



## The Value of Individual Customers

Measuring, Managing, and Monetizing  
a Company's Most Precious Assets

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### Executive Overview

Many business leaders today recognize that customer-centric business strategies are a more sustainable approach to achieving a long-term competitive advantage<sup>1</sup> than a focus on product innovation or operational excellence. Not surprisingly, enhancing customer relationships is a top priority for many companies today.<sup>2</sup>

Central to this strategic positioning is the concept that customers are assets<sup>3,4</sup> and—like any other corporate asset—can serve as an avenue to increased profitability if their value is properly measured, managed, and monetized.<sup>5</sup> For example, understanding the value of individual customers allows a company to refine its acquisition tactics, thus securing new customers who are most likely to become highly profitable over time; to focus investments among existing customers, in order to realize their full growth potential; and to maximize the retention of its most valuable customers.

Despite widespread acknowledgement among academics and practitioners that a strategy built on customer value spurs business success,<sup>6</sup> companies still struggle with the measurement, management, and monetization of customer value. The numerous challenges include:<sup>7,8,9</sup>

- Transitioning to a strategy built on customer centricity
- Creating an organizational culture that recognizes the importance of the customer
- Orienting organizational functions to work in concert to implement a customer strategy
- Modifying internal processes to support the delivery of excellent customer experiences
- Aligning marketing expenditures against select customers to maximize value
- Collecting customer data at the individual level
- Modeling the future value of individual customers

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## About the Study

### Study format:

We collected data from 236 business leaders during February 6-17, 2009, using an online questionnaire.

### Respondents' roles:

- President/C-level (20 percent)
- Vice President (13 percent)
- Director (28 percent)
- Manager (39 percent)

### Company size as measured by annual revenue (in U.S. currency):

- Under \$10 million (40 percent)
- \$10 million to \$499 million (31 percent)
- \$500 million or more (29 percent)

### Company types:

- Business to consumer (17 percent)
- Business to business (35 percent)
- Both (48 percent)

### Primary Industries:

- Retail (13 percent)
- Consulting (11 percent)
- Advertising/Marketing (8 percent)
- Technology (hardware/software/solutions) (8 percent)
- Recreation/Travel/Entertainment/Hospitality (8 percent)
- Financial Services/Insurance (7 percent)
- Telecommunications (7 percent)
- Technology Services (4 percent)
- Wholesale/Distribution (4 percent)

## Study Objectives

To better understand the current state of companies' successes and struggles with customer value, Peppers & Rogers Group conducted a research study to gain insight into the following topics:

### Understanding the use of customer value

- Perception of customer value information
- Customer lifetime value drivers that are currently used
- Penetration of the use of the customer value information among functions
- Alignment of job compensation to changes in customer value

### Performance and the importance of measuring customer value

- Quality of performance
- Importance placed on measuring the value of individual customers
- Short-term/long-term orientation of the company
- Recognition of the role of customer trust by the company

### Marketing impact and marketing spend

- The impact of marketing programs on changes in value of individual customers
- Alignment of marketing spend with the value of individual customers

As you read through the research findings, consider how your company rates in comparison to the study participants. Are you ahead of the curve or racing to catch up?



### The study finds:

There is significant room for improvement in capturing and using customer value information for companies across industries, geographies and sizes.

## Ten Key Insights Overall, the study uncovers significant room for improvement.

- 1. Information Quality Should Be Stronger:** The quality of customer value information has significant room for improvement in many companies—less than half (47 percent) view it as accurate
- 2. Compensation Is Misaligned:** The alignment of personnel policies with the goal of growing customer value requires attention—a majority (66 percent) of respondents state that their own job compensation is not dependent upon changes in customers' value
- 3. Measurement Ability Falls Short:** Performance in measuring the value of individual customers warrants enhancement—almost all (92 percent) fall short of excellence
- 4. Marketing's Goals Impact Ability:** How a company perceives marketing's primary goal impacts how adept the firm is at measuring the value of individual customers—when that marketing goal is increasing share-of-customer, performance is highest (3.6); when increasing market share, performance is lowest (2.8)<sup>21</sup>
- 5. Importance Impacts Usage:** As the importance of measuring individual customer value increases, so does the use of that information across an organization for decision making—the mean number of functional areas using customer value information grows from 1.9 to 2.8 as importance increases from “somewhat” to “very”
- 6. Improvement Is Inconsistent:** Improvement in the performance of measuring the value of individual customers is uneven—e.g., few (21 percent) companies with poor performance have improved over the prior 12 months
- 7. Proof Points Are Still Needed:** Demonstrating the impact of marketing programs on changes in the value of individual customers is a challenge—few (30 percent) companies are good or excellent
- 8. Resource Allocation Is Not Optimized:** Aligning marketing spend to the value of individual customers needs improvement—few (16 percent) report that it is done extensively or completely, an equal number state that it is not done at all
- 9. Time Horizon Influences Importance:** The time horizon of a company influences its performance of (and the importance placed upon) measuring the value of individual customers—those with a long-term view rate performance<sup>21</sup> (3.3) and importance<sup>24</sup> (2.8) higher than those with a short-term view (2.6 and 2.6, respectively)
- 10. Trust Plays A Key Role:** The extent to which a company considers customer trust likewise impacts its performance of (and the importance placed upon) measuring the value of individual customers—as trust increases from low to high, both performance<sup>21</sup> (2.3 to 3.3) and importance<sup>24</sup> (2.4 to 2.8) rise

## Understanding and Use of Customer Value

The term *customer value* has a long history in marketing literature. Consequently, it is used to represent related, yet distinct, concepts. Beginning with RFM (recency, frequency, monetary value) analyses several decades ago, businesses determined customer value by summing historical purchases over a time period.<sup>10</sup> Today customer value is commonly used to denote lifetime value (the present value of all future profits generated by a customer<sup>11</sup>), an approach that yields superior results as compared to RFM.<sup>12,13</sup>

When further clarified by specifying the assumption that the company's behavior toward the customer remains unchanged over time, lifetime value is known as actual value.<sup>14</sup> Additionally, if the modification of a company's own behavior toward the customer (based on insight into the customer's needs) is taken into consideration, then the estimation of the customer's future contributions are referred to as potential value—the value that the customer could represent.<sup>14</sup>

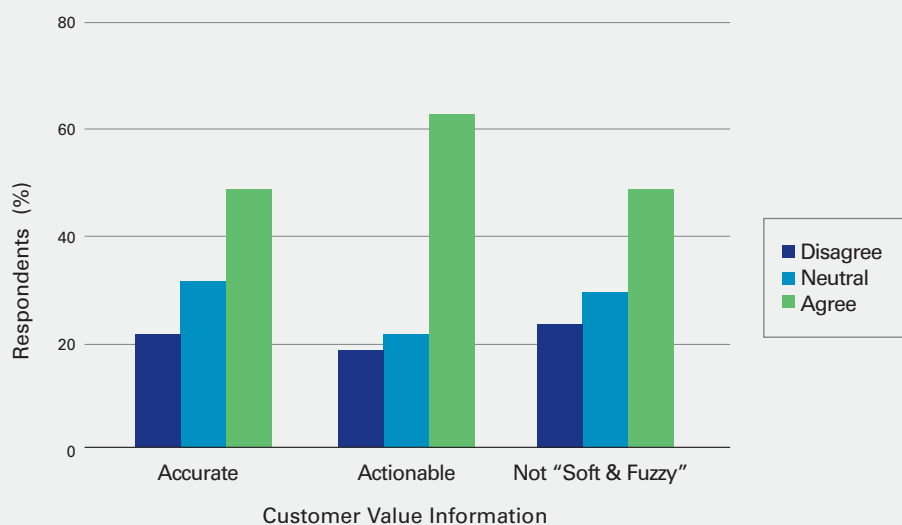
About one fifth (21 percent) of the survey respondents report that customer value is primarily understood within their company as the sum of an individual customer's revenue over a fixed period of time. Nearly half (46 percent), however, understand customer value to mean lifetime value, while a third (33 percent) report that customer value is "a prediction of what an individual customer could be worth, if the customer's future behavior changed in response to actions by the company." Only 5 percent of respondents indicated that their company did not currently measure the value of individual customers.

What leading indicators<sup>15</sup> do companies use to predict the value of individual customers? Among companies that understand customer value to be "lifetime value" or "potential value," 32 percent use *lifestyle changes*, such as a change in employment, a new household address, or the birth of a child; 58 percent use *lifetime value drivers*, such as changes in the frequency of purchases or changes in the mix of products bought; 42 percent use *behavioral cues*, such as receiving a complaint or signing up for a newsletter; and 64 percent use *attitudes*, such as satisfaction or willingness to recommend the company. Few companies use all four categories of leading indicators: 43 percent of companies use one; 24 percent use two; 14 percent use three; and only 13 percent use all four. This presents an opportunity for many companies to improve the breadth of data they use to accurately predict customer value.



**Consider this...**  
 Today, the term customer value is commonly used to denote lifetime value. How does your company define it?

Figure 1: Perception of Customer Value Information



About three fifths of executives surveyed agree that their company's customer value information is actionable, even though less than half view that information as accurate or as not "soft and fuzzy."  
 Source: Peppers & Rogers Group

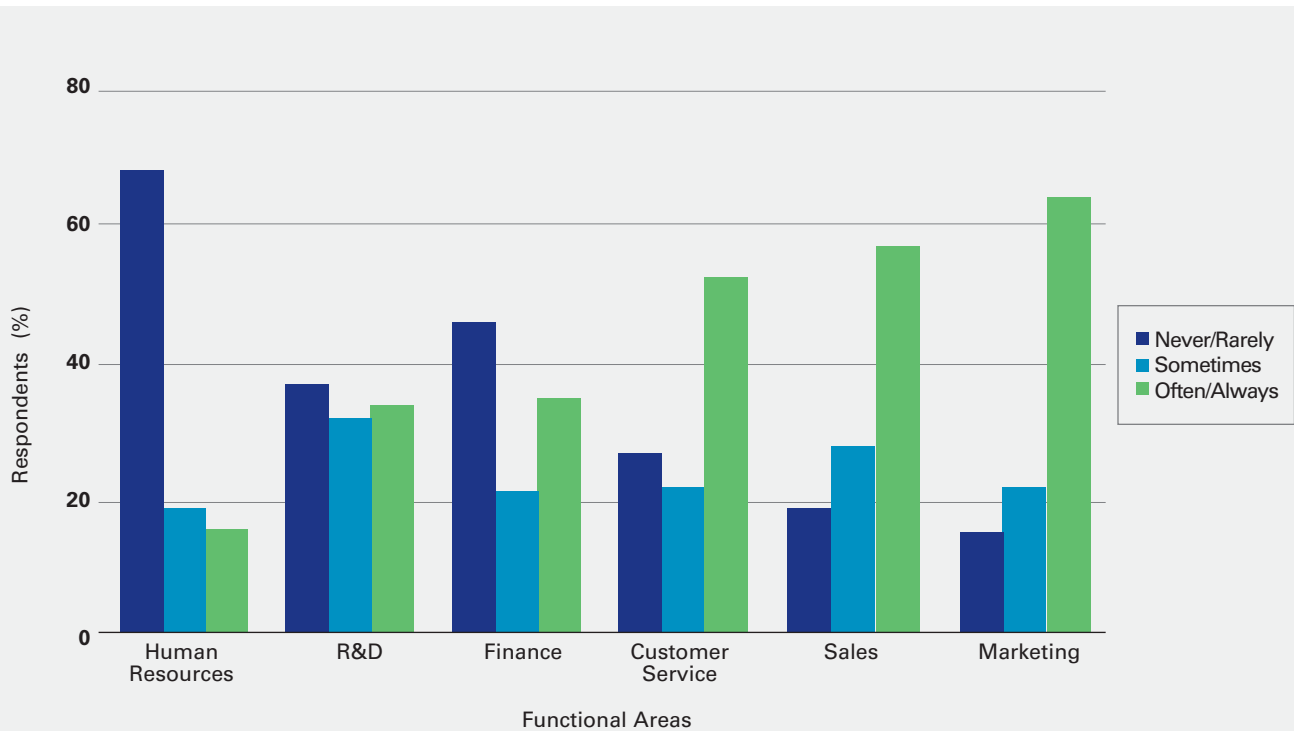
However a company computes customer value,<sup>16,17,18</sup> not all respondents view that information as useful<sup>19</sup> (see Figure 1). While 61 percent somewhat agree or strongly agree that customer value information is actionable within their company, less than half view it as accurate (47 percent) or as not “soft and fuzzy” (47 percent), suggesting that the quality of the customer value information has significant room for improvement in many companies.

Using customer value information for strategic decision making varies by functional area within a company (see Figure 2). More than half of respondents indicate that it is often or always used by customer service (52 percent), by sales (56 percent), and by marketing (63 percent). Regrettably, only about one third (34 percent) of companies report that finance uses customer value information often or always in making decisions, suggesting the need for a greater awareness of—and agreement with—the perspective that customers are assets.<sup>20</sup>

Of the functional areas examined, human resources is the least likely to use customer value information, with 67 percent of companies reporting that HR never or rarely uses it in making decisions. Interestingly, almost an equal number of respondents (66 percent) state that their job compensation is not dependent upon changes in customers’ value, highlighting an opportunity for many companies to improve the alignment of personnel policies with the goal of growing customer value.

**Consider this...**  
 Customer value information influences strategic decision-making in customer service, sales and marketing. Not so much in finance and human resources. Who uses the information in your organization?

Figure 2: Use of Customer Value Information for Decision-Making



Customer value information is used unevenly across the organization for decision making, with the highest usage occurring in marketing, sales, and customer service.

Source: Peppers & Rogers Group

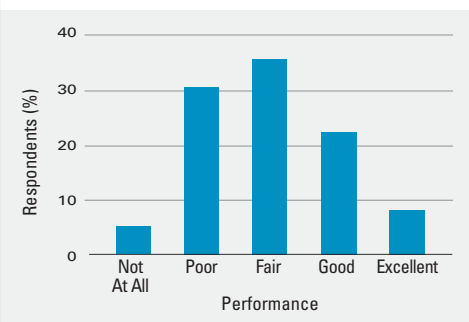
## Performance and the Importance of Measuring the Value of Individual Customers

**Performance.** Only about one third (30 percent) of companies rate their current performance in measuring the value of individual customers as good or excellent, with more than double that number (65 percent) reporting poor or fair performance (see Figure 3). These patterns are independent of a company’s size or customer type (B2C, B2B, or both), and its industry. As a consequence, there is need for improvement for the majority of companies (92 percent) that fall short of excellence.

Interestingly, a company’s primary marketing goal impacts how adept the firm is at measuring the value of individual customers (see Figure 4). When that marketing goal is increasing share-of-customer, performance is highest (mean of 3.6 on a rating scale where 1=Not At All, 2=Poor, 3=Fair, 4=Good and 5=Excellent). In contrast, when the goal is increasing market share, the performance rating drops (2.8). For all marketing goals examined, however, the performance rating is less than “good” (4.0)—and, for the goals of generating sales leads (2.9), increasing revenue (2.9), and increasing market share (2.8), the rating falls below “fair” (3.0).

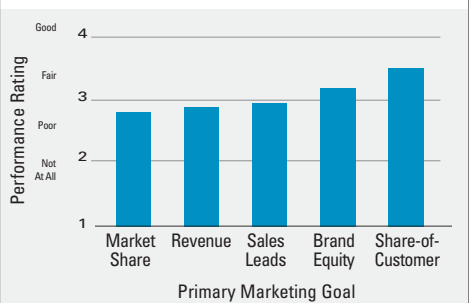
Several factors account for the variability in companies’ ability to measure the value of individual customers (see Table 1). These include the extent to which a company uses customer value information in decision making; the use of leading indicators; and the perception of the quality of customer value information as accurate, actionable, and not “soft and fuzzy.” Additionally, whether a company focuses more on short- or long-term goals also influences performance. Taken together, these observations suggest that the strength of a company’s orientation toward customers is associated with higher levels of performance.

Figure 3: Performance of Measuring Customer Value



Most companies are poor or fair at measuring customer value. Source: Peppers & Rogers Group

Figure 4: Performance of Measuring Customer Value by Primary Marketing Goal



Companies in which marketing’s primary goal is growing share-of-customer report the highest level of performance<sup>21</sup> in measuring customer value. In contrast, when the main goal is increasing market share, performance suffers. Source: Peppers & Rogers Group

Table 1: Performance Predictor

Performance Predictor	Explained Variance <sup>22</sup>
<b>Marketing Impact:</b> The extent to which a company is able to demonstrate the impact of its marketing programs on changes in the value of individual customers	39%
<b>Organizational Penetration:</b> The number of functional areas in the organization that often or always use customer value information in making decisions	38%
<b>Marketing Spend:</b> The extent to which a company aligns its marketing spend with the value of individual customers	33%
<b>Leading Indicators:</b> The extent to which a company uses leading indicators in predicting the value of individual customers	20%
<b>Customer Value Information Perception:</b> The extent to which a company perceives customer value information as accurate, actionable, and not “soft and fuzzy”	19%
<b>Time Horizon:</b> A company’s ability to do what is right, despite the pressure to make current-period numbers	12%
<b>Compensation:</b> Whether job compensation is dependent upon changes in customers’ value	6%

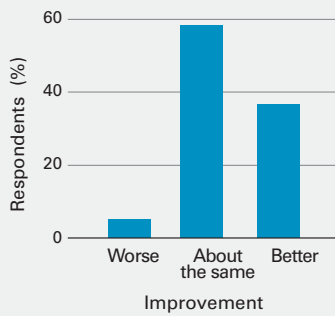
Several factors contribute to understanding a companies’ ability to measure the value of individual customers, each of which is significant ( $p < 0.01$ ).

“Explained variance” indicates the percent of the variability in performance that can be accounted for by each of the factors, with higher numbers representing factors that are more potent predictors of (and are more strongly associated with changes in) performance.<sup>22</sup>

Source: Peppers & Rogers Group

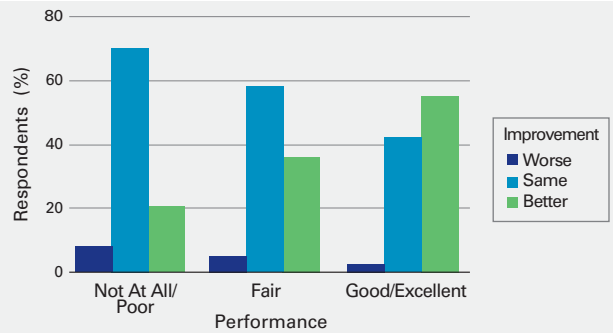
**Improvement in Performance.** As compared to 12 months ago, about one third (36 percent) of companies have improved their ability to measure the value of individual customers, while more than half (58 percent) have remained about the same. A small group (6 percent) reports deterioration in performance, however (see Figure 5). When improvement is examined in conjunction with performance (see Figure 6), a disturbing pattern emerges: Although a majority (54 percent) of good/excellent companies have improved their ability to measure customer value, comparatively few (21 percent) of the poor performers have exhibited improvement. The good have been getting better—but the challenges to advance are pronounced among the very companies that have the highest need to improve.

Figure 5: Improvement in Measuring Customer Value



As compared to 12 months ago, most companies' ability to measure the value of individual customers is about the same, while more than a third report improvement. Source: Peppers & Rogers Group

Figure 6: Performance by Improvement in Measuring Customer Value



A majority of companies with good or excellent performance have improved their ability to measure individual customer value. Source: Peppers & Rogers Group

The primary factor explaining variability among companies' improvements in measuring individual customer value is recognizing the criticality of customer trust (see Table 2). Companies (a) that believe customer trust is tied to the financial success of the business and (b) that consider how a proposed action may increase or decrease customer trust are most likely to exhibit improvement.

Table 2: Improvement Predictor	Explained Variance <sup>22</sup>
<b>Trust:</b> The extent to which a company (1) believes that customer trust is tied to the financial success of the business and (2) considers whether a proposed action increases or decreases customer trust as a guideline in making decisions	13%
<b>Marketing Spend:</b> The extent to which a company aligns its marketing spend with the value of individual customers	10%
<b>Marketing Impact:</b> The extent to which a company is able to demonstrate the impact of its marketing programs on changes in the value of individual customers	7%
<b>Customer Value Information Perception:</b> The extent to which a company perceives customer value information as accurate, actionable, and not "soft and fuzzy"	5%
<b>Organizational Penetration:</b> The number of functional areas in the organization that often or always use customer value information in making decisions	5%
<b>Time Horizon:</b> A company's ability to do what is right, despite the pressure to make current-period numbers	5%
<b>Compensation:</b> Whether job compensation is dependent upon changes in customers' value	2%

Several factors contribute to understanding a companies' level of improvement in measuring the value of individual customers over the past 12 months, each of which is significant ( $p < 0.01$ ). "Explained variance" indicates the percent of the variability in improvement that can be accounted for by each of the factors, with higher numbers representing factors that are more potent predictors of (and are more strongly associated with changes in) improvement.<sup>22</sup>

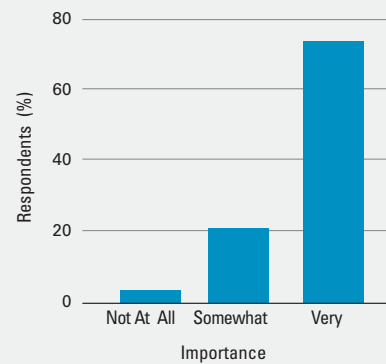
Source: Peppers & Rogers Group

**Importance.** All but 3 percent of companies report that measuring the value of individual customers is somewhat or very important to their long-term success (see Figure 7). This pattern is consistent across company sizes, types (B2C, B2B, or both), and industries.

As the importance of measuring individual customer value increases, so does the likelihood of its broad use across an organization for decision making. For the 22 percent of companies that consider using customer value in decision making to be somewhat important, the mean number of functional areas using that information is 1.9. In contrast, this number increases to 2.8 among the 75 percent of companies for which it is very important.

Importance also varies by a company's primary marketing goal. For those seeking to increase share-of-customer, the mean importance rating (on a scale where 1=Not At All, 2=Somewhat, 3=Very) is 2.9; whereas for those focused on generating sales leads, the importance rating decreases to 2.6.

Figure 7: Importance of Measuring Customer Value



Most companies report that measuring the value of individual customers is very important to their long-term success.

Source: Peppers & Rogers Group

## Customer Value Measurement – An Art and a Science

How does a company “measure” customer value? There is no one-size-fits all answer. The definition of a high value customer may vary for companies competing in the same market and sector. It will even vary for each customer segment because each has unique value drivers and tiers. Therefore, there is no generic definition of customer value which is applicable to all conditions, however, there are some fundamentals that every company should consider.

**Current Revenue as a Measure of Value:** The most basic approach is the calculation of a monthly revenue average for each customer. The monetary value can be easily measured and communicated across the company and is a good start for differentiation. The average time frame for this calculation commonly falls in 12- or 6-month range, but is dependent on market dynamics. The tip here is to analyze the trend and variance of the revenue because it reveals interesting patterns behind the averages.

**Tenure of Relationship:** The length of relationship is also a driving factor. New customers may behave differently than ones that have been customers for a while. It is a good idea to keep new customers in separate segments for two main reasons. The first is to maintain accuracy in average calculations; and the second is to manage and treat the “new customer segment” separately. This will enable a company to study post-acquisition activities in order to improve new customer experience and on-boarding processes.

**Costs and Profitability:** Assessing the profitability of each customer is a challenge, especially in a sector like telecommunications where major costs are related to infrastructure and maintenance. Allocation of fixed and overhead costs to each customer will not provide any differentiation advantage. Costs pertaining to customer behavior, such as channel

preference or product usage, are more telling. But even here the question is: If the customer doesn't know the cost of our services, is it fair to differentiate customers using profitability? For instance, a customer spending a lot expects the best service regardless of profitability. Companies should be transparent to their customers about costs before punishing them. For instance, airline customers know that if they buy off-peak tickets, they will get a better price. We believe that distributing costs to the customer level may be financially sound but may not be accurate because of the marketing implications. It would be more interesting for marketing to keep cost and revenue measurements separately instead of having a single profit figure.

**Future & Potential Value:** We have discussed the calculation of customer value based monetary values, past revenue, costs, profitability and some trends and variances. Now we need to understand how long the customers will retain their value? Will their value increase or decrease in the future? The answer to these questions addresses lifetime value (LTV) and potential value. Companies beginning to measure customer value may initially think that LTV is the most advanced and appropriate approach to customer value measurement, which is conceptually very true, but isn't practical. It is very optimistic to expect that a set of financial formulas can predict future and lifetime value, especially in establishing markets. We believe, however, that the LTV calculation should be the ultimate vision of a customer's value for a customer-centric company. The LTV concept is very important for long-term planning. With LTV in mind, the marketing organization and the CEO may avoid short-term profitability tactics that will ruin customer loyalty and brand image.

—Onat Unal, Senior Consultant, Peppers & Rogers Group

Several variables influence the performance of, and the importance placed on, measuring the value of individual customers. Most notably, these are: (1) whether job compensation is dependent on changes in customers' value; (2) whether a company's time horizon is short or long term; and (3) whether a company recognizes the criticality of customer trust.

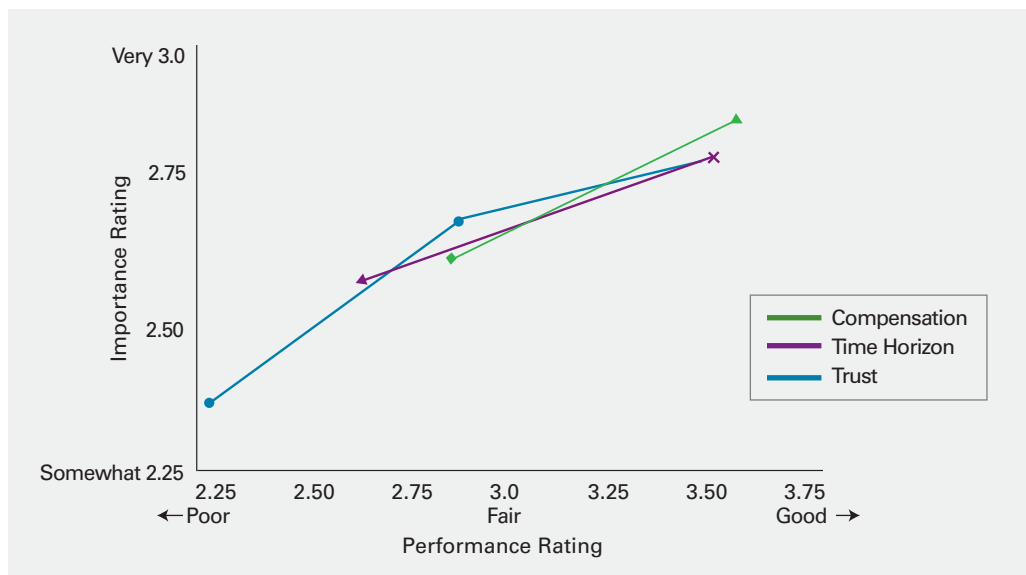
**1. Compensation.** Respondents for whom job compensation is dependent on changes in customers' value rate both the performance (3.4 on a scale, where 1=Not At All, 2=Poor, 3=Fair, 4=Good and 5=Excellent) and importance (2.9 on a scale, where 1=Not At All, 2=Somewhat, 3=Very) of measuring the value of individual customers higher than those for whom there is no compensation dependency (2.8 and 2.6, respectively; see Figure 8).

**2. Time Horizon.** Executives who somewhat or strongly agree with the statement "In my company, we can do what is right despite the pressure to make our current-period numbers" (i.e., long-term thinkers) rate both the performance (3.3) and importance (2.8) of measuring the value of individual customers higher than those who strongly or somewhat disagree (i.e., "short-term"; 2.6 and 2.6, respectively; see Figure 8).

**3. Trust.** To measure trust, a composite of responses to the statements "My company believes that customer trust is tied to the financial success of the business" and "Whether a proposed action increases or decreases customer trust is used as a guideline in making decisions in my company" was formed.<sup>23</sup> As trust increases from low to medium to high, both performance (2.3, 2.8, 3.3) and importance (2.4, 2.7, 2.8) of measuring individual customer value increases (see Figure 8).

Both the performance of—and the importance placed on—measuring the value of individual customers, therefore, are mediated by aligning job compensation to changes in customers' value, by the time horizon (short or long term) of a company, and by a company's recognition of the criticality of customer trust.

Figure 8: Performance by Importance for Compensation, Time Horizon and Trust



- Respondents for whom job **compensation** is dependent on changes in customers' value rate both the performance and importance of measuring individual customer value higher than those for whom there is no compensation dependency.
- Companies with a long-term **time horizon** rate both the performance and importance of measuring individual customer value higher than those with a short-term focus.
- As a company places increased importance on the role of customer **trust**, the performance and the importance of measuring individual customer value also increases.

Source: Peppers & Rogers Group

## Marketing Impact and Marketing Spend

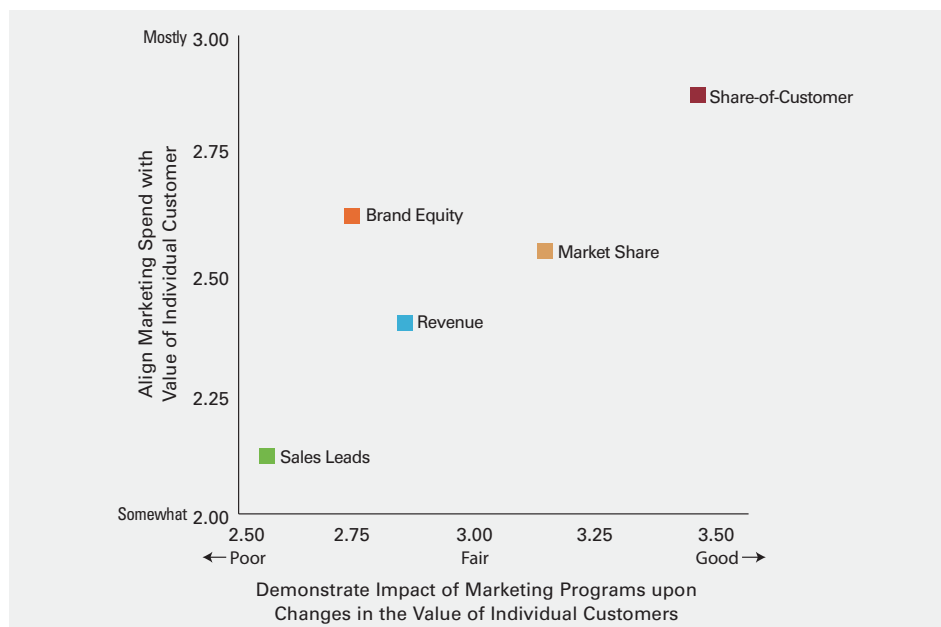
A company is able to monetize the measurement of customer value under two main circumstances: (1) when it is able to demonstrate the impact of its marketing programs on changes in customer value, thereby allowing the company to improve programs failing to meet expectations; and (2) when it is able to align its marketing spend with customer value, focusing resources on retaining the most valuable customers and developing customers with the greatest growth potential, for example.

Only 30 percent of companies are good or excellent at demonstrating the impact of their marketing programs on changes in the value of individual customers; with a majority (60 percent) rated as poor or fair, and a minority (11 percent) not at all able to document the linkage. Companies likewise struggle with aligning marketing spend to the value of individual customers, with only 16 percent reporting that it is done extensively or completely; 68 percent, somewhat or mostly; and 16 percent, not at all. About one in eight (12 percent) companies are good/excellent at demonstrating the impact of their marketing programs on changes in the value of individual customers, as well as extensively/completely able to align marketing spend to the value of individual customers.

A company's success in demonstrating the impact of marketing on customer value and aligning marketing resources based on customer value vary based on the primary role of marketing (see Figure 9). For companies in which marketing's goal is increasing share-of-customer, both of these dimensions are rated highest. For companies in which marketing's goal is generating sales leads, however, both dimensions are rated comparatively low. In all cases, however, the mean rating score for demonstrating the impact of marketing programs on changes in the value of individual customers is below "good" (on a scale, where 1=Not At All, 2=Poor, 3=Fair, 4=Good, and 5=Excellent); and the mean rating score for aligning marketing resources based on customer value is below "mostly" (on a scale of 1=Not At All, 2=Somewhat, 3=Mostly, 4=Extensively, and 5=Completely), indicating that companies have substantial room for advancement in both areas.

**Consider this...**  
**Only 30 percent of companies are good or excellent at demonstrating the impact of their programs on individual customer value. How do you demonstrate the impact in your organization?**

Figure 9: Impact and Alignment of Marketing Spend by Marketing Goal



Companies' success in demonstrating the impact<sup>25</sup> of marketing programs on changes in—and aligning<sup>26</sup> marketing spend with—customer value varies by marketing's primary role, with the highest ratings on both dimensions occurring for companies focused on increasing share-of-customer.

Source: Peppers & Rogers Group

## Conclusion

Despite broad agreement that measuring the value of individual customers is important to long-term success, companies of all sizes and types across industries still struggle to measure customer value and, for many, improvement remains elusive. Few companies use a broad mix of lifetime value drivers when estimating customer value, and less than half view the resulting information as accurate. As a consequence, the penetration of customer value information's use across functional areas within the organization is limited, confined mostly to sales and marketing.

Most companies are disadvantaged by their inability to monetize the measurement of individual customer's value. They can neither demonstrate the impact of marketing programs on changes in customer value nor align marketing spend with the value of individual customers. Fortunately, there are opportunities to improve. These occur as a company's time horizon shifts from short to long term, as the realization of the criticality of customer trust is heightened, as marketing's primary goal evolves to a focus on increasing share-of-customer, and as job and as compensation is aligned with changes in customer value. ■

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## Peppers & Rogers Group

Peppers & Rogers Group is dedicated to helping its clients improve business performance by acquiring, retaining, and growing profitable customers. As products become commodities and globalization picks up speed, customers have become the scarcest resource in business. They hold the keys to higher profit today and stronger enterprise value tomorrow. We help clients achieve these goals by building the right relationships with the right customers over the right channels.

We earn our keep by solving the business problems of our clients. By delivering a superior 1to1 Strategy, we remove the operational and organizational barriers that stand in the way of profitable customer relationships. We show clients where to focus customer-facing resources to improve the performance of their marketing, sales and service initiatives.

For more information, visit [www.peppersandrogersgroup.com](http://www.peppersandrogersgroup.com)

## Author

With over fifteen years of marketing experience and advanced study in cognitive psychology, research methodology, and statistics, Thomas Lacki, Ph.D., is privileged to contribute to the creation of higher value solutions through best thinking for the clients of Peppers & Rogers Group. In the role of Senior Advisor, Peppers & Rogers Group Faculty, he leverages his own expertise in understanding individuals behaviorally and analytically to achieve measurable marketing results today, and to elevate the practice of one-to-one marketing tomorrow. Lacki has shared his insights with conference audiences throughout the world, has published research about CRM, and serves on the editorial board of an international marketing journal.

Yelkan Öğün (Consultant, Peppers & Rogers Group) executed the analyses for this research.

## Endnotes

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- <sup>21</sup> Performance is measured using a scale where 1=Not At All, 2=Poor, 3=Fair, 4=Good and 5=Excellent
- <sup>22</sup> Variance is a statistical measure of the extent to which responses differ—i.e., how they are distributed. Explained variance is the percent of the total variance of an outcome measure (e.g., a performance rating) which can be attributed to a specific predictor variable (e.g., Marketing Impact). As reported in the table, this quantity ranges from a minimum of 0.00 to a possible maximum of 1.00, where low values indicate a weak association between the outcome measure and the predictor and high values, in contrast, indicate a strong association.
- <sup>23</sup> For each of two statements (“My company believes that customer trust is tied to the financial success of the business” and “Whether a proposed action increases or decreases customer trust is used as a guideline in making decisions in my company”), strongly/somewhat disagree responses were recoded to -1, neutral to 0, and somewhat/strongly agree to +1; and the recoded values summed to yield a trust level (low=-2 to -1, medium=0, high=+1 to +2).
- <sup>24</sup> Importance is measured using a scale where 1=Not At All, 2=Somewhat, and 3=Very
- <sup>25</sup> The impact of marketing programs upon changes in the value of individual customers is measured using a scale where 1=Not At All, 2=Poor, 3=Fair, 4=Good, and 5=Excellent
- <sup>26</sup> The alignment of marketing spend with the value of individual customers is measured using a scale where 1=Not At All, 2=Somewhat, 3=Mostly, 4=Extensively, and 5=Completely