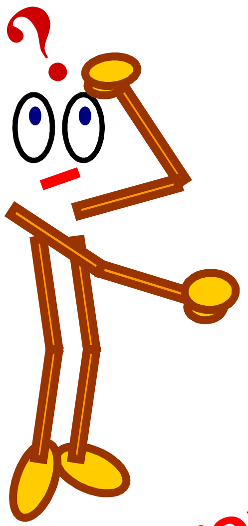


What is customer value?

Customer value is defined as:

the way the customer perceives the entire company's offerings, including products, services & other intangibles

Customer value dimensions:

- Conformance to requirements
- Product selection
- Price and brand
- Value-added services
- Relationships & experience

Customer Retention

Firms invest considerable efforts in attracting new customers while often overlooking the importance & advantage of retaining existing customers:

- ✓ Costs of winning new customers are much higher than the cost of keeping customers
- ✓ Existing customers have tendency to buy more than new customers
- ✓ Loyal customers will increase spending over time
- ✓ Retained customers are likely to be willing to pay a premium

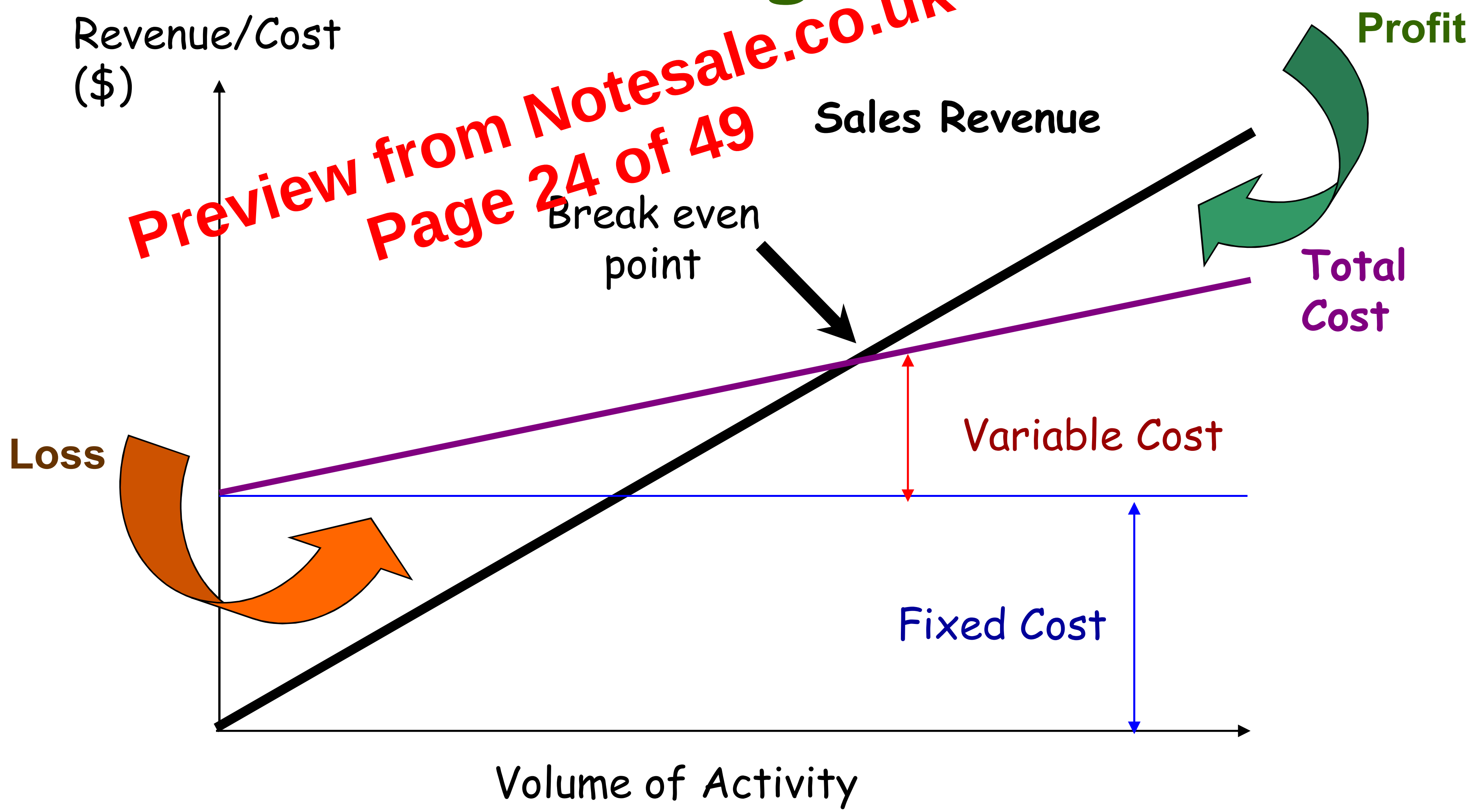
Measuring Customer Retention

Customer retention can be measured by comparing the number & identity of customers between two points in time:

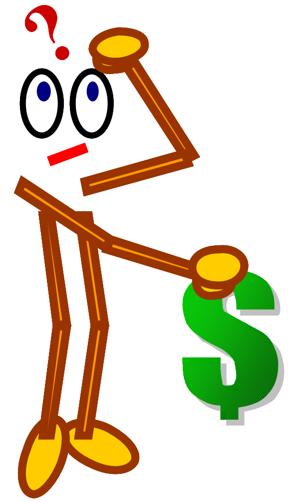
How many of the customers we had last year are still our customers this year?

While insights are offered by looking at the ***percentage*** of customer retention, it is also important to look at their ***spending***

Breaking Even



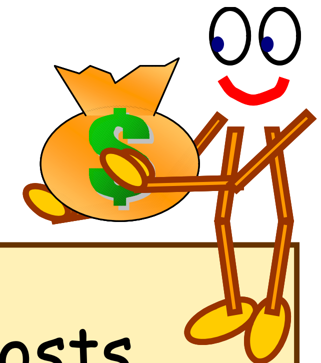
Direct vs. Indirect Costs



Looking at costs as direct or indirect means looking at their allocation to a certain product

- **Direct costs** can be linked to a particular product
- **Indirect costs** cannot be directly associated to a particular product

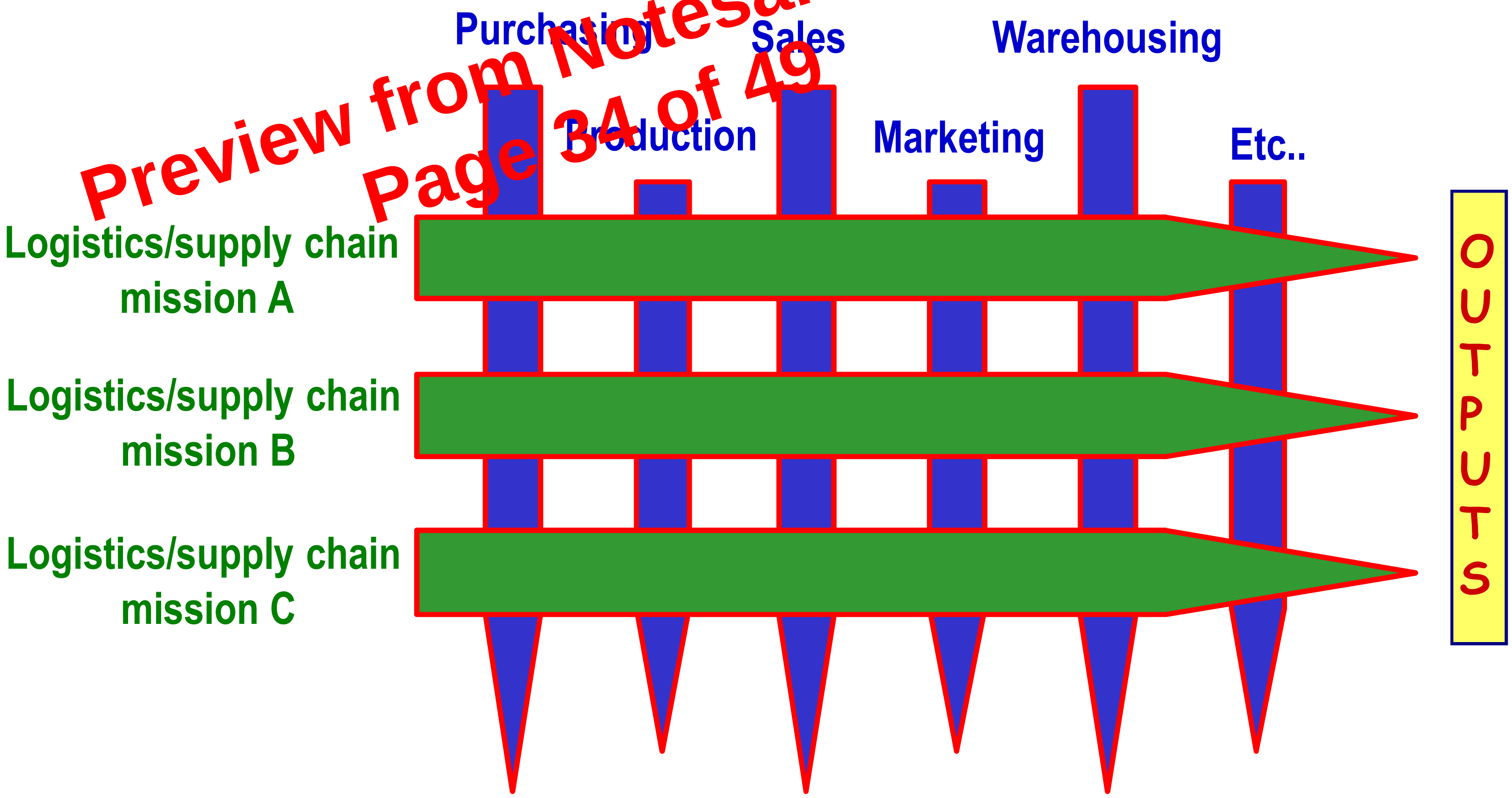
Basic Cost Calculations



- ✓ Total Costs = Variable Costs + Fixed Costs
- ✓ Total Revenue = Price x Quantity Sold

- ✓ Profit: Total Revenue – Total Cost > 0
- ✓ Break Even: Total Revenue – Total Cost = 0
- ✓ Loss: Total Revenue – Total Cost < 0

Logistics Mission extends across Functional Boundaries



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Logistics mission statement

Express in words your company's mission statement for logistics

Can you identify any individual missions within the mission statement that you just wrote?