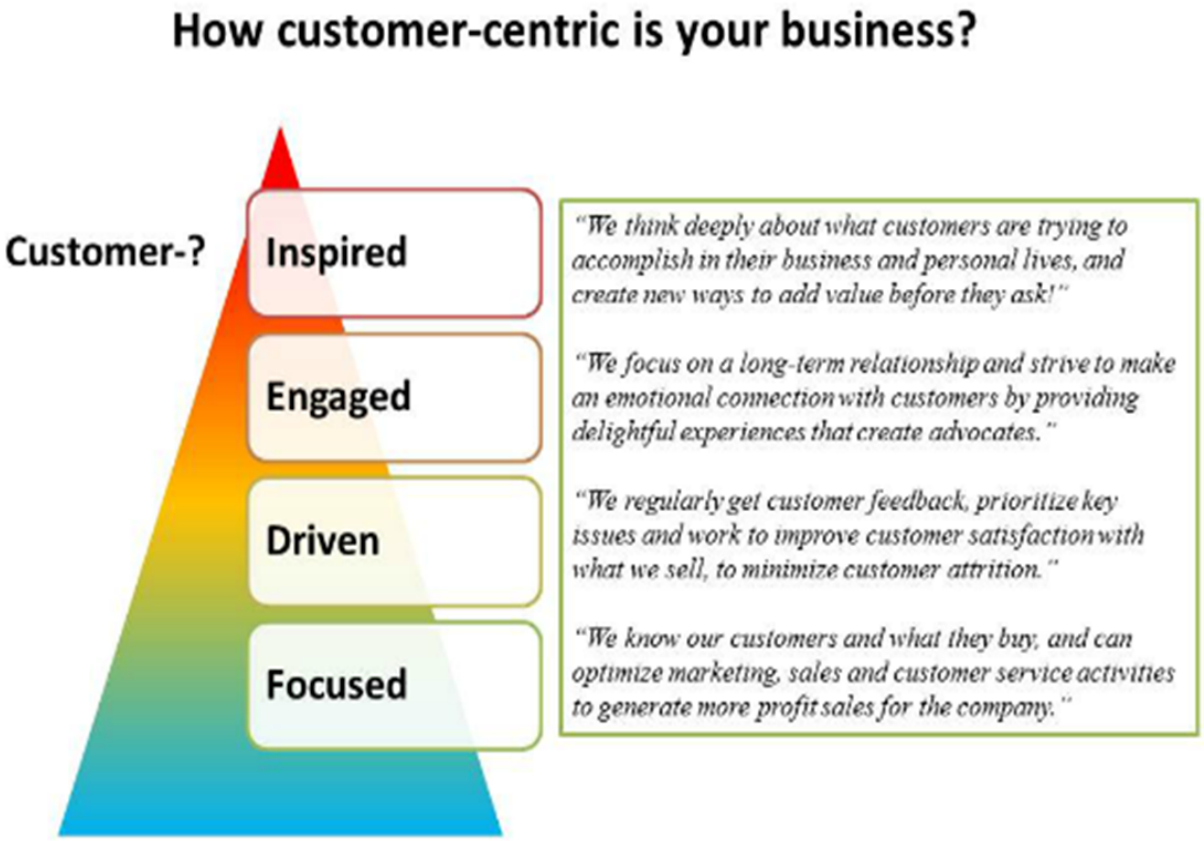
Customer Centric Technology Leadership

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?

"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!"

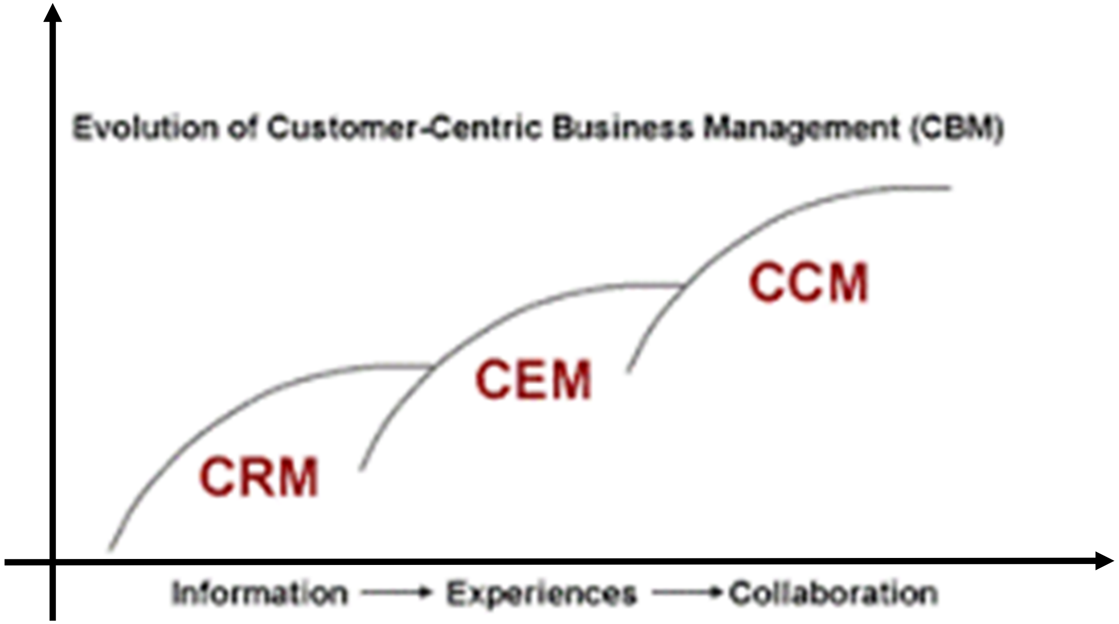
"We focus on a long-term relationship and strive to make an emotional connection with customers by providing delightful experiences that create advocates."

"We regularly get customer feedback, prioritize key issues and work to improve customer satisfaction with what we sell, to minimize customer attrition."

"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

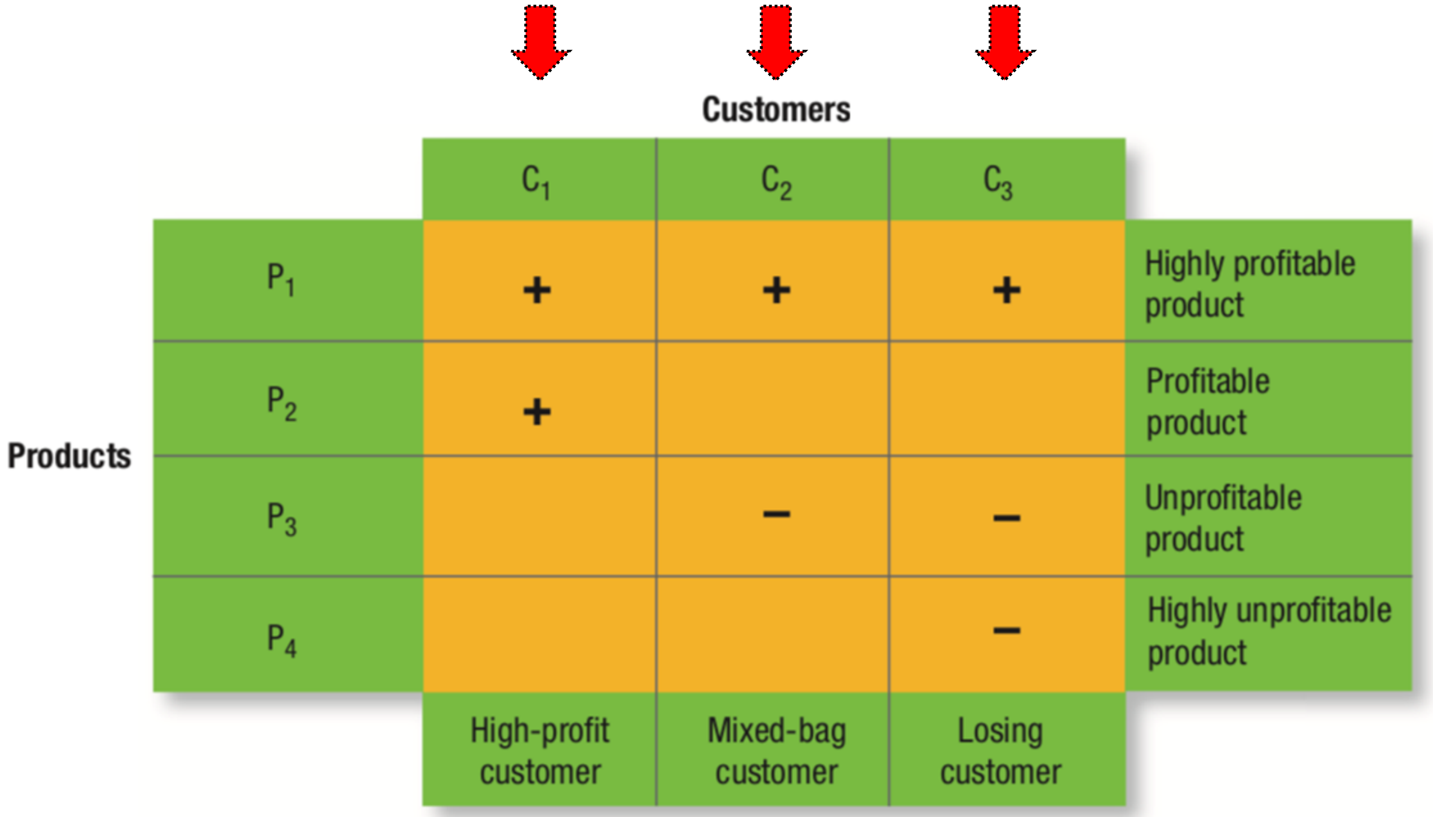
The customer "centricity" in the marketing processes


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

2000 **2010** **2020**

THE CENTRALITY OF THE CUSTOMER RELATIONSHIP

Customer-Product Profitability Analysis

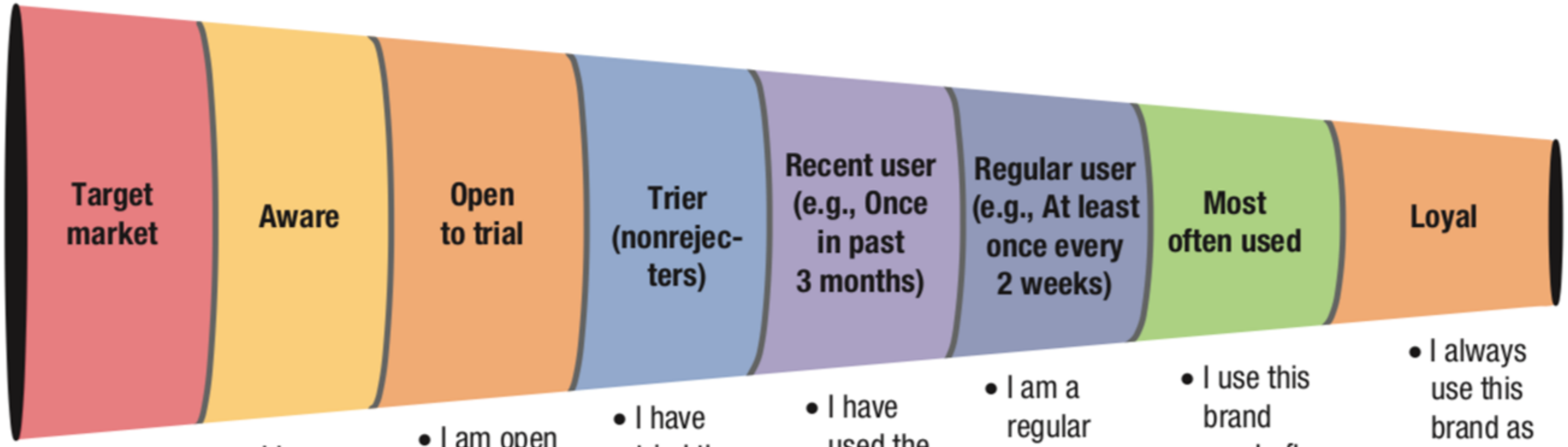


Customers

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



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_2022-23

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

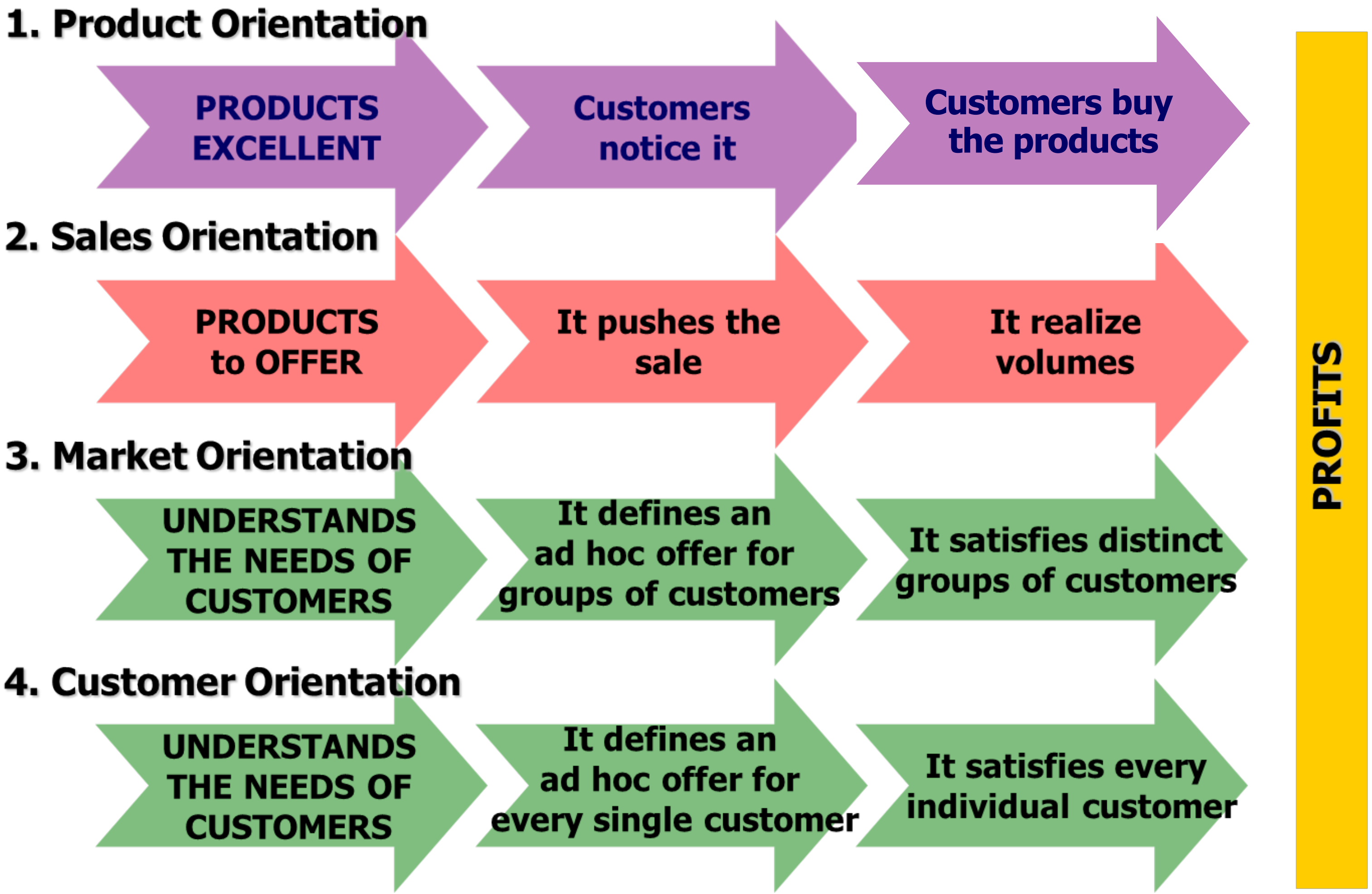
Definition

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

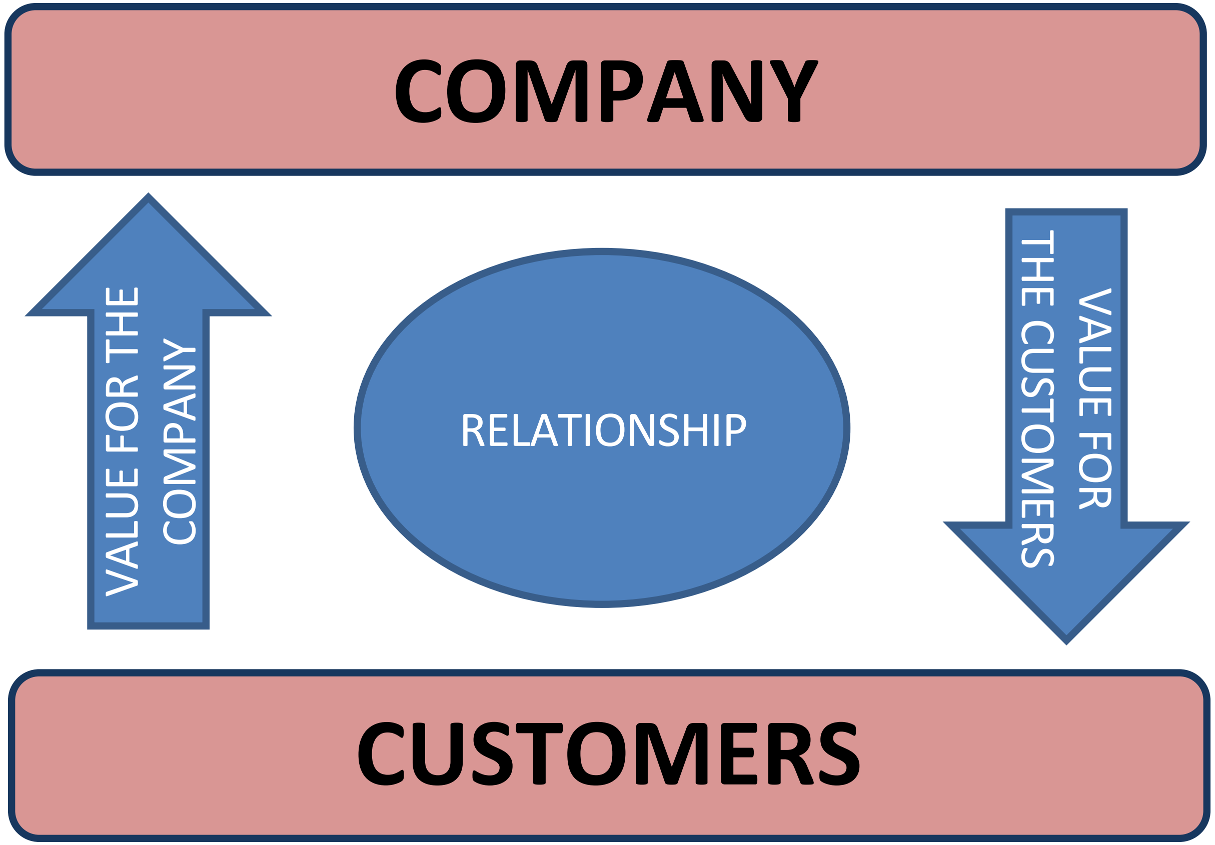
4. Customer Orientation

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

PROFITS

CUSTOMER VALUE MANAGEMENT

The value exchange processes



COMPANY

VALUE FOR THE COMPANY

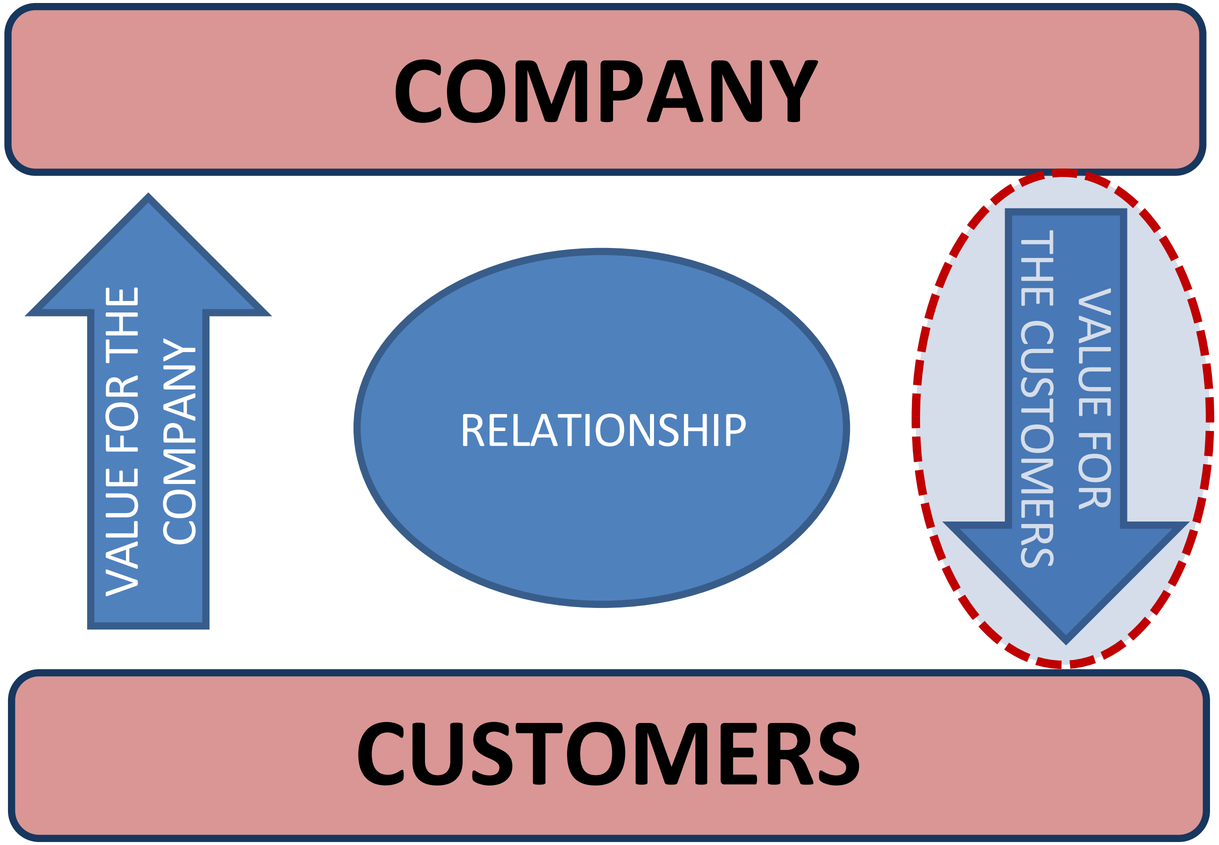
RELATIONSHIP

VALUE FOR THE CUSTOMERS

CUSTOMERS

CUSTOMER VALUE MANAGEMENT

The value exchange processes



COMPANY

VALUE FOR THE COMPANY

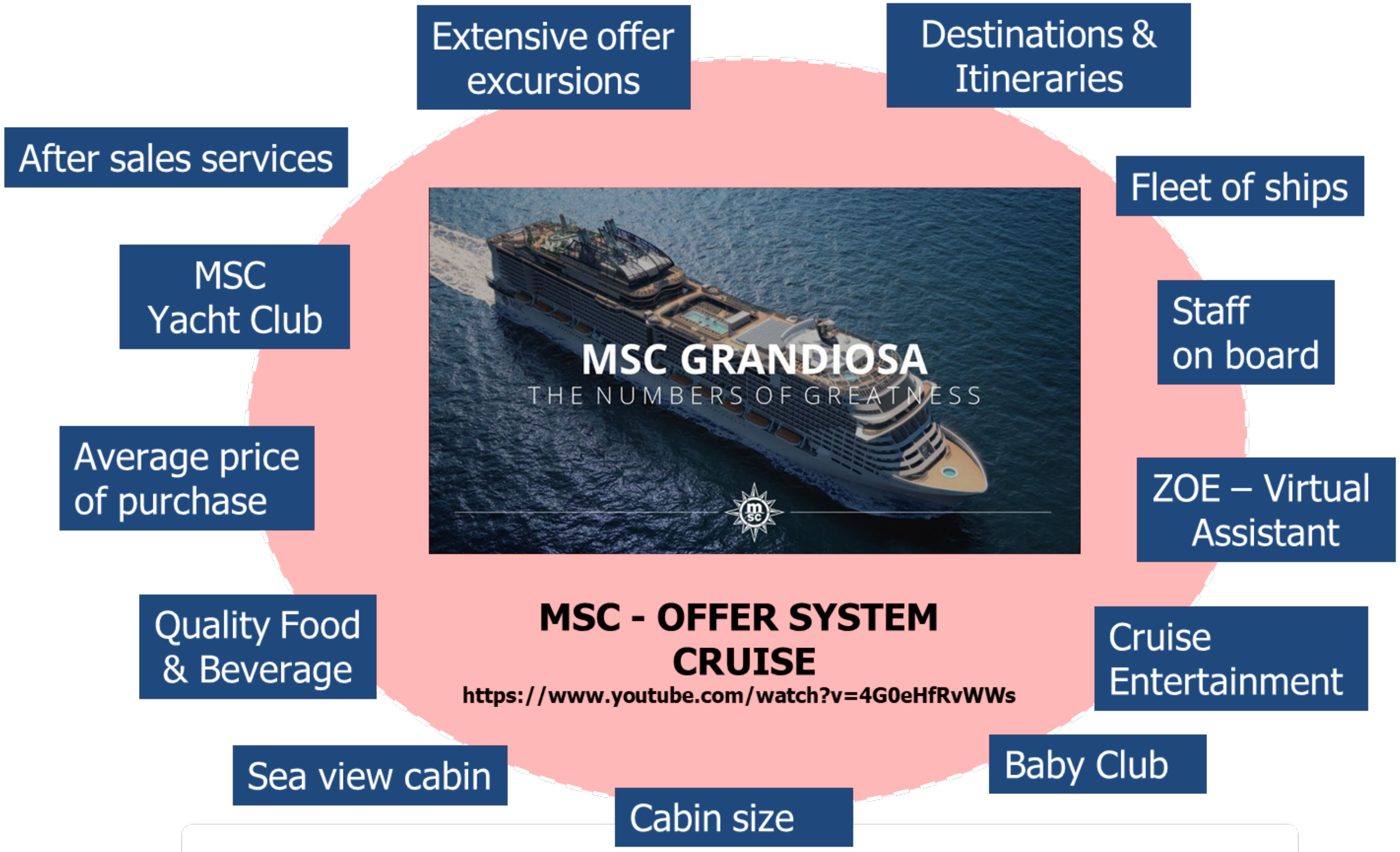
RELATIONSHIP

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

MSC - OFFER SYSTEM CRUISE

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

Cruise Entertainment

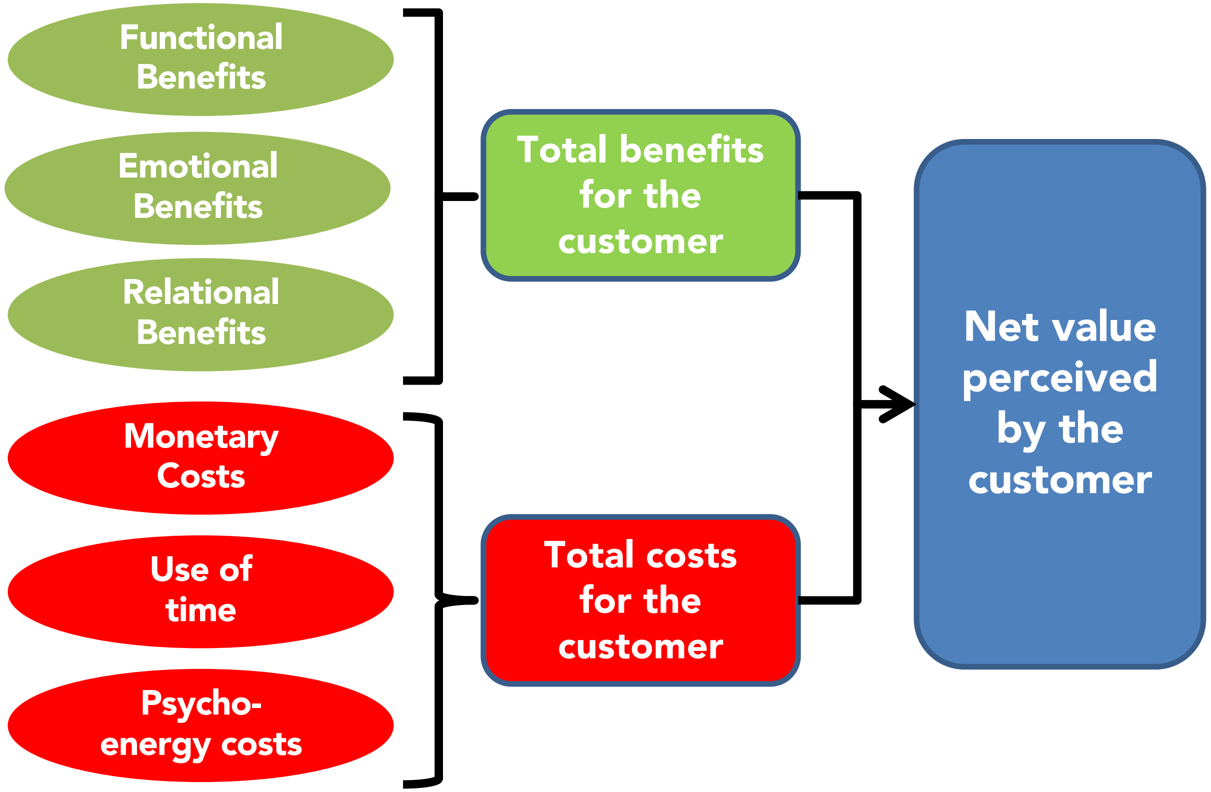
Sea view cabin

Baby Club

Cabin size

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.

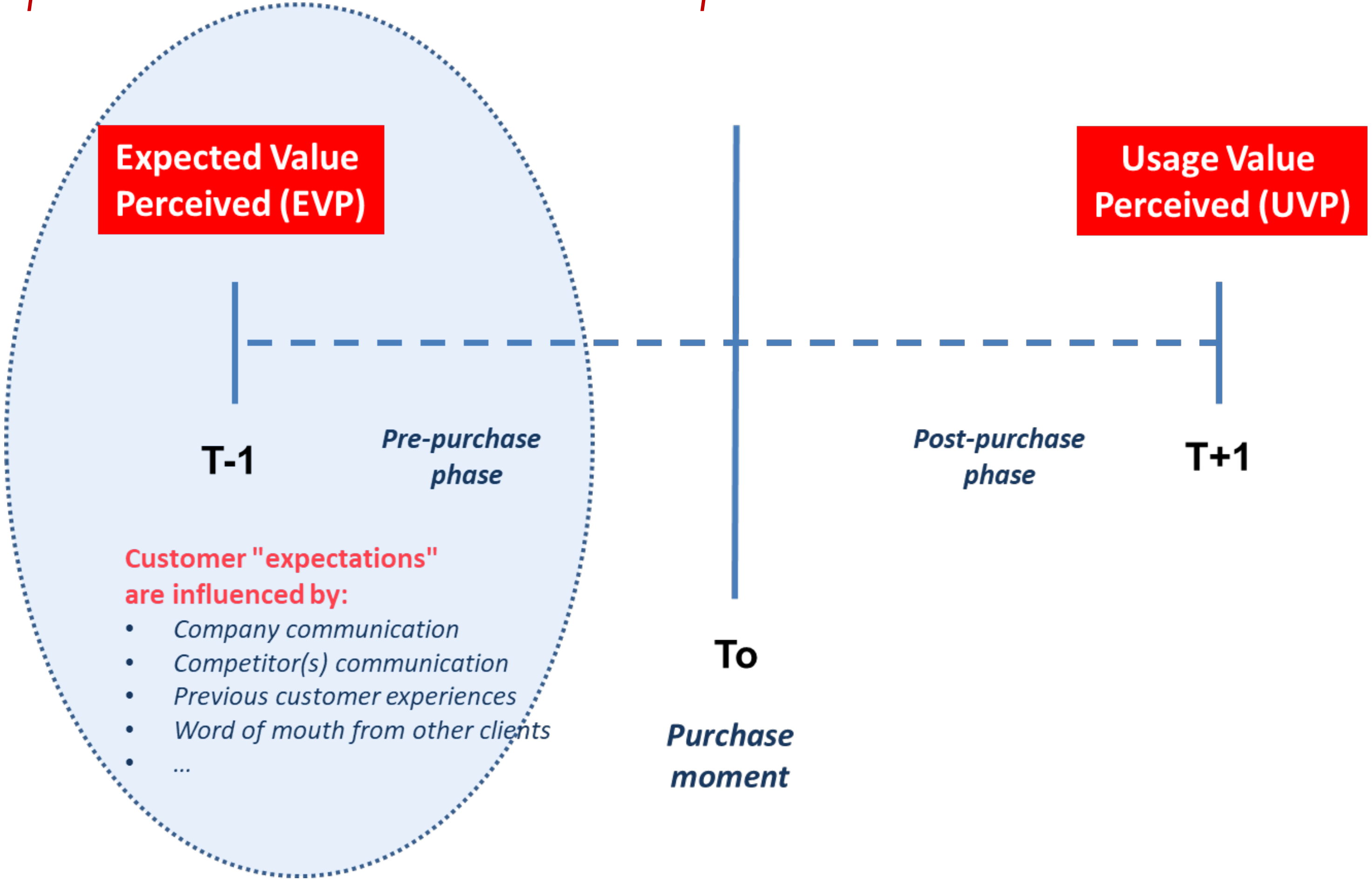
Total customer costs can be classified into the three macro-categories discussed below:

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

Post-purchase phase

T+1

To

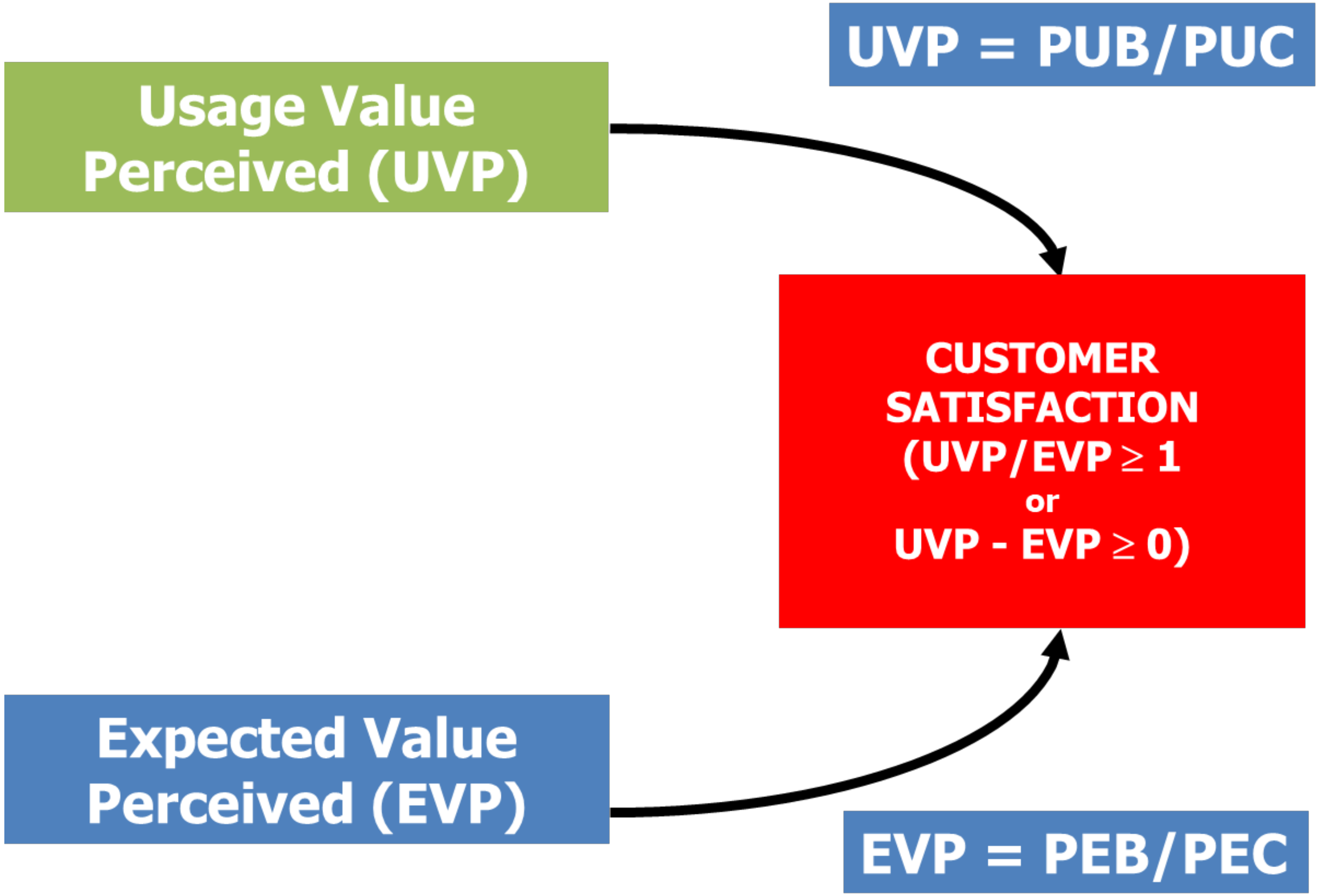
Purchase moment

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
($UVP/EVP \geq 1$
or
$UVP - EVP \geq 0$)

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

$$CSI_k = UVP_k / EVP_k$$

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

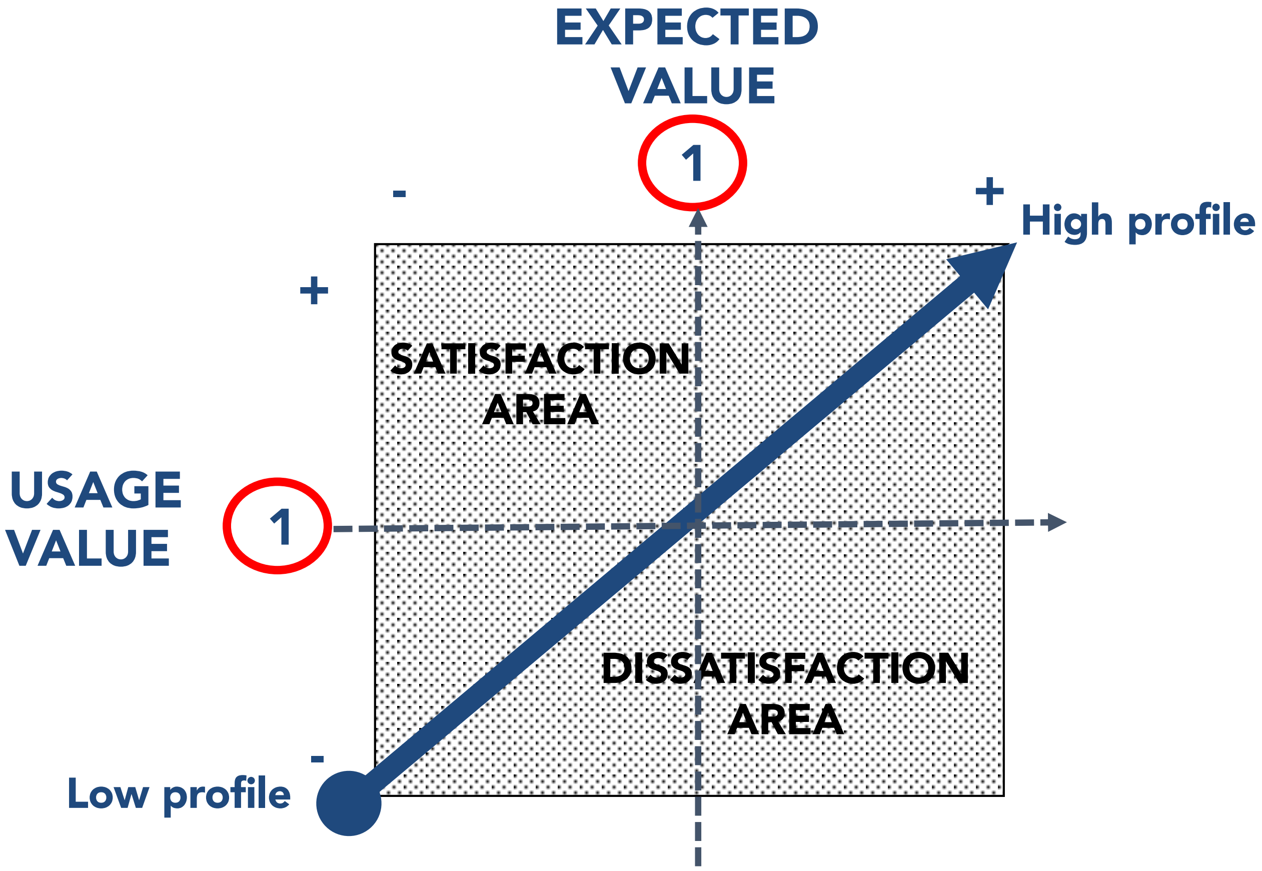
$$EVP_k = (\Sigma_{(i=1,\ldots b)\,(j=1,\ldots n)}\, W_i\, PEVB_{kij} / n) / (\Sigma_{(i=1,\ldots c)\,(j=1,\ldots n)}\, W_i\, PEVC_{kij} / n)$$

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.

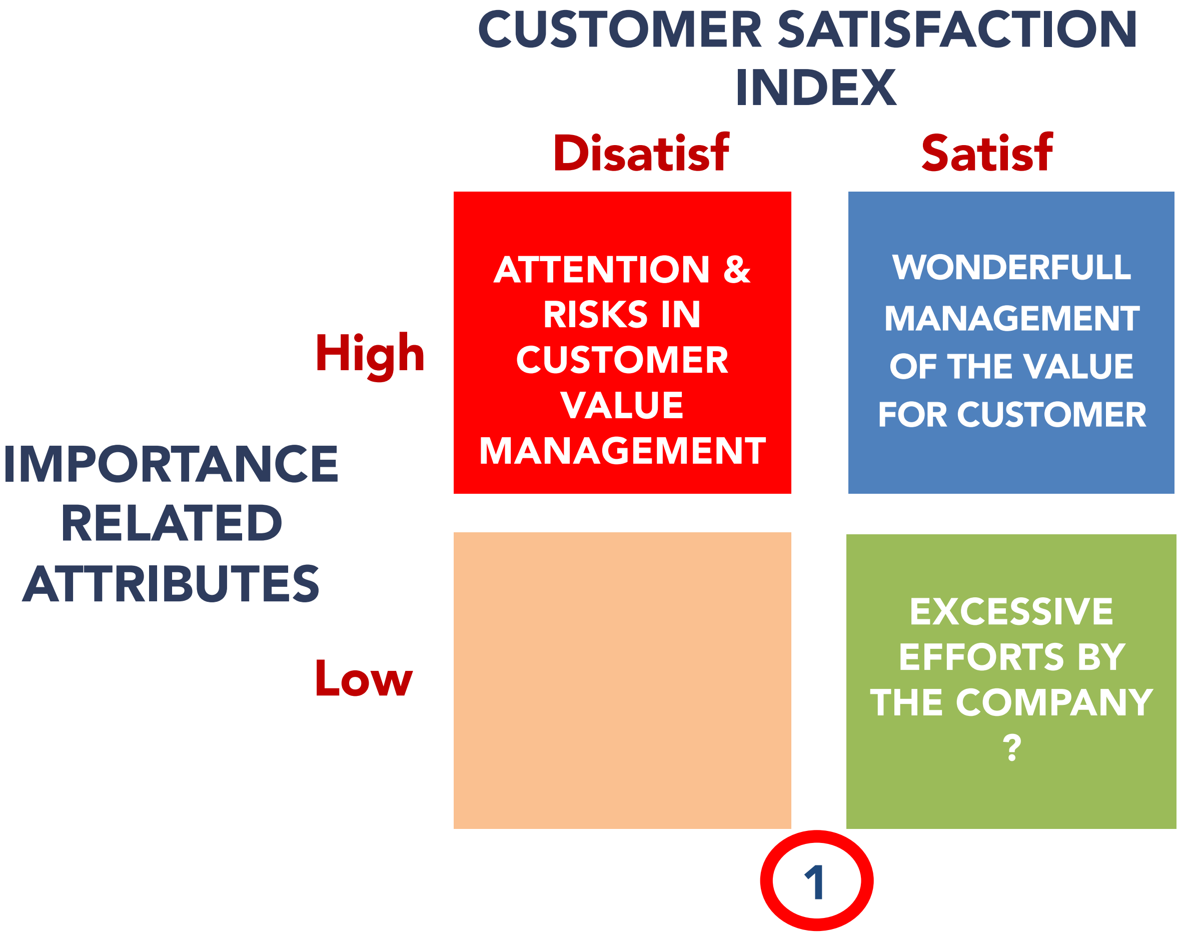
CUSTOMER VALUE MANAGEMENT

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

IMPORTANCE RELATED ATTRIBUTES

	Disatisf	Satisf
High	ATTENTION & RISKS IN CUSTOMER VALUE MANAGEMENT	WONDERFULL MANAGEMENT OF THE VALUE FOR CUSTOMER
Low		EXCESSIVE EFFORTS BY THE COMPANY ?

①

MEIM_2022-23

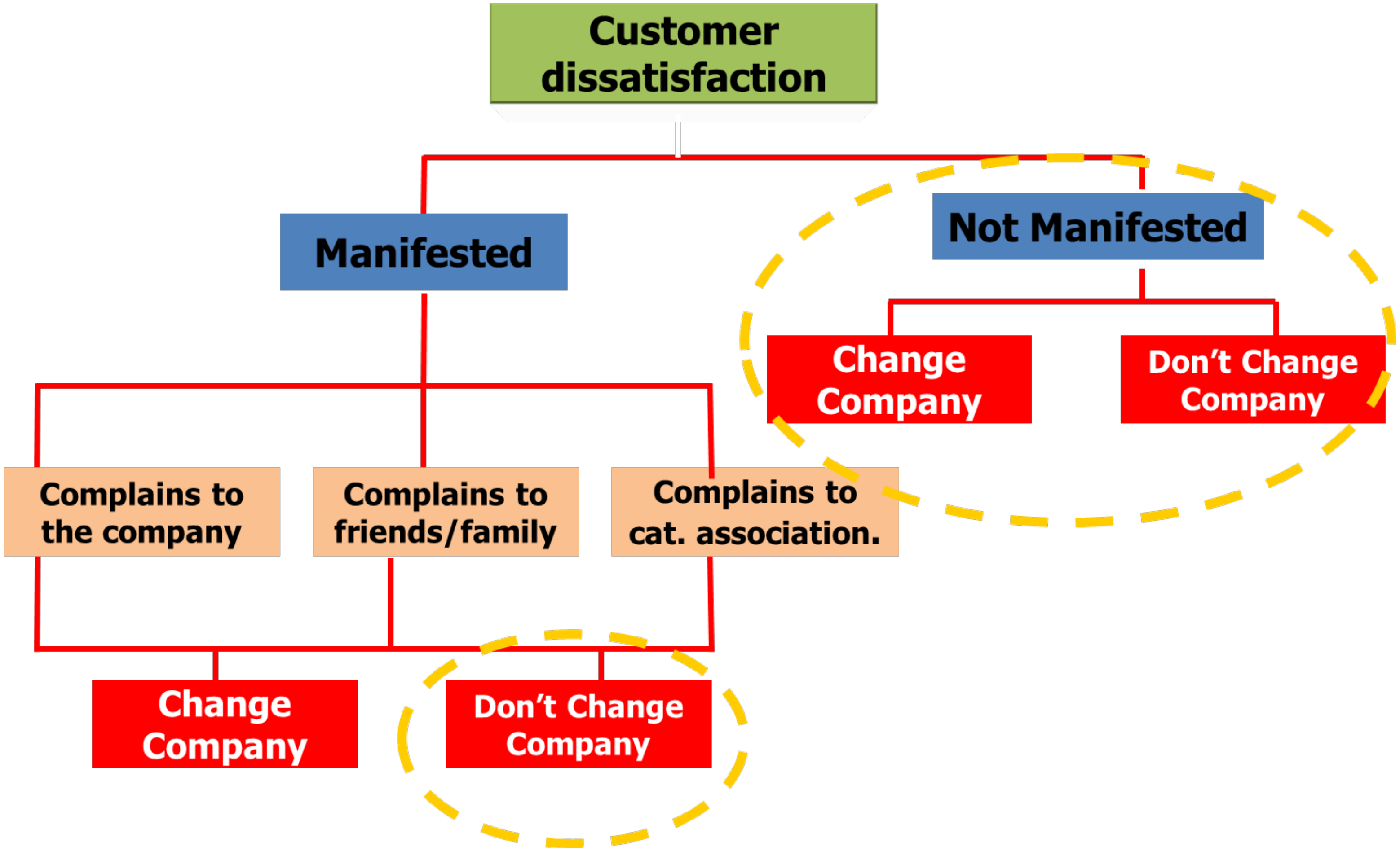
INTRO CUSTOMER-CENTRIC MNGT & VALUE CREATION FOR CUSTOMER

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

Complains to the company

Complains to friends/family

Complains to cat. association.

Change Company

Don't Change Company

Not Manifested

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)

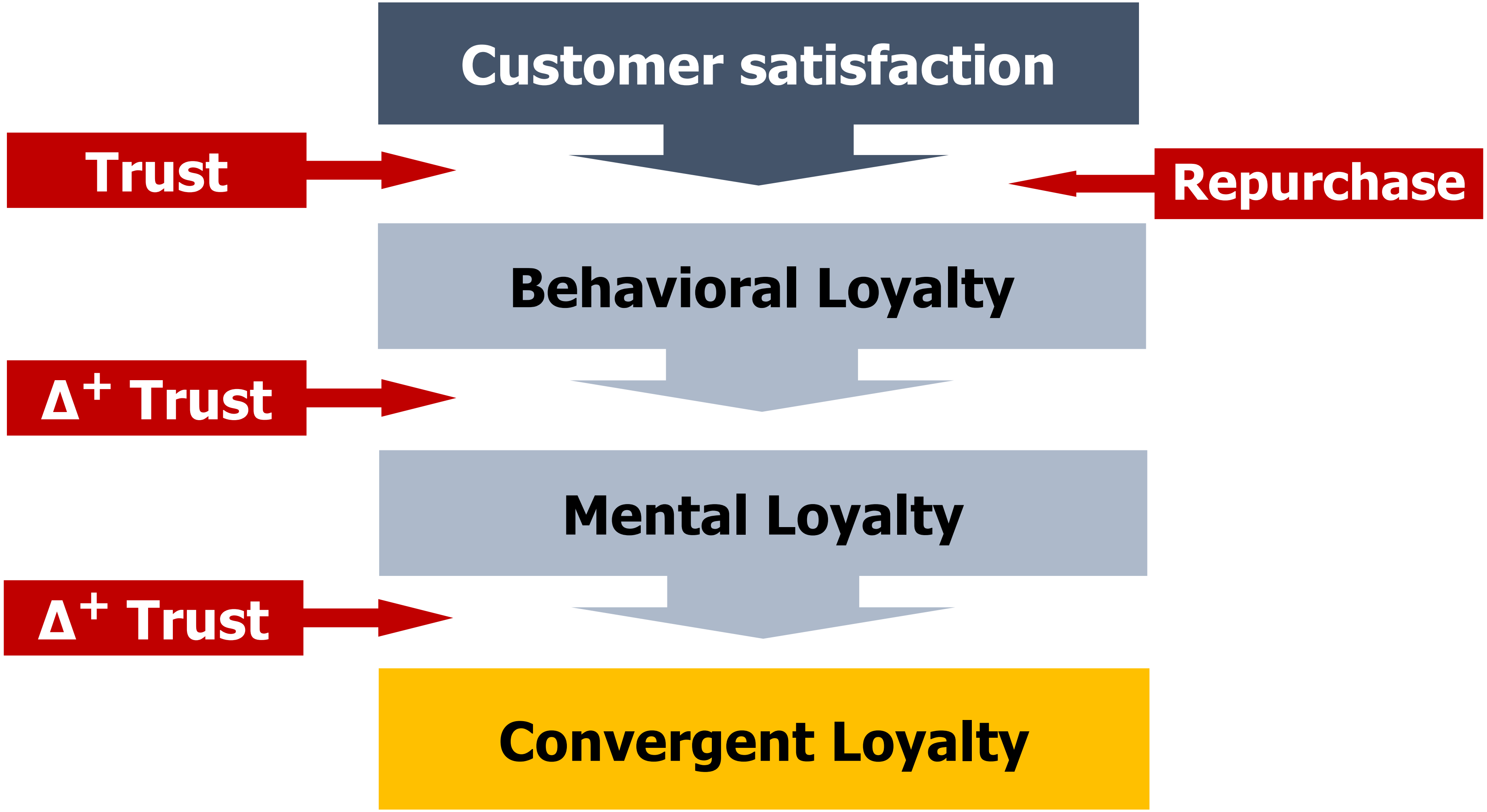
- Definition of a **model for measuring the causes of the complaint** (performance indicators, gap analysis, etc.);
- Identification of the **nature of the problem**.

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_2022-23

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_2022-23

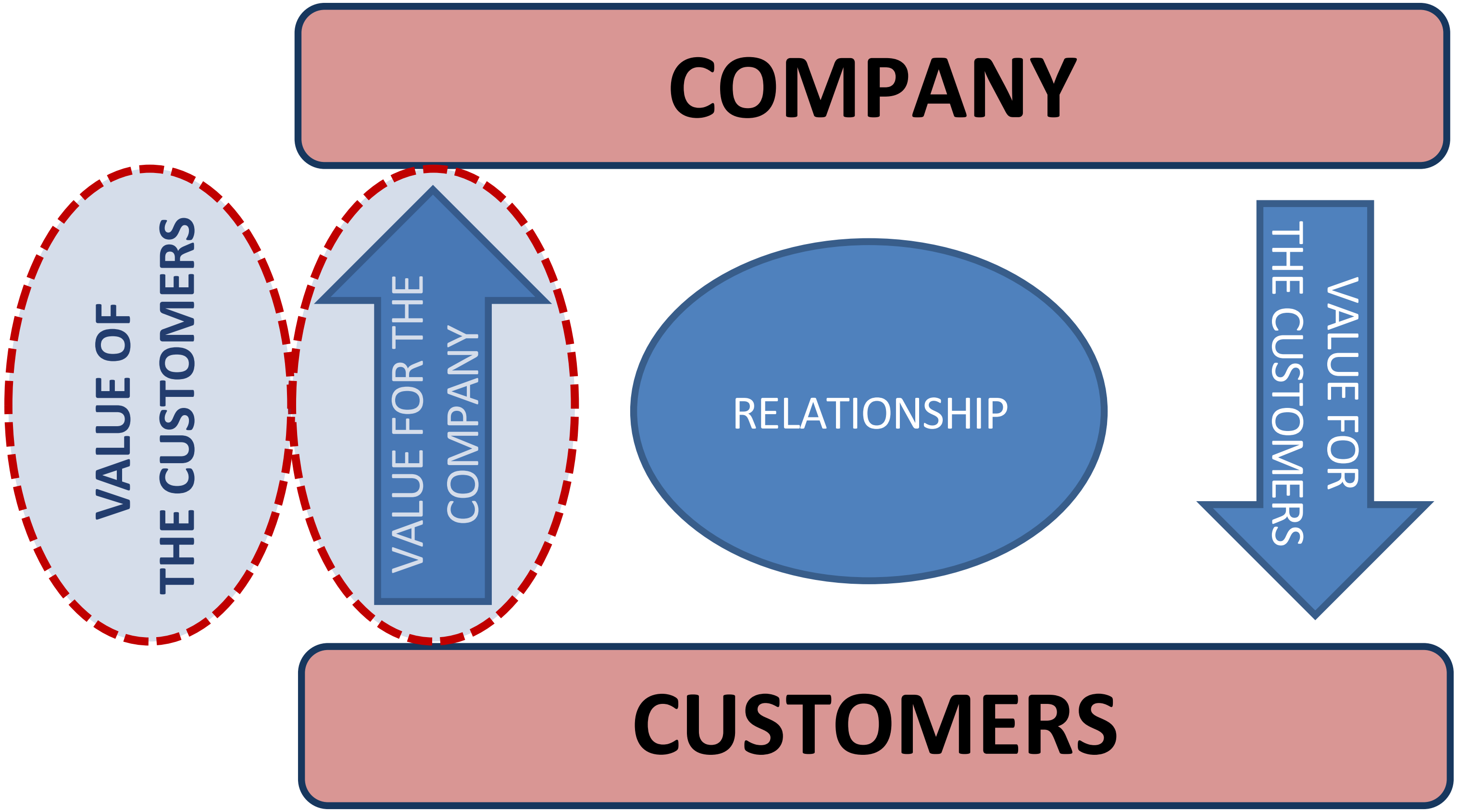
VALUE FOR THE CUSTOMER vs VALUE OF THE CUSTOMER

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.

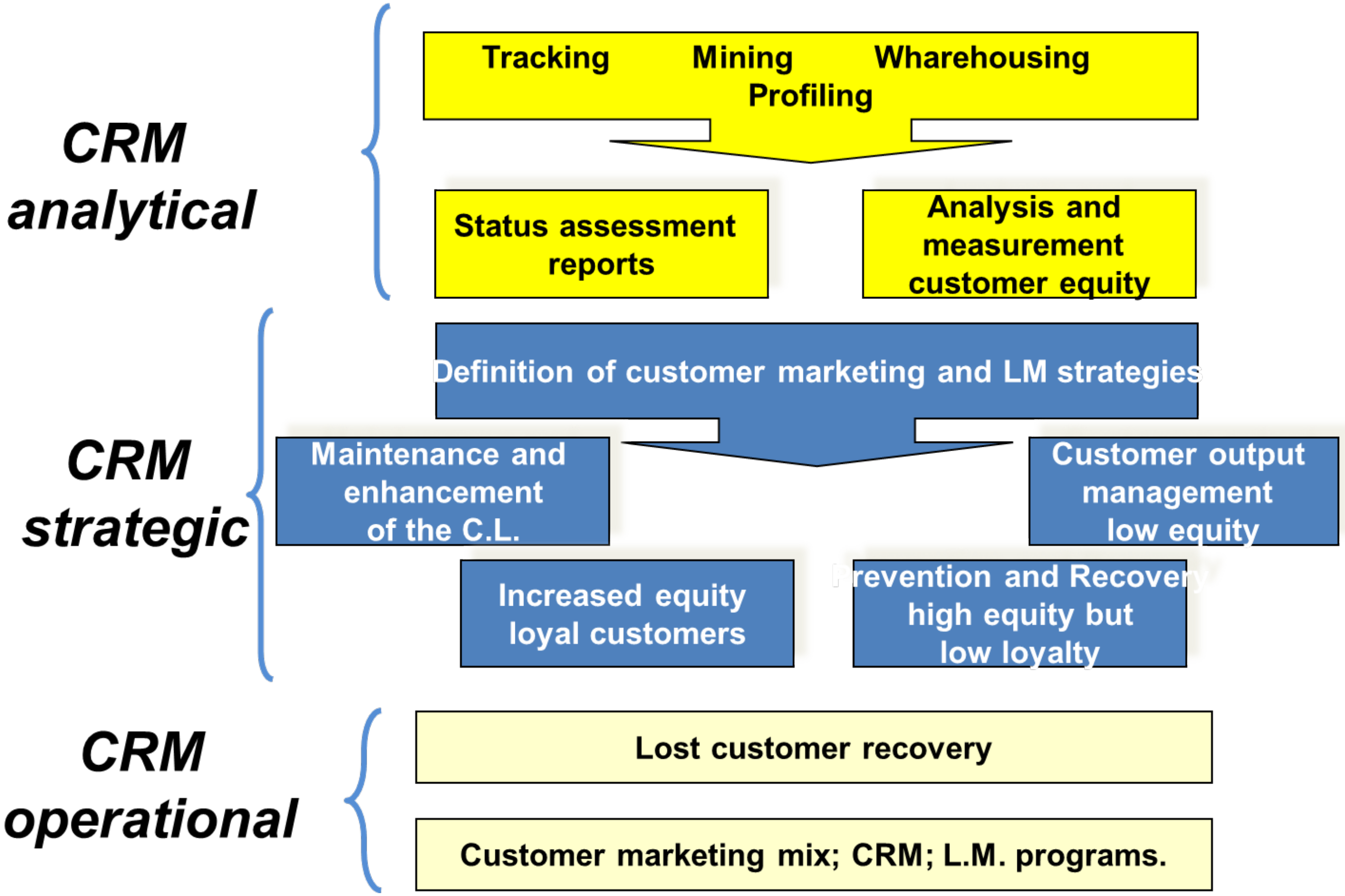
CRM DEFINITION

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

Prevention and Recovery high equity but low loyalty

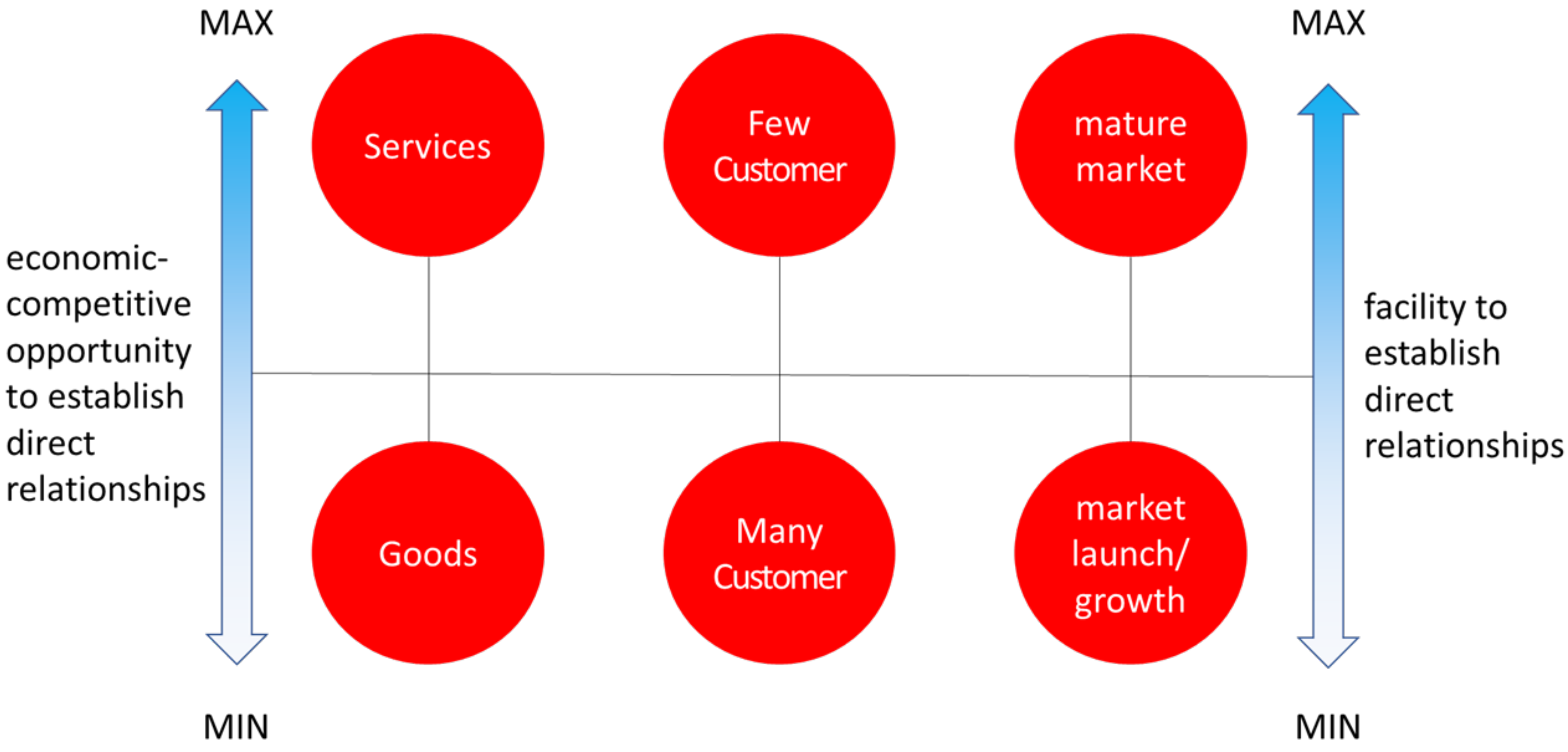
CRM operational

Lost customer recovery

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

RELATIONSHIP MARKETING

Comparing orientations


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

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

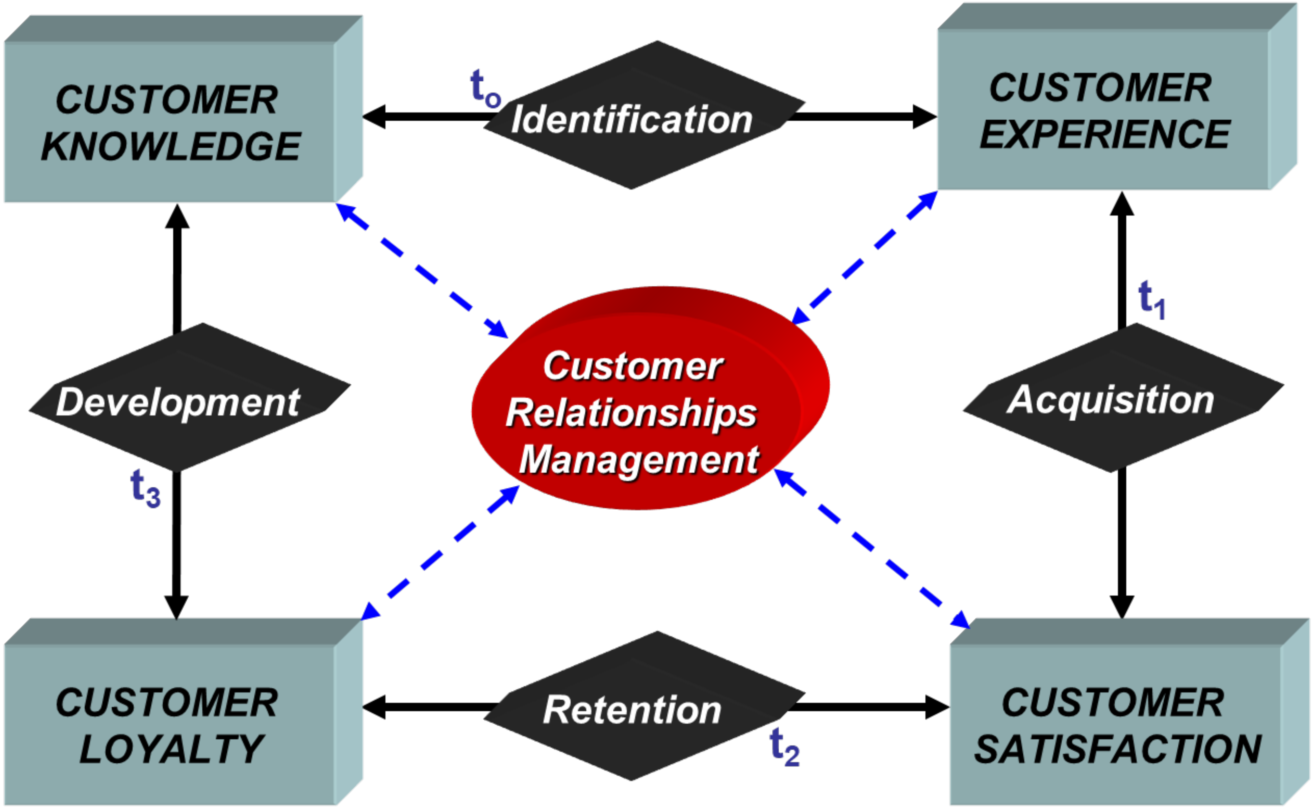
RELATIONSHIP MARKETING PERSPECTIVE: the customers are placed in the center of marketing management and customer loyalty is given a prominent role in marketing strategies.

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.

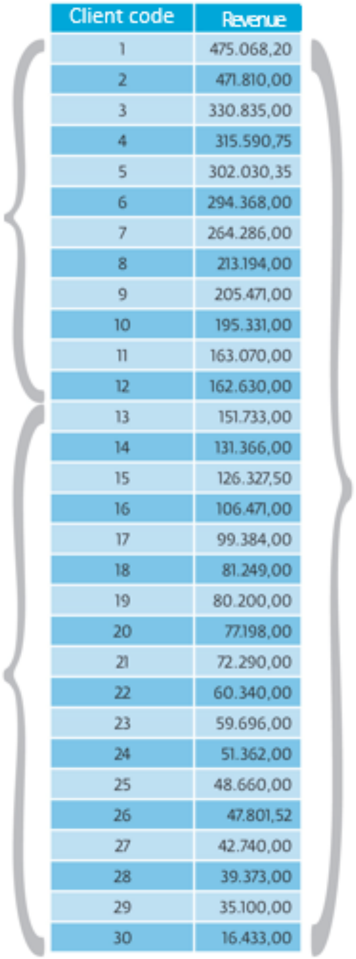
CUSTOMER PORTFOLIO ANALYSIS: CPA has as its final output **the identification of a customer pyramid** at the top of which typically fall the **most profitable customers**.

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

30 customers average = 157

Customers class A

Customers class B

Customers class C

Customers class D

INFORMATION COLLECTION AND CUSTOMER PORTFOLIO ANALYSIS

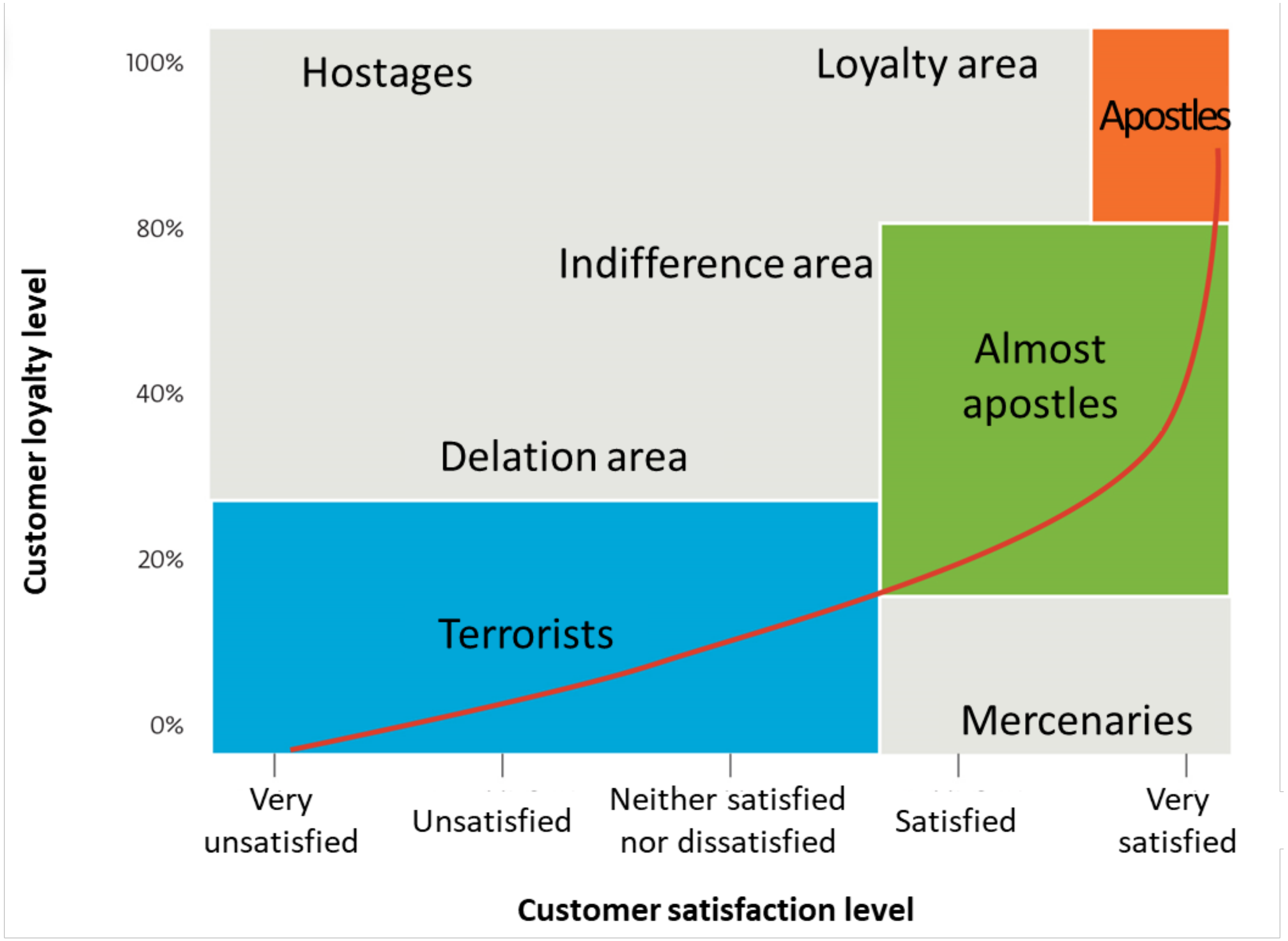
Methods for analyzing the client portfolio

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

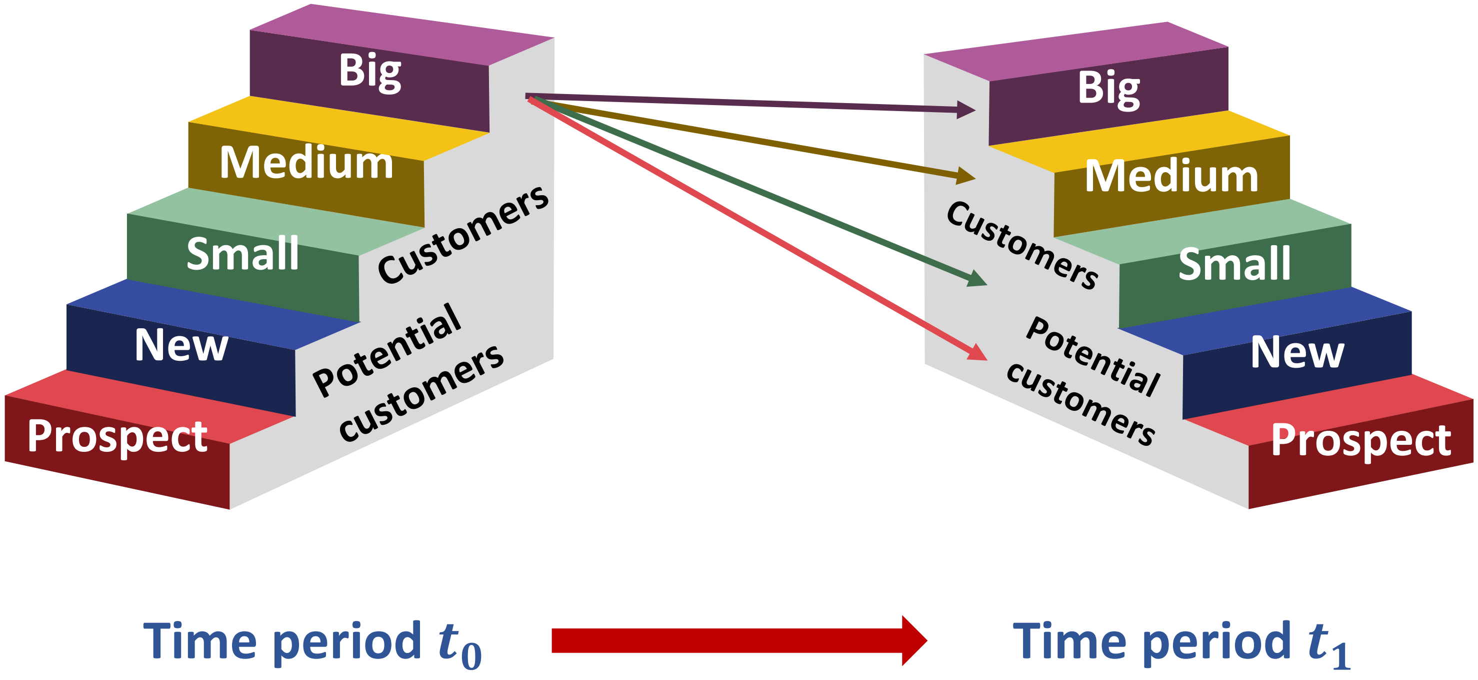
A criterion for identifying strategic customers is the so-called FRM (Frequency - Recency - Monetary) based on three variables (appropriately indexed and weighted): frequency of purchase, last purchase made (i.e. Recency) and amount spent in a given period of time (i.e. Monetary).

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)

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

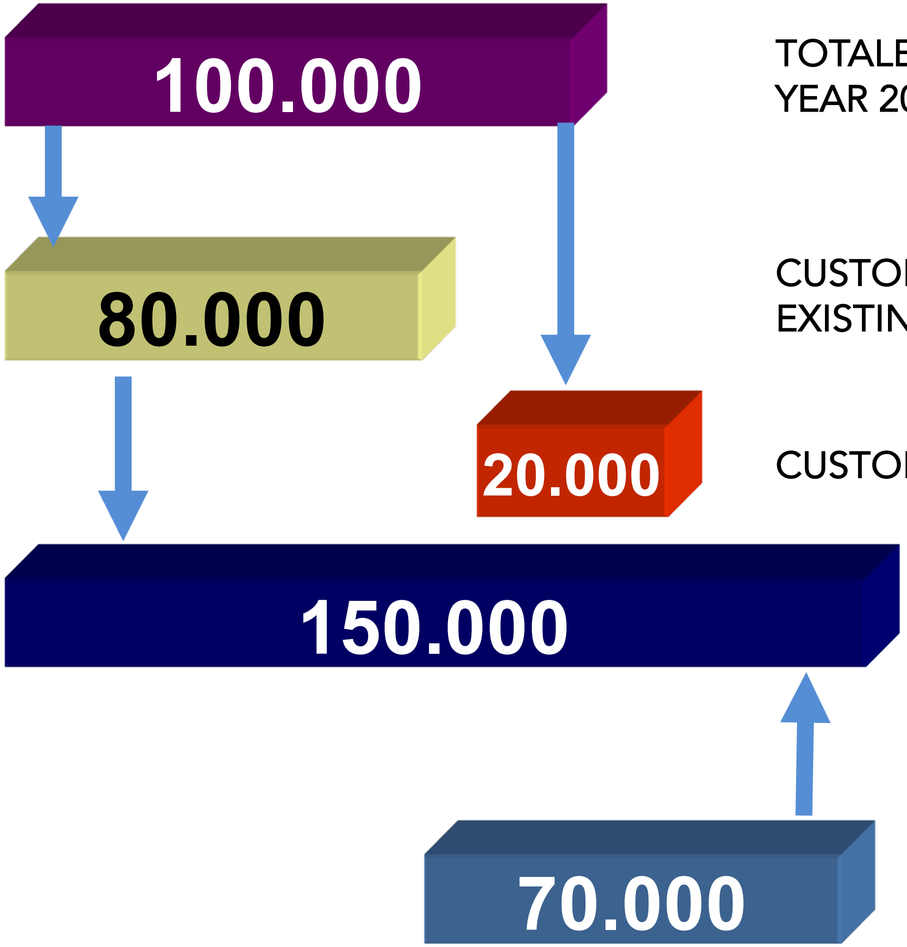
LEGENDA:
LTV_j = Total Life Time Value of customer segment
#C = Total number of customers j belonging to the segment
ATV = Average Transaction Value
AFT = Average Frequency of Transactions in period t
RL = Relationship lifecycle (i.e. the period of time: year, month, etc.)
j = general customer

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



TOTALE CUSTOMERS – IN BEGINNING YEAR 200x

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

CUSTOMERS - LOST YEAR END 200x

TOTAL CUSTOMERS - YEAR END 200x

NEW CUSTOMERS - YEAR END 200x

CUSTOMER PORTFOLIO MANAGEMENT

BlueSerena Case

Customer Retention Rate (CRR)

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

Customer Churn Rate (CCR)

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

CUSTOMER PORTFOLIO MANAGEMENT

BlueSerena Case

Customer Development Rate (CDR)

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

Average Customer Duration (Turnover)

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

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

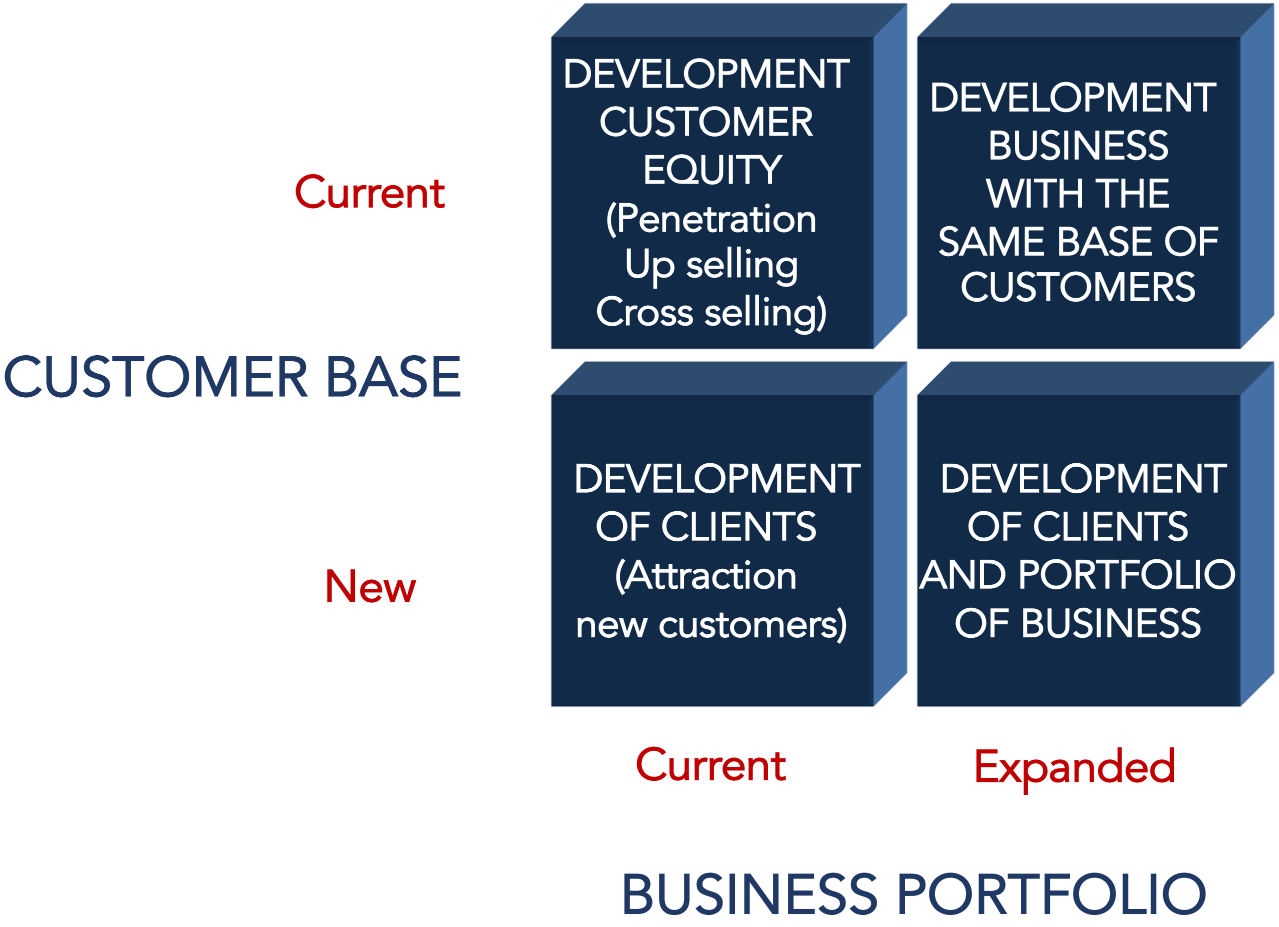
1. Instruments that offer economic benefits
2. Instruments that offer benefits of an intangible and social nature

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_2022-23

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

MARCELLO RISITANO

Professor of Marketing Management

University of Naples «Parthenope»

E-mail. marcello.risitano@uniparthenope.it