

# The Customer Centricity Playbook: Implement a Winning Strategy Driven by Customer Lifetime Value

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## Summary

1. Book introducing the basics of Customer Lifetime Value and how to become customer centric.

## Key Takeaways

1. Most of a customer's value is born with them meaning it will be hard to upgrade them. They are born with some level of "goodness" relative to the value proposition you offer.
2. Even though all customers may all look the same on the surface, they are very different. This is defined as "customer heterogeneity".
  - a. If you consider the customer a singular, monolithic entity you are not customer centric.
  - b. A product centric approach ignores this and wastes resources on chasing down product sales to anyone at any cost.
3. Customer Centricity: a strategy that aligns the development and delivery of a company's products and services with the current and future needs of its highest valued customers in order to maximize these customers' long-term financial value to the firm.
  - a. This means all customers do not deserve an equal amount of a Company's resources.
4. Customers demonstrate certain levels of both preference, propensity and potential.
  - a. Preference: the degree to which your offerings align with a customer's needs and the degree to which your customers chooses you over a competitor.
  - b. Propensity: examines the actions of your customers; their likelihood of being loyal, of referring others, of buying higher value offerings.
  - c. Potential: the value of each customer.
5. Customer Lifetime Value (CLV): the present value of future cashflows attributed to the customers relationship.
  - a. Can only really calculate this for customers who have already churned.
6. In mature cohorts, investment should not be spent on retaining already sticky customers but rather how to create and extract further value or find more customers like them.
7. There are other customer behaviors that should be noticed.
  - a. For member-driven organizations, one should look at volunteering as well as donations.
  - b. For media firms, should look at content consumption and sharing content just not subscription fees.
8. Three activities with your customer base include customer acquisition, customer retention and customer development and these are all intertwined.
  - a. Smart acquisition the main driver of customer centricity although retention and development are important.
  - b. As companies mature, you move from acquisition activities to retention and development of high value customers. This mirrors the corporate lifestyle of a company.
  - c. It comes down to where you are in the lifecycle and sometimes its easier to focus resources on keeping customers rather than develop a new strategy.
9. Bezos only sold book to gather data on affluent shoppers.
10. Types of Customer Acquisition Strategies / Tactics

		<u>STRATEGY</u>
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		<u>BROAD</u>	<u>SELECTIVE</u>
TACTICS	DIRECT	Lead Generation Telemarketing Detailing	Profiling / scoring Social network / neighbor
	INDIRECT	Mass marketing Random selection Word of mouth	Influential seeding Referrals 2 <sup>nd</sup> degree targeting

11. Demographic thinking is a poor customers acquisition strategy. This is because variation within these buckets is far greater than differences across them.
12. 80/20 Rules often at work with customers. In freemium games, it can actually be as high as 90/5.
13. Manage a customer portfolio like an investment portfolio. Just like investment portfolio have safe investments like cash, you can also have lower-value customers to “keep the lights on”.
14. Customer development can be summed up by two simple questions.
  - a. Do you want to supersize that? The upsell. Examples include LinkedIn Premium or Amazon Prime.
  - b. Do you want fries with that? Cross-selling. Examples include recommendation algorithms.
15. Customer Value with offensive and defensive tactics

		<u>TARGETED CUSTOMERS</u>	
		<u>High Value</u>	<u>Low Value</u>
TACTICAL APPROACH	Offensive	Premium Offerings	Loyalty Programs
	Defensive	Strategic Account Management	Customer Service

16. Authors contend valuation experts do a poor job of tying customer metrics to value.

What I got out of it

1. Most customers have some level of alignment with what you do and it is really hard to change that.
2. Concept of customer heterogeneity: do not consider the customer a singular entity. There is a lot of variance within all buckets.
3. Once you have high value customers, upselling and cross selling should be the focus.
4. Sales and marketing activities should align with where a company is in its current life cycle.

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