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KLIËNTRETENSIE EN LANGTERMYN- WINGEWENDHEID

CUSTOMER RETENTION AND LONG TERM PROFITABILITY

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PURPOSE OF THE PRESENTATION



**BIRDS EYE VIEW OF CUSTOMER RETENTION AND
LONG TERM PROFITABILITY**



BACKGROUND

- ❑ **MARKETING'S STANDING IN FIRMS**
- ❑ **MARKETING'S REACTION = METRICS**
- ❑ **VIEWS OF ACADEMICS**
 - **COST LESS TO RETAIN AN EXISTING CUSTOMER**
 - **COST MORE TO RETAIN AN EXISTING CUSTOMER**
- ❑ **MY VIEW ?**



THEORETICAL FRAMEWORK

- ❑ **CUSTOMER RETENTION**
- ❑ **RETENTION MEASURES**
 - **SATISFACTION**
 - **LOYALTY**
 - **COMMITMENT**
 - **WORD-OF-MOUTH**
- ❑ **LINKED TO INCOME/TURNOVER/PROFIT**



MARKET PLACE REALITIES

- ❑ **CLUTTER – DIFFICULT TO BREAK THROUGH**
- ❑ **LORD SAATCHI**
 - **CPA – CONTINUOUS PARTIAL ATTENTION**
 - **TEENAGER – 30 SECOND TV COMMERCIAL**
- ❑ **COMPETITION**



BENEFITS OF CUSTOMER RETENTION

- CROSS SELLING**
- UP SELLING**
- POSITIVE WOM**
- INCREASED TURNOVER**
- INCREASED PROFITS**



MISCONCEPTIONS ABOUT MARKETING

- LOWER PRICES = HIGHER INCOME =
HIGHER PROFIT
- COST VS INVESTMENT



CUSTOMER LIFE TIME VALUE

CUSTOMER LIFE TIME VALUE CONCEPT

$$CLV = \sum_{t=0}^T \frac{(p_t - c_t)r_t}{(1+i)^t} - AC$$

p_t = price paid by a consumer at time t

c_t = direct cost of servicing the customer at time t

i = discount rate or cost of capital for the firm

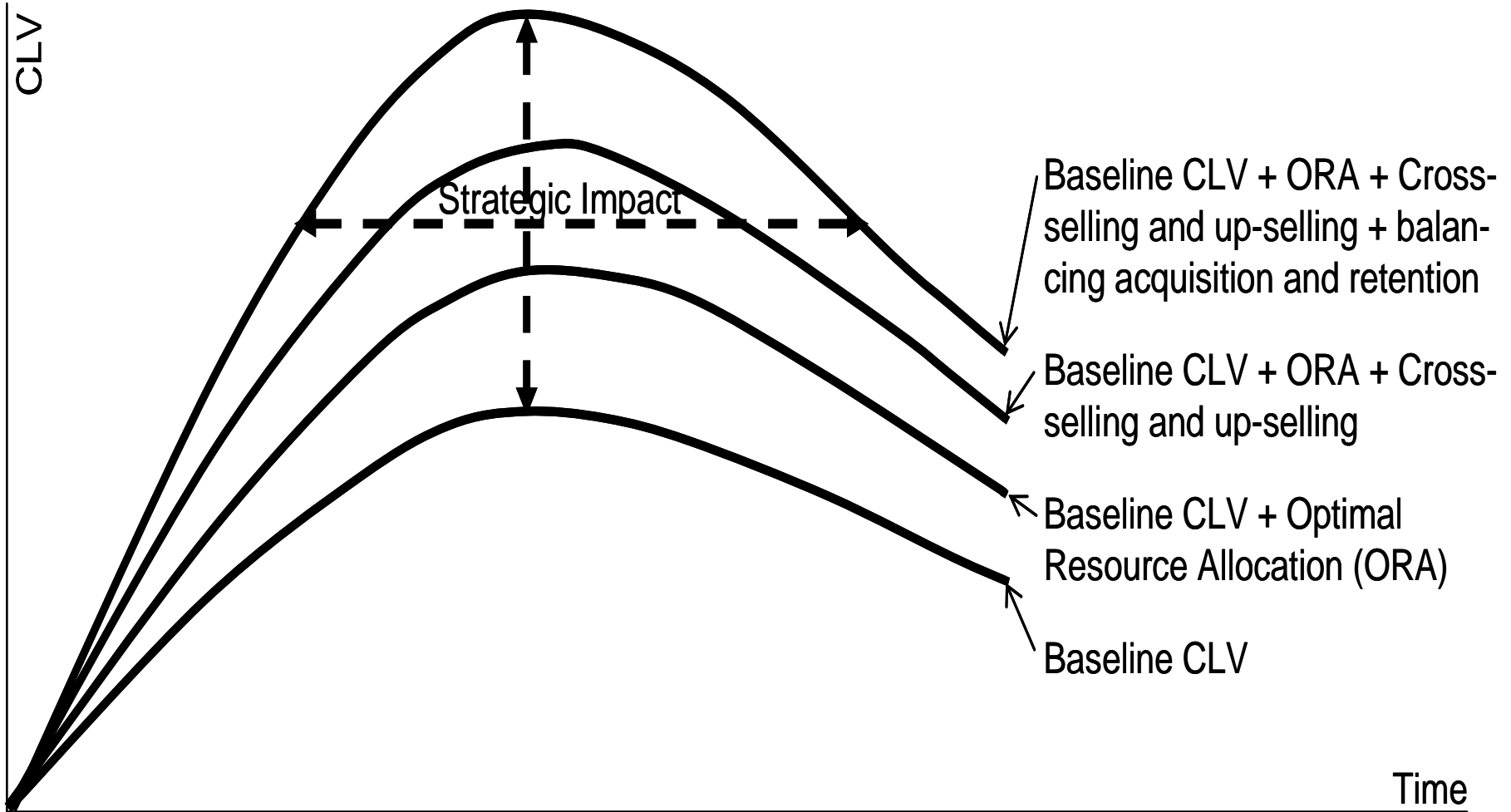
r_t = probability of customer repeat buying or being “alive” at time t

AC = acquisition cost, and

T = time horizon for estimating CLV

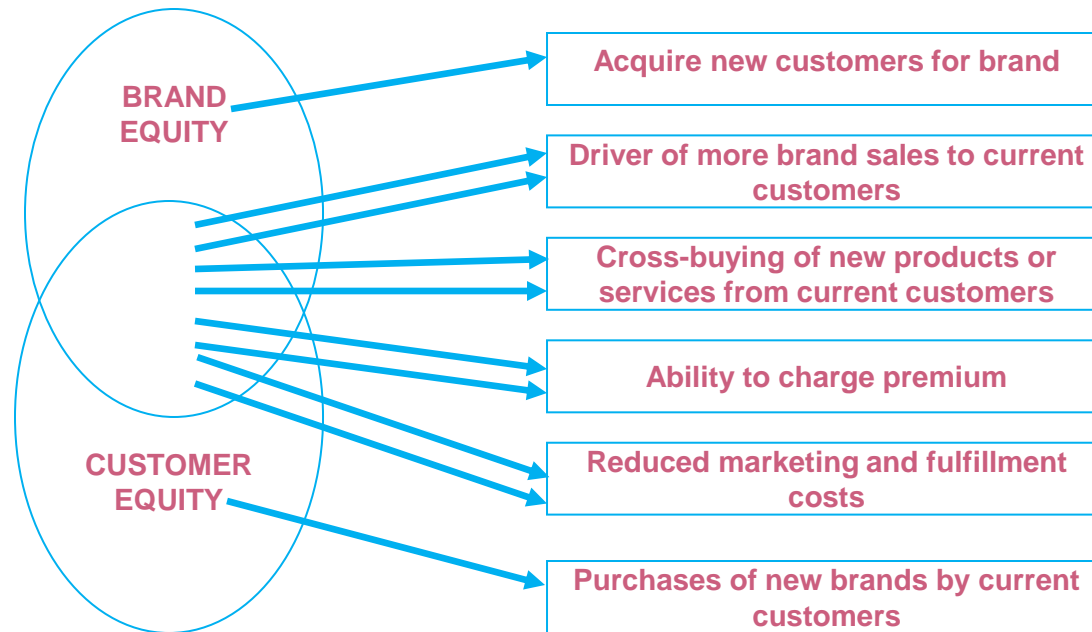


RETENTION'S IMPACT ON CLV





THE INTER-CONNECTEDNESS OF CUSTOMER AND BRAND EQUITY





EXTENSION OF THE CLV CONCEPT TO DERIVE BRAND EQUITY

$$CE1 = \sum_{i=1}^{n1} CLV_i$$

$$CE2 = \sum_{i=1}^{n2} CLV_i$$

$$BE = \sum CE1 + \sum CE2$$



RETENTION AND THE BALANCE SHEET

$$\text{OWNERS' EQUITY} = \text{ASSETS} - \text{LIABILITIES}$$

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+

Retained earnings

Consumer buys, generating sales

+

Intangible assets

Consumer returns



MANAGERIAL IMPLICATIONS

- WHAT METRIC MATTERS FOR RETENTION?**
- MINE AVAILABLE DATA**
- CONSTANTLY RESEARCH CUSTOMERS' BEHAVIOUR AND ATTITUDES**



TO END ON AN ACADEMIC NOTE

- ❑ REALITY DICTATES THAT THE DECISION-MAKING SKILLS OF FUTURE MARKETERS WILL PLACE HIGH DEMANDS ON THEIR QUANTITATIVE AND ANALYTICAL ABILITIES
- ❑ IN THE NEAR FUTURE THE MARKETING STUDENT WILL LEAVE US EQUIPPED WITH A HIGH LEVEL OF STATISTICAL AND MATHEMATICAL SKILLS
- ❑ WE ARE AWARE AND READY TO PREPARE OUR STUDENTS TO BE COMPETITIVE

