

Lecture 2 - loyalty always count

Reicheld 2001 - definition

Figuring out how to invest resources more effectively means constructing a model of life cycle cash flow defections and profits for your own particular customers

How long can loyalty last?

Depends on nature of product/service - is key

Frequency of regular purchase

Life stage- where is the customer in terms of growing up(not income that's how someone chooses to spend their money)

Lifestyle

Suitable alternatives/overtures

Brand promiscuity - changing around - products that don't have much involvement

Boredom/inertia - e.g. Banks - too much effort to shift/change

Lifetime loyalty - unlikely but....

Life time value analysis is central to understanding planning and developing loyalty - what the customer is worth and then decide how much money you are going to put into them.

Recording, analysing, tracking customer behaviour helps produce realistic models -RAT

And the aim of these - Improve loyalty decision-making and invest in current/prospective customers to maximise profit on investment

Focused on maximising profit

Tefel (kettle, toaster, iron company) used guaranteed cards to get you to sign up and then used postcode analysis, they thought their target audience were young professionals - we're wrong actually getting people on

Life time value exposed -

McCorkell 2000 direct and database marketing - the anticipated future worth of a new customer calculated by forecasting the period over which the customer will remain loyalty and their spend within that period

num of years x spend - cost = profit

Income is vanity profit is sanity

Think net profit and also have to allow for inflation

Banks getting the children in early in order for them to stay

Ladder of loyalty - problems - suggests life is a straight line and you keep climbing its very simplistic

Advocate - leap from customer - someone who speaks to their friends about it - brands try very hard for this e.g. Likes. Marketing companies want you to spread the word

Customer -

Tribalism - give it a go - might not involve actual purchase e.g. Testing products in store - try before you buy - perfume samples etc.