

LLYC

**Marketing
Impact**
by LLYC

MAKING MARKETING ACCOUNTABLE

**CUSTOMER VALUE
SNAPSHOT (CVS)**

LLORENTE Y CUENCA



MARKETING IMPACT

INTRODUCTION

Marketing Impact is LLYC's global business unit dedicated to audit, train, deploy operational models, and monitor marketing and communications activities at worldwide corporations, agencies, and public organizations to help increase efficiency, profitability, and accountability. Thanks to a step-by-step evaluation and systematic approach, Marketing Impact can help determine the real economic impact of projects and campaigns for companies, foundations, NGOs, and public organizations.

SOME BACKGROUND

Marketing Impact has helped companies across the world and its methodology is currently in use in more than twenty countries. Companies like Heineken, Philips, Novartis, Sanofi, Mapfre, EDP Renewables, and Schneider Electric have already benefited from it. Leading business schools in Europe and Latam have also embraced Marketing Impact's know-how as part of their executive education programs. Marketing Impact's contents have been featured by Forbes Magazine, the American Marketing Association (AMA), and the Association for National Advertisers (ANA), among others.

Marketing Impact

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All of Marketing Impact's services aim at providing marketing, communications, stakeholder, and sustainability managers with tools that can deliver economic efficiency and accountability.

1 MARKETING AUDIT

Kicking tires about efficiency and profitability

2 CUSTOMER VALUE SNAPSHOT

How much is a customer really worth in cash?

3 ATTRIBUTION MODEL

Ad-hoc for your product or service and in your market

4 ROI SENSITIVITY ANALYSIS

Project economic validation prior to investing

5 ROI EVALUATION

Turn-key project or campaign ROI evaluation

6 MARKETING EFFICIENCY PROGRAM

Comprehensive full management model

7 STAKEHOLDER IMPACT PROGRAM

Managing relations for business impact

8 3D SUSTAINABILITY PROGRAM

Business-driven social and environmental impact

WHAT IS A CUSTOMER VALUE SNAPSHOT (CVS)

Value generation has been at the top of the list of managers for decades. Value for the client, that continues to be at the center of all activities, but also value for the organization.

What is value for the organization? One could be tempted to announce a long list of issues or achievements that are “valuable” for a company: a good reputation, excellent client's relations, good customer experiences, customers’ loyalty, and so on. Is there value for the business here? Or are these “value drivers” rather than value per se?

Companies need profits to be sustainable in time the same way we, people, need air to survive. That is why it is so important to define the specific monetary value that is behind each transaction, each type of customer and/or offer. How much is a customer worth it in real monetary values, in cash?

The Customer Value Snapshot (CVS) is exactly the answer to this question. It does not define the customer lifetime value (CLTV) but the real monetary value in cash, in one year, of each income generating unit or transaction. Real cash.

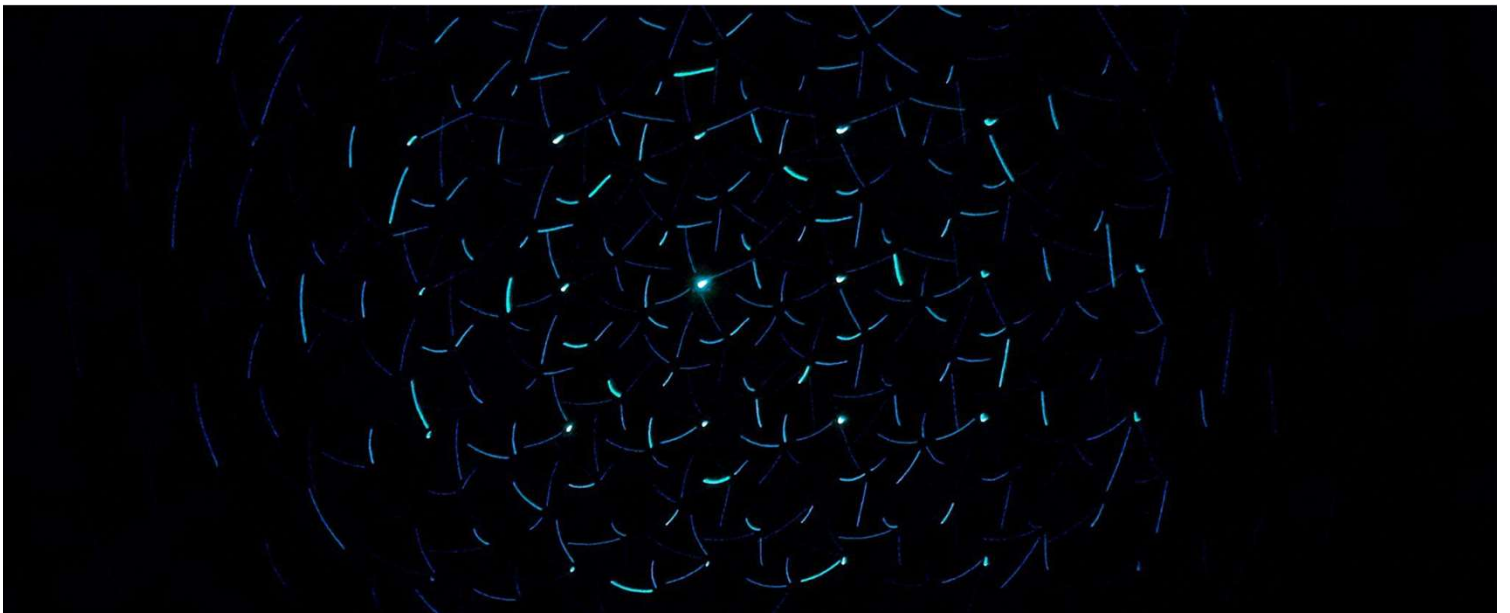
Show me the money!

THE POWER OF CASH

Cash is considered a vital asset for businesses in general and for marketing and communications departments in particular for several reasons. It plays a fundamental role in ensuring the sustained operation and growth of a company. Here are some key reasons why cash is important :

- **Liquidity and Solvency:** Cash provides the ability to meet short-term obligations promptly. Marcom activities constantly generate immediate expenses that could be managed as an expense or as an investment.
- **Negotiating Power:** Generating cash can provide marcom departments with better bargaining power when dealing with finance departments and other stakeholders. This can result in more favorable allocations.
- **Flexibility and Stability:** Proving cash inflows provides marcom departments with flexibility to respond to market changes and customer demands. Whether it's adjusting promotions, launching new products, or responding to competitors moves, having access to cash offers the flexibility needed to adapt to evolving market conditions, fostering long-term stability and competitiveness.

Overall, the importance of cash for businesses cannot be overstated, as it serves as a lifeline for day-to-day operations, strategic growth initiatives, and overall financial stability. Maintaining an optimal balance between budgets and investments is essential for ensuring the sustained success and resilience of a marketing and communications departments in the long run.



HOW IS IT DONE?

Measuring the value of a customer in cash involves understanding and calculating the monetary impact that a customer, or an income generating transaction, brings to a business over their entire lifecycle of one year. Knowing the real cash generation helps businesses make informed decisions about marketing strategies, customer acquisition, and retention efforts. Here's a step-by-step guide on how to measure the value of a customer in cash:

1

DATA COLLECTION

Data points on customer behavior, purchase history, average order value, frequency of purchases, customer retention rates, and associated direct and indirect costs such as marketing expenses and customer service expenses, promotions, events, etc.

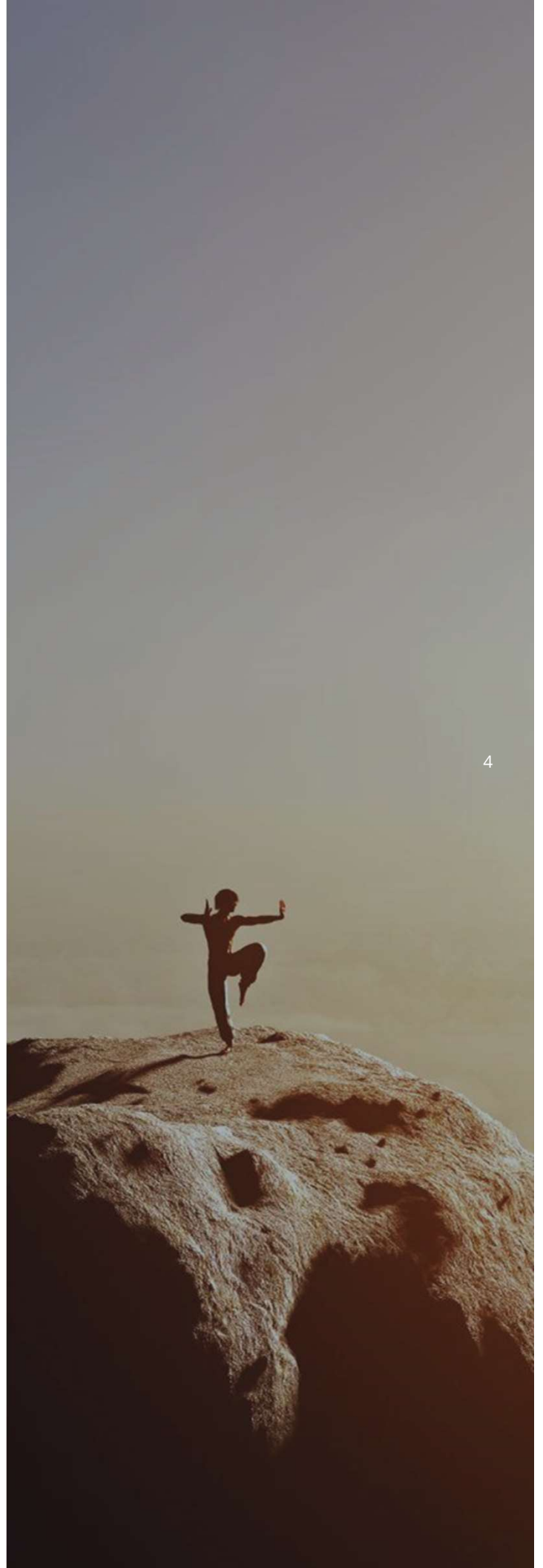
2

ANALYSIS AND SEGMENTATION

Segment customers based on their cash-generating potential to identify high-value and low-value customer segments. This analysis can help businesses tailor marketing and communications strategies and investments accordingly.

Use the CVS metric to make informed decisions about customer acquisition, retention strategies, and resource allocation. Focus on maximizing the cash-generating potential of each customer segment to ensure sustainable growth and profitability.

By utilizing the Customer Value Snapshot, businesses can gain valuable insights into the financial impact of their customer base and develop effective strategies to enhance customer relationships, improve retention rates, and maximize overall profitability.



DELIVERABLES

REPORT

The Customer Value Snapshot report provides a comprehensive overview of the findings and insights derived from the calculation. Here are some key deliverables included in a CVS report:

- 1. Executive Summary:** Provide a concise summary of the CVS analysis, highlighting the key findings and their implications for the business. Overview of the methodology used, and the main results obtained.
- 2. Methodology:** Approach and data sources used to calculate CVS. Key metrics and formulas applied, and assumptions made during the analysis.
- 3. Customer Segmentation Analysis:** Customer segments based on CVS. High, medium, and low-value customer segments, trends or patterns observed within each segment.
- 4. Costs and Profitability Analysis:** Costs associated with acquiring and retaining customers, including marketing expenses, operational costs, and customer service costs. Profitability of different customer segments based on CVS and cost considerations.
- 5. Recommendations:** Strategic recommendations based on the CVS analysis. Actionable insights for improving customer acquisition, retention, and overall customer relationship and profitability management.
- 6. Risk Assessment and Sensitivity Analysis:** Risk assessment to identify potential factors that could impact the accuracy of the CVS calculation. Sensitivity analysis to assess how changes in key variables, such as discount rates or customer churn rates, could affect the overall CVS estimates.

BUDGET

The budget is based on the number of segments, categories, and markets to be analyzed. The type of marketing mix and management model in place, as well as the number of KPIs collected. For a small-medium company, it typically ranges from USD 6,000 to USD 15,000, and in the case of larger businesses and multinational companies USD 12,000 to USD 36,000. Estimates need to be defined in every case.

BENEFITS

Understanding the CVS of your customer base offers numerous benefits that can significantly impact the overall success and profitability of a business. Some of the key advantages of knowing the CVS include:

Informed Marketing Strategies: Target high-value customer segments, ensuring that marketing efforts are focused on acquiring and retaining the most valuable customers. Improve marketing efficiency and obtain higher returns on marketing investments.

Enhanced Customer Retention: By identifying high-value customers, businesses can implement targeted retention strategies to nurture and retain these valuable relationships.

Improved Customer Segmentation: More personalized and effective communication, product offerings, and service delivery, catering to the specific needs and preferences of different customer segments.

Optimized Resource Allocation: By prioritizing high-value customers, businesses can optimize their resource allocation, streamline operational processes, and reduce unnecessary costs associated with acquiring and serving less profitable customers.

Better Product or Service Development: By aligning product or service features and offerings with the demands of valuable customer segments, businesses can develop products that cater to the specific requirements of their most profitable customers.

Accurate Revenue Forecasting: More accurate revenue forecasts and realistic financial projections. Better financial planning, budgeting, and forecasting of cash flows, aiding in overall business decision-making and long-term strategic planning.

Long-Term Business Sustainability: Utilizing CVS as a key performance metric can contribute to the long-term sustainability of a business. Overall, the insights derived from CVS analysis empower marketing and communications departments to make data-driven decisions, improve customer relationships, and maximize the overall profitability and success of their operations.

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MAKE IT COUNT. BE ACCOUNTABLE

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