

MK 8710 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Fall, 2018



**Center for Excellence in
BRAND & CUSTOMER MANAGEMENT**

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Assignment 8 – Linking CBV to CLV Computation

Note: Please name the document as: *LASTNAME_FIRSTNAME_8*. Please submit the assignment at iCollege by **November 26th at 5pm**.

Objective: to find the optimal level of Customer Brand Value (CBV) components to maximize Customer Lifetime Value (CLV).

The marketing manager of a mail order catalog firm is revisiting customer data with a view to lay down some guidelines for the future. Currently, the firm does not differentiate between its customers. By looking at the customer transaction and marketing data, the marketing team has computed CLV for its 100 customers. Also, the marketing team has surveyed these customers to obtain the measurements of customer brand value (shown in Brand Management - Assignment 8 – Data.xlsx). Responses to eight components of Customer Brand Value (CBV) have been obtained which ranges from 1 to 10 (with scale value 10 highest, 1 lowest). With the information, the marketing team now wants to know how to maximize the customers' profitability by optimizing each brand value components.

1. Find the relative importance of CBV components by performing a regression analysis.

Hint:

$$\begin{aligned} CLV_i = & \beta_0 + \beta_{11}Awareness_i + \beta_{12}Awareness_i^2 + \beta_{21}Image_i + \beta_{22}Image_i^2 + \beta_{31}Trust_i \\ & + \beta_{32}Trust_i^2 + \beta_{41}Affect_i + \beta_{42}Affect_i^2 + \beta_{51}Purchase\ Intention_i \\ & + \beta_{52}Purchase\ Intention_i^2 + \beta_{61}Premium\ Price_i + \beta_{62}Premium\ Price_i^2 \\ & + \beta_{71}Loyalty_i + \beta_{72}Loyalty_i^2 + \beta_{81}Advocacy_i + \beta_{82}Advocacy_i^2 + \varepsilon_i \end{aligned}$$

2. Find the optimal level of brand value components (8 components) to maximize the average CLV of all customers.

Hint: The optimal level of brand value components should not go below the current average level of all customers, or above the highest possible level. E.g. Brand Awareness should not go below 5.31 or above 10.