

Customer Value Management And Its Stages

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Abstract:- Due to transitory nature of products/services and marketing channels, customer relationships assume special importance in view of garnering profits by the business organization. Small amount of customer retention can do wonders to the company profits due to less cost of acquiring such loyal customers.

Customer value is defined as the difference between total customer value and total customer cost. Value can be created through image of product or service features. Regular customer contact enables marketers to understand customer needs better than any other method. This job can be done better by performing organizational tasks effectively. Customer value can be enhanced by bringing out a product with innovative features with promise of providing complete solutions, offering such values at lesser costs, usages of new technology etc.

Customer value management manages customer relationships with the goal of achieving profits by reducing risk and amortising acquisition costs over a longer and more profitable period of engagement. Customer value management can be broken in to three stages of acquisition, development and retention of the customers. A customer is acquired first, cultivated and then retained ultimately.

Customer value management provides a road map to attain there three stages at a reasonable cost. Analytical capability to understand the needs, types and requirements of the different type of customer will yield better profits by understanding the customer better than before. Today's business can thus be driven towards more profits only by focusing on the customers.

I. INTRODUCTION

In economic parlance, the transitory nature of the products and services, marketing channels and even sales channels is well known. In this context recognition and realization of customer relationships are becoming a key realization of profits a sustainable basis. A lot of research has been undertaken in this regard which amply demonstrates that a small percentage increase in the customer retention can lead to an exponentially large increase in the company profits. Existing customers tend to decrease their cost of acquisition and consequently such experienced customers become far more easy to handle and therefore become cost effective in the long run. Such loyal customers, though scare, are a vital source of value. Hence organizations need to nurture this resource in order to maximize their profits and customer values as well as explicit and a measured business goal. As companies move from being campaign centric marketing to a customer centric marketing, better marketing practices are emerging which focus on the value of the customer. This is called as customer value management.

II. CUSTOMER VALUE DEFINED

It is defined by kotler as a difference between total customer value and total cost components of total customer value include produced value, services value, personnel value and image value. Total customer cost comprise of monetary cost time cost, energy cost and pyretic cost

Customer thus pays to get value of purchased item. Value is created through image or product features. In certain cases, it is combination of both. Therefore marketers make every attempt to ensure that suitable value is offered to the customer. In this endeavor, they have to develop ultimate customers. Regular customer contact and intimacy with customers enable marketers to understand customer needs better and what the customer seeks from the product. Many organizations spend a lot of time in the direct contact with the customer to ensure that they are in touch with the market needs. Market research also helps in gaining better insight in to the customer intimacy. Customer needs may not be readily visible and marketers need to interpret them, thereby creating value in the deal in closer co-operation of the customer. Thus when customers get what is actually useful to them, they feel satisfied by the offered value which is communicated through suitable branding efforts. But it is important that the branding does create only genuine expectations for the customers at an adequate value. Hence creating value through branding makes a significant difference in marketing success. Value, however, is created

through the actions performed by the organizational personnel especially in case of service based offerings, highlighted by intangible offerings. Hence the personnel needs to be imparted adequate training in order to ensure desirable customer value. This will empower them and due to that they will be able to perform their duties efficiently.

Enhancing customer Value

Companies need to keep adding value to enhance the attractiveness of the product from the customer's point of view. This will give them a competitive edge which will help them to remain ahead of their competitors. The methods used by companies to enhance customer care value are

Innovative features

By adding innovative features the value offered by the product is greatly enhanced. Innovations offer added benefits to the customers to prepare them to these as additional value. But any innovative feature must be a tangible benefit to the customers and should not merely be a cosmetic change.

Complete Solutions

The value of the product or the service gets enhanced if customers are provided total solutions instead of part of solution.

Value of lesser cost

If a product is available at a particular price and an intrepid marketer offered the product at a much lower price customers would consider that as enhanced value. However, core benefits must remain same.

Removing Pain Points

Value is enhanced when pain points in the delivery process are removed. In other words, the activities, that customer have to endure to obtain the value need to be analysed and the ones that are painful to customer are removed from the delivery process.

Usage of New Technology

Customer value can be enhanced by adopting new technology which needs to be developed by the organizations. Pod created by Apple Computers revolutionized the music industry by offering enhanced value both to the music player as well as to the customers. Customers have also respond very positively to this product.

III. CUSTOMER VALUE MANAGEMENT.

It is managing customer relationship with the goal of achieving maximum lifetime profit from the entire customer base. It also enables companies to take full advantage of the economics of loyalty by increasing retention, reducing risk and amortizing cost over a longer and more profitable period of engagement it seeks to increase the aggregate value of customer base. In customer value management, every individual customer is not profitable but they strive to maximize overall profits. The organizations need to identify even those customers who have little value to the business and then focusing development and retention efforts elsewhere.

Customer value management tends to shift the focus of the enterprise from managing products or marketing campaigns of managing profitability of each individual customer over the entire life of the relationship. Making the shift requires companies to move from paying lip service to one-to-one marketing to actually developing the analytical and operational capabilities to do it. Those who do so can expect increased profits, not only in the short term but for years to come.

IV. STAGES OF CUSTOMER VALUE MANAGEMENT

Cycle of customer value management can be broken down into three stages, namely

- a) Acquisition of Right Customers
- b) Developing of Right Relationship
- c) Retaining Valuable Customers

a) Acquisition of Right Customers.

Customer value management cycle begins with acquisition of right customers which is going to be the most valuable to the business.

These are the people who are going to do repeat business with the company. Long term association of the customers is much sought after in an attempt to acquire right customer. Since customers are not equal, distinction needs to be made among customers. A customer who is high-value to one business may turn out to be grossly unprofitable to the other. Since customer acquisition is a costly proposition, effective customer value management requires organization to develop analytical capabilities to identify customers who will be loyal and profitable for business in general and to one organization in particular.

Any effort to gather intelligence about the customer must begin with the current customers: analysis. It can provide valuable insight into the requirements and expectations of the customers. Better segmentation and analysis of the customer base can reveal a lot of hitherto hidden characteristics and trends that effect value. Segmentation of the customer can be made on the basis of value of the purchase. Segmentation of the customer from the customer value view point can be based on the frequency of purchase. Frequency of purchase reveals different sets of customer namely customers with high lifetime value, new customers and frequent customers.

As for examining the loyalty and profitability of the customer is concerned, customer vintage analysis can be done by dividing the customer based on different times. Time based analysis is a key to know as to which acquisition strategies are worth repeating and which are long-term money losers hiding behind the mask of high recruitment rates.

b) Developing of Right Relationship

Business organizations must develop relationship even with the most well chosen customers. Customers who do not get the right touch or get too many conflicting offers lose rather than gain value. One customer needs not be targeted at the cost of other. Both customers can be targeted at a time as well if conditions and time permit. For every business, right relationship is that one that maximizes customers' lifetime value. Hence the goal of any CRM intervention is to increase the size and frequency of purchase and extend how long customer continues to buy. A lot of measures are used by the marketers quite frequently to know the duration of the customer relations. Such measures estimate as to how long a customer is going to stay. Customers do repeat business with vendor that understand and respond when those needs change. Therefore marketers must understand difference between their customers if they wish to improve the customers' value. They also need to keep track of as to how they evolve over a period of time. What managers actually do, depend upon the value of customer.

High value customers necessitate consenting of loyalty expending the length of already profitable relationship. Long term value of a customer who makes regular purchase for five years is definitely more than that of the customer who makes the same purchase only for two years. High value customers have potential for growth and marketers can tackle them in the best interest in their respective firms/organizations. They need to do deeper analysis to work on the restoration of values if found shrinking due to some reasons. Companies that develop the capability to track changes in the value of individual customer can guard against competitors' attacks and respond quickly to changing customer behavior to maintain and grow customer value.

c) Retaining Valuable Customers

Right retention means retaining right customers, just not every customer. They need to focus on their retention action of those customers which have high lifetime value. Hence spending scarce organization resources in taming unprofitable customers hurt the customer base especially in case retention success. Retaining such customers is not profitable proposition by any standard.

Right retention is therefore rooted in knowing valuable customers and knowing as to why they are so. This can be done by analyzing life time values accurately and giving equal weight to customers who are already a high volume of business and those who purchase modestly but do it loyally. Identification of such customers must be preceded by retention strategies. Generally, it is observed that loyal customers can be retained at lesser cost and then prove to be profitable because they are less price sensitive. Incentives can be offered coupled with other allurements so that such customers are retained and if possible can be recognized specially by awarding them or by giving them certain services or y offering them huge discounts.

V. CONCLUSION

Customer values and the management offers roadmap to acquire, develop and retail the most valuable customer of an organization. But it costs money and requires earnest efforts. Management just can't pay lip service to this idea. Analytical capability is required to understand the needs, types and requirements of the varied profile of the customer so that his intelligence is put to use to understand them better. This will enable immediate response to each customers' changing values and behavior.

Rewards for making this investment are sustainable and yield rewarding customer relationship both to the customers as well as to the business organizations. In today's dynamically altering business scenario, business can be driven towards high revenue from its customer base even as the products and other marketing channels continue to evolve over a period of time.

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