DOWNLOAD PDF MANAGING CUSTOMERS AS INVESTMENTS

Chapter 1 : Fidelity International Usage Agreement

Managing Customers as Investments is a recommended read for all marketing and customer-centric managers as well as all corporate executives. Read more.

Toxic dust or filings Poisonous liquids or waste Fire department hazardous material units are prepared to handle these types of disaster. People who work with these materials, however, should be properly equipped and trained to handle them safely. A plan should be created and implemented to handle the immediate effects of these risks. Government agencies and local fire departments may help in acquiring information to prevent these accidents, as well as provide advice on how to control them and minimize their damage if they occur. Location Risks Among the location hazards facing a business are nearby fires, storm damage, floods, hurricane or tornado, earthquake and other natural disasters. Employees should be familiar with streets leading in and out of the neighborhood on all sides of the place of business. Keep sufficient fuel in your vehicles to drive out of and away from the neighborhood. Human Risks Alcoholism and drug abuse are major risks to personnel in the work force. Employees suffering from these conditions should be urged to seek treatment, counseling and rehabilitation, if necessary. Some insurance policies may provide partial coverage for the cost of treatment. Protecting against embezzlement , theft and fraud may be difficult, but these are crimes which occur frequently in the workplace. A system of double-signature requirements for checks, invoice and payables verification can help prevent embezzlement and fraud. Stringent accounting procedures may discover embezzlement or fraud. While this may not necessarily be grounds for declining to hire an applicant, placement for the new hire in a critical position in which money and cash equivalents are used may not be judicious. To prevent loss of productivity, assign and train backup personnel to handle the work of critical employees when they are absent due to a health-related concern. Technology Risks Power outage is perhaps the most common of the technology risks. Auxiliary gas-driven power generators are a good back-up system to provide electrical energy for lighting and other functions until utility power is restored. In manufacturing plants, several large auxiliary generators can keep a factory operational until utility power is restored. Computers may be kept up and running with high-performance back-up batteries. Offline and online data back-up systems should be used to protect critical documents. Although telephone and communications failure is relatively uncommon, risk managers may consider providing emergency-use-only company cell phones to personnel whose use of the phone or internet is critical to their business. When structured efficiently, acceptance of strategy risks can create highly profitable operations. Companies exposed to a great deal of strategy risk can mitigate the potential for negative consequences by creating and maintaining infrastructures that support high-risk projects. A system established to control the financial hardship that occurs when a risky venture fails often includes diversification of current projects, strong cash flow or the ability to finance new projects in an affordable way, and a comprehensive process to review and analyze potential ventures based on future return on investment. Making a Risk Assessment After the risks have been identified, they must be prioritized in accordance with your assessment of their probability. Establish a probability scale for purposes of risk assessment. For example, risks may be: Very likely to occur Small chance of occurrence Very little chance of occurrence Other risks must be prioritized and managed in accordance to their probability of occurring. Actuarial tables â€" statistical analysis of the probability of any risk occurring, and the potential financial damage ensuing from the occurrence of those risks â€" may be accessed online and can provide guidance in prioritizing risk. Insuring Against Potential Risks Insurance is a principle safeguard in managing risk, and many risks are insurable. Fire insurance is a necessity for any business that occupies a physical space, whether owned outright or rented, and should be a top priority. Product liability insurance , as an obvious example, is not necessary in a service business. Some risks are inarguably high priority, such as the risk of fraud or embezzlement, if employees handle money or perform accounting duties in accounts payable and receivable. Specialized insurance companies will underwrite a cash bond to provide financial coverage in the event of embezzlement, theft or fraud. When insuring against potential risks, never assume a best-case scenario. Even if employees have worked for years with no problems and their service has been exemplary, insurance against employee error may be a necessity. The extent of insurance coverage against injury will depend on the nature of your business. A heavy manufacturing plant will, of course, require more extensive coverage for employees. Product liability insurance is also a necessity. If a business relies heavily on computerized data â€” customer lists and accounting data, for example â€” exterior backup and insurance coverage are mandatory. Finally, hiring a risk management consultant may be a prudent step in the prevention and management of risks. To learn more, read " Insurance Coverage: Preventing the many risks from occurring in your business is best achieved through employee training, background checks, safety checks, equipment maintenance, and maintenance of the physical premises. A single, accountable staff member with managerial authority should be appointed to handle risk management responsibilities. The risk manager with the committee should formulate plans for emergency situations such as: Fire Explosion Hazardous materials accidents or the occurrence of other emergencies Employees must know what to do, and where to exit the building or office space in an emergency. A plan for the safety inspection of the physical premises and equipment should be developed and implemented regularly, including the training and education of personnel, when necessary. A periodic, stringent review of all potential risks should be conducted. Any problems should be immediately addressed. The Bottom Line While business risks are abound, and their consequences can be destructive, there are ways and means to insure against them, to prevent them and to minimize their damage if and when they occur. Finally, hiring a risk management consultant may be a worthwhile step in the prevention and management of risks.

Chapter 2 : What Are Your Customers Really Worth? - Knowledge@Wharton

Managing Your Customers as Investments has the www.nxgvision.com'll learn simple ways to get reliable customer value information--ina form you can use. You'll discover how to use it to measure marketingeffectiveness, generate improvements throughout the entire customerrelationship lifecycle, and improve decision-making.

Lehmann offer practical examples and case studies to help companies estimate the lifetime value of their customers. That information, the authors suggest, can then be used to make better strategic decisions about customer acquisition, service, retention and segmentation. Knowledge Wharton has excerpted a section of the book below. The Customer Is Always Right. For years, managers all over the world have reiterated the need to focus on customers, provide them good value, and improve customer satisfaction. In fact, metrics such as customer satisfaction and market share have become so predominant that many companies not only track them regularly but also reward their employees based on these measures. However, this kind of customer focus misses one important component â€" the value of a customer to a company. Effective customer-based strategies take into consideration the two sides of customer value â€" the value that a firm provides to a customer and the value of a customer to the firm. This approach recognizes that providing value to a customer requires marketing investment and that the firm must recover this investment. In other words, this approach combines the traditional marketing view, where the customer is king, with the finance view, where cash is king. This chapter describes how a strategy that focuses on the two sides of customer value differs from traditional marketing strategy. We demonstrate that the two approaches use different metrics for measuring success and frequently lead to quite different insights and strategic decisions. Finally, we discuss in detail the three strategic pillars of this new approach â€" customer acquisition, customer margin, and customer retention. Traditional Marketing Strategy A longstanding approach to marketing strategy discussed in almost every marketing management textbook and taught in most business schools can be summed up as consisting of 3 Cs, STP, and 4 Ps. If a company can fulfill customer needs better than its competitors, it has a market opportunity. This part recognizes that customers are different in terms of their needs for product and services, so a firm has to decide which of these customer segments it should target. After selecting a target segment, the firm needs to decide on the value proposition or positioning of its products with respect to competitive offerings. The final component of this framework designs the 4 Ps â€" product, price, place i. This framework is logical and useful. For example, it is not uncommon for firms to spend billions of dollars on advertising. It also offered billions of dollars in discounts to attract customers. What is the return on these investments? Do they build customer value in the long run? It is difficult, if not impossible, to answer these questions within the traditional marketing framework. Customer-based strategy does not completely ignore the key principles of the traditional marketing approach. Providing value to customers is still critical. However, this approach recognizes that marketing investment in customers must be recovered over the long run. Specifically, this approach highlights the two sides of customer value â€" the value a firm provides to a customer and the value of a customer to a firm. The first part is the investment, and the second part is the return on this investment. Star Customers get high value from the products and services of the firm. These customers also provide high value to the company by way of high margins, strong loyalty, and longer retention time. The relationship is balanced, largely equitable, and mutually beneficial. This is clearly a win-win situation where customers get superior value, which earns the firm loyalty and higher profitability. A firm would be well-advised to build this type of customer. In contrast, Lost Cause customers do not get much value from the products and services of the firm. One cross-sectional study of U. The other two cases show unbalanced, and hence unstable, relations. In a sense, they are exploited, much like overworked cows or farmed-out fields. These customers are vulnerable and prone to defect to competitors unless corrective action is taken. A company can invest in these customers through better product offerings, additional services, and related activities. For example, the call centers of Charles Schwab were configured so that the best customers never waited longer than 15 seconds to get a call answered, while other customers could wait for as long as 10 minutes. Free Riders are the mirror image of the Vulnerable Customers. For whatever reason e. Consider the case of supermarkets. Once these customers are in the store, the hope is that they will buy other items that are profitable. It is somewhat ironic that supermarkets have a special line for customers who buy a few items while heavy spenders wait in long lines. Clearly, care is needed in implementation. In general, however, a firm should either reduce its service level or raise prices for the Free Riders. Although this will reduce the value to customers and risk losing them, it will, if successful, enhance their value to the firm. Each of the strategic approaches has its own key metrics. The key metrics in the traditional marketing approach are sales and share. Ancillary metrics may include customer satisfaction and brand image. Profit is typically measured at a product or brand level. As already illustrated, market share or sales may be the wrong metric in many cases. A credit card company may acquire a lot of low-value customers, which will increase its share but not its long-term profitability. Measuring profit at a product or brand level is useful but incomplete for at least two reasons. First, most firms focus on the short-term or quarter-by- quarter profits of a brand and treat marketing as an expense. This short-term focus is counter to the very concept of marketing as investment. Second, measuring profit at the product level ignores the vast differences in the profitability of customers. A bank may be losing money on its mortgage business. This aggregate profit measure hides the fact that the problem may lie with the bank having too many customers who are Free Riders. Adjusting the price and service to customers based on their value to the firm can significantly enhance the profitability of this product. In sum, capturing share, increasing satisfaction, and enhancing the brand experience are all useful. They also serve as motivators toward measurable goals. However, they are neither consistent with each other nor necessarily good business. A focus on customer profitability has several advantages. First, it inherently takes a long-term view, emphasizing that customers are assets who provide long-term returns and that marketing is an investment in these customers. This also shows how to assess the return on this marketing investment. Second, it recognizes that the value of customers may vary substantially. For example, in many business-to-business situations, it is not uncommon to find that while large customers are generally the largest revenue generators for a firm, they are not necessarily the most profitable because of the high cost required to serve them. Note, if a firm keeps track of profit at only the product level, it will never be able to uncover this. In other words, this new metric is more than a mere difference in semantics. It will not only drive decisions in a different direction but it may also entail significant changes in organization structure. These three factors are the key metrics of the new approach. For example, it is hard to simultaneously increase customer acquisition and cut total or average acquisition cost. Similarly, increasing the acquisition rate is likely to draw marginal customers and may negatively impact customer retention rates and margin per customer. Such trade- offs are the essence of astute business decisions and the hallmark of profitable growth. A Case Study To highlight some of the differences in the strategic insights gleaned from using the traditional versus the new approach, we present a case study for the U. In addition, several billion dollars were spent on discounts in the form of cash rebates and the like. Some reports suggest that in , U. A recent study examined the U. The results were even more dramatic in some cases. Results for advertising were also different when viewed from the traditional versus the new lens. Only the advertising for Mercedes-Benz had a positive influence on its customer equity. This study also emphasized the differential impact of marketing instruments on customer acquisition and retention rates. For example, when high-quality brands offer discounts, it affects their customer acquisition rate more than their retention rates. This study illustrates the value of understanding how marketing dollars affect customer profitability and why this focus may lead to very different conclusions than those obtained from traditional approaches.

Chapter 3 : Identifying And Managing Business Risks | Investopedia

In Managing Customers as Investments, they offer a set of tools that shows the correlation between a firm's customer assets and the value of the firm. They explain the triggers that drive this value, and how to better manage customers and, as a result, shareholders' wealth.

Industry scope[edit] The business of investment has several facets, the employment of professional fund managers, research of individual assets and asset classes , dealing, settlement, marketing, internal auditing , and the preparation of reports for clients. The largest financial fund managers are firms that exhibit all the complexity their size demands. Key problems of running such businesses[edit] Key problems include: Representing the owners of shares[edit] Institutions often control huge shareholdings. In most cases they are acting as fiduciary agents rather than principals direct owners. The owners of shares theoretically have great power to alter the companies via the voting rights the shares carry and the consequent ability to pressure managements, and if necessary out-vote them at annual and other meetings. In practice, the ultimate owners of shares often do not exercise the power they collectively hold because the owners are many, each with small holdings ; financial institutions as agents sometimes do. There is a general belief[by whom? Such action would add a pressure group to those the regulators and the Board overseeing management. However, there is the problem of how the institution should exercise this power. One way is for the institution to decide, the other is for the institution to poll its beneficiaries. Assuming that the institution polls, should it then: The price signals generated by large active managers holding or not holding the stock may contribute to management change. For example, this is the case when a large active manager sells his position in a company, leading to possibly a decline in the stock price, but more importantly a loss of confidence by the markets in the management of the company, thus precipitating changes in the management team. Some institutions have been more vocal and active in pursuing such matters; for instance, some firms believe that there are investment advantages to accumulating substantial minority shareholdings i. In some cases, institutions with minority holdings work together to force management change. Perhaps more frequent is the sustained pressure that large institutions bring to bear on management teams through persuasive discourse and PR. On the other hand, some of the largest investment managersâ€”such as BlackRock and Vanguard â€”advocate simply owning every company, reducing the incentive to influence management teams. The national context in which shareholder representation considerations are set is variable and important. The USA is a litigious society and shareholders use the law as a lever to pressure management teams. Whereas US firms generally cater to shareholders, Japanese businesses generally exhibit a stakeholder mentality, in which they seek consensus amongst all interested parties against a background of strong unions and labour legislation. Philosophy refers to the overarching beliefs of the investment organization. It is helpful if any and all of such fundamental beliefs are supported by proof-statements. Process refers to the way in which the overall philosophy is implemented. People refers to the staff, especially the fund managers. The questions are, Who are they? How are they selected? How old are they? Who reports to whom? How deep is the team and do all the members understand the philosophy and process they are supposed to be using? And most important of all, How long has the team been working together? This last question is vital because whatever performance record was presented at the outset of the relationship with the client may or may not relate to have been produced by a team that is still in place. If the team has changed greatly high staff turnover or changes to the team , then arguably the performance record is completely unrelated to the existing team of fund managers. Investment managers and portfolio structures[edit] At the heart of the investment management industry are the managers who invest and divest client investments. The advisor then recommends appropriate investments. Asset allocation[edit] The different asset class definitions are widely debated, but four common divisions are stocks , bonds , real estate and commodities. The exercise of allocating funds among these assets and among individual securities within each asset class is what investment management firms are paid for. Asset classes exhibit different market dynamics, and different interaction effects; thus, the allocation of money among asset classes will have a significant effect on the performance of the fund. Some research suggests that allocation among asset classes has more predictive power than the choice of individual holdings in determining portfolio return. Arguably, the skill of a successful investment manager resides in constructing the asset allocation, and separate individual holdings, so as to outperform certain benchmarks e. Long-term returns[edit] It is important to look at the evidence on the long-term returns to different assets, and to holding period returns the returns that accrue on average over different lengths of investment. For example, over very long holding periods e. According to financial theory, this is because equities are riskier more volatile than bonds which are themselves more risky than cash. Diversification[edit] Against the background of the asset allocation, fund managers consider the degree of diversification that makes sense for a given client given its risk preferences and construct a list of planned holdings accordingly. The list will indicate what percentage of the fund should be invested in each particular stock or bond. The theory of portfolio diversification was originated by Markowitz and many others. Effective diversification requires management of the correlation between the asset returns and the liability returns, issues internal to the portfolio individual holdings volatility , and cross-correlations between the returns. Investment styles[edit] There are a range of different styles of fund management that the institution can implement. For example, growth , value, growth at a reasonable price GARP , market neutral , small capitalisation, indexed, etc. Each of these approaches has its distinctive features, adherents and, in any particular financial environment, distinctive risk characteristics. For example, there is evidence that growth styles buying rapidly growing earnings are especially effective when the companies able to generate such growth are scarce; conversely, when such growth is plentiful, then there is evidence that value styles tend to outperform the indices particularly successfully. Large asset managers are increasingly profiling their equity portfolio managers to trade their orders more effectively. While this strategy is less effective with small-cap trades, it has been effective for portfolios with large-cap companies. For that purpose, institutions measure the performance of each fund and usually for internal purposes components of each fund under their management, and performance is also measured by external firms that specialize in performance measurement. The leading performance measurement firms e. In a typical case let us say an equity fund , then the calculation would be made as far as the client is concerned every quarter and would show a percentage change compared with the prior quarter e. This figure would be compared with other similar funds managed within the institution for purposes of monitoring internal controls , with performance data for peer group funds, and with relevant indices where available or tailor-made performance benchmarks where appropriate. The specialist performance measurement firms calculate quartile and decile data and close attention would be paid to the percentile ranking of any fund. Generally speaking, it is probably appropriate for an investment firm to persuade its clients to assess performance over longer periods e. This can be difficult however and, industry wide, there is a serious preoccupation with short-term numbers and the effect on the relationship with clients and resultant business risks for the institutions. An enduring problem is whether to measure before-tax or after-tax performance. Before-tax measurement can be misleading, especially in regimens that tax realised capital gains and not unrealised. It is thus possible that successful active managers measured before tax may produce miserable after-tax results. One possible solution is to report the after-tax position of some standard taxpayer. Risk-adjusted performance measurement[edit] Performance measurement should not be reduced to the evaluation of fund returns alone, but must also integrate other fund elements that would be of interest to investors, such as the measure of risk taken. Several other aspects are also part of performance measurement: The need to answer all these questions has led to the development of more sophisticated performance measures, many of which originate in modern portfolio theory. Modern portfolio theory established the quantitative link that exists between portfolio risk and return. The Capital Asset Pricing Model CAPM developed by Sharpe highlighted the notion of rewarding risk and produced the first performance indicators, be they risk-adjusted ratios Sharpe ratio, information ratio or differential returns compared to benchmarks alphas. The Sharpe ratio is the simplest and best known performance measure. It measures the return of a portfolio in excess of the risk-free rate, compared to the total risk of the portfolio. This measure is said to be absolute, as it does not refer to any benchmark, avoiding drawbacks related to a poor choice of benchmark. Meanwhile, it does not allow the separation of the performance of the market in which the portfolio is invested from that of the manager. The information ratio is a more general form of the

Sharpe ratio in which the risk-free asset is replaced by a benchmark portfolio. This measure is relative, as it evaluates portfolio performance in reference to a benchmark, making the result strongly dependent on this benchmark choice. Portfolio alpha is obtained by measuring the difference between the return of the portfolio and that of a benchmark portfolio. This measure appears to be the only reliable performance measure to evaluate active management. Portfolio return may be evaluated using factor models. The first model, proposed by Jensen , relies on the CAPM and explains portfolio returns with the market index as the only factor. It quickly becomes clear, however, that one factor is not enough to explain the returns very well and that other factors have to be considered. Fama and French therefore proposed three-factor model to describe portfolio normal returns Famaâ€"French three-factor model. Carhart proposed to add momentum as a fourth factor to allow the short-term persistence of returns to be taken into account. This model allows a custom benchmark for each portfolio to be developed, using the linear combination of style indices that best replicate portfolio style allocation, and leads to an accurate evaluation of portfolio alpha. Cass Business School, London. For those with aspirations to become an investment manager, further education may be needed beyond a bachelors in business, finance, or economics. Designations, such as the Chartered Investment Manager CIM in Canada, are required for practitioners in the investment management industry. A graduate degree or an investment qualification such as the Chartered Financial Analyst designation CFA may help in having a career in investment management.

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Chapter 4 : Investment Management Outlook | Deloitte US

Managing Your Customers as Investments has the www.nxgvision.com'll learn simple ways to get reliable customer value information--ina form you can use. You'll discover how to use it to measure marketingeffectiveness, generate improvement.

All investments carry some degree of risk. Stocks, bonds, mutual funds and exchange-traded funds can lose value, even all their value, if market conditions sour. Even conservative, insured investments, such as certificates of deposit CDs issued by a bank or credit union, come with inflation risk. They may not earn enough over time to keep pace with the increasing cost of living. When you invest, you make choices about what to do with your financial assets. Risk is any uncertainty with respect to your investments that has the potential to negatively affect your financial welfare. For example, your investment value might rise or fall because of market conditions market risk. Corporate decisions, such as whether to expand into a new area of business or merge with another company, can affect the value of your investments business risk. If you own an international investment, events within that country can affect your investment political risk and currency risk, to name two. There are other types of risk. How easy or hard it is to cash out of an investment when you need to is called liquidity risk. Another risk factor is tied to how many or how few investments you hold. Generally speaking, the more financial eggs you have in one basket, say all your money in a single stock, the greater risk you take concentration risk. In short, risk is the possibility that a negative financial outcome that matters to you might occur. There are several key concepts you should understand when it comes to investment risk. The level of risk associated with a particular investment or asset class typically correlates with the level of return the investment might achieve. The rationale behind this relationship is that investors willing to take on risky investments and potentially lose money should be rewarded for their risk. In the context of investing, reward is the possibility of higher returns. Historically, stocks have enjoyed the most robust average annual returns over the long term just over 10 percent per year , followed by corporate bonds around 6 percent annually , Treasury bonds 5. The tradeoff is that with this higher return comes greater risk: Exceptions Abound Although stocks have historically provided a higher return than bonds and cash investments albeit, at a higher level of risk , it is not always the case that stocks outperform bonds or that bonds are lower risk than stocks. Both stocks and bonds involve risk, and their returns and risk levels can vary depending on the prevailing market and economic conditions and the manner in which they are used. So, even though target-date funds are generally designed to become more conservative as the target date approaches, investment risk exists throughout the lifespan of the fund. While historic averages over long periods can guide decision-making about risk, it can be difficult to predict and impossible to know whether, given your specific circumstances and with your particular goals and needs, the historical averages will play in your favor. The timing of both the purchase and sale of an investment are key determinants of your investment return along with fees. If you buy a stock or stock mutual fund when the market is hot and prices are high, you will have greater losses if the price drops for any reason compared with an investor who bought at a lower price. That means your average annualized returns will be less than theirs, and it will take you longer to recover. Investors should also understand that holding a portfolio of stocks even for an extended period of time can result in negative returns. It has only been recently that the closing price has approached this record level, and for well over a decade the NASDAQ Composite was well off its historic high. Investors holding individual stocks for an extended period of time also face the risk that the company they are invested in could enter a state of permanent decline or go bankrupt. However, the historical data should not mislead investors into thinking that there is no risk in investing in stocks over a long period of time. Money was madeâ€”but not as much as if shares were sold the previous year. This is not a hypothetical risk. If you had planned to retire in the to timeframeâ€”when stock prices dropped by 57 percentâ€”and had the bulk of your retirement savings in stocks or stock mutual funds, you might have had to reconsider your retirement plan. Investors should also consider how realistic it will be for them to ride out the ups and downs of the market over the long-term. Will you have to sell stocks during an economic downturn to fill the gap caused by a job loss? Predictable and unpredictable life events might make it difficult for some investors to stay invested in stocks over an extended period of time. Managing Risk You cannot eliminate investment risk. But two basic investment strategies can help manage both systemic risk risk affecting the economy as a whole and non-systemic risk risks that affect a small part of the economy, or even a single company. By including different asset classes in your portfolio for example stocks, bonds, real estate and cash , you increase the probability that some of your investments will provide satisfactory returns even if others are flat or losing value. Diversification, with its emphasis on variety, allows you to spread you assets around. Hedging buying a security to offset a potential loss on another investment and insurance can provide additional ways to manage risk. However, both strategies typically add often significantly to the costs of your investment, which eats away any returns. In addition, hedging typically involves speculative, higher risk activity such as short selling buying or selling securities you do not own or investing in illiquid securities. The bottom line is all investments carry some degree of risk. By better understanding the nature of risk, and taking steps to manage those risks, you put yourself in a better position to meet your financial goals.

Chapter 5 : Best Investment Companies | ConsumerAffairs

The authors of Managing Customers as Investments recognize the difficulties in finding and explaining the tangible impact of your efforts to attract and retain customers.

With inventory, there are two systems: The goal is to keep customers actively participating in our products and services for a lifetime. That is the goal of effective customer management. There are a series of steps that customers should go through as they enter our customer management system. Only then do we have someone that we can profitably manage. Our next step is migration. We want to turn our acquired customer base into a strategic corporate asset. We must find out their needs, desires, and incomes. We learn their ages, family composition, occupations, lifestyle. In the case of business customers, we learn their SIC code, annual sales, and number of employees. We learn their buying cycle, and their key employees: The idea of migration is to convert these acquired customers into loyal customers, and even get them to become advocates: The management process brings up the question, who owns these customers? Who will manage them? In most organizations, this is a very difficult question. Most companies are organized on a product, or brand basis. A bank has home equity customers, auto loan customers, mortgage customers, credit card customers. There is a vice president in charge of each of these functions. No one is in charge of the customer! No one is working to build loyalty to the bank, to widen their purchases to other products, to deepen their involvement with the bank. Many of these vice presidents can actually weaken the customer relationship by the marketing programs that they are conducting. Lets look at some examples: A company sets customer acquisition as a goal. Experience shows that discounted transactions bring in new customers. Over a period of four years, they aggressively promote acquisitions through discounts. In Year 4 they realize that, while they have succeeded in acquiring many new customers, their profits are seriously eroded by the discounts. They decide to eliminate all discounts. In Year 5 they end up with fewer real customers than they had in the first place. Discounting, in other words, is a serious trap. You educate the customer to think only about price, and not about the quality and services provided by the institution. The image of the bank, for example, is one of cheap discounts, rather than personal attention to its customers. In another example of similar problem, the restaurant manager of a large hotel notices that few people are eating in the restaurant on Wednesday nights. He decides to pep things up. On Wednesday nights, he brings in magicians, Mexican bands, belly dancers. He attracts a large crowd of locals who come for the excitement. They decide to move to a quieter hotel elsewhere in town. What has happened to the loyalty of its business customers? Who is managing the customers? In another situation, a business to business customer manager sets a goal of customer retention. This may seem like success, until one looks at what has happened to these customers. By standing still, the company has been falling behind. In other words, the proper measurement is share of wallet, not spending level. To know what our share of wallet is, we must have some information about the size of the wallet. A final example may illustrate the dangers of failure to manage the customers. Here is a company that aggressively promotes its customers. Experience has shown, let us say, that single product promotions for this type of situation, are more successful than catalogs with scores of different products. There are not enough weeks in the year to accommodate products with single item promotion? The company surveys its customers to determine their interests. It is segmentation along interest lines. But then they make a major mistake. Of course, some customers have checked more than one category of interest. Some check as many as ten! Having created these segments, they begin to promote them aggressively. The manager of each category promotes like mad, trying to increase profits in the area of his responsibility. Some customers get one letter a month. Frequent responders get four or five a week! The result is what we call "file fatigue". Your best customers are worn down under a deluge of mail. You have worn out your welcome. I never sent more than one a month. They soon learned to chuck them out unread. Perfectly good, responsive, profitable and loyal customers had been ruined by over promotion. A failure of customer management. What is the solution in all of these cases: We must put someone in charge of the overall customer relationship. Someone must manage each segment, and be sure that they are being handled properly. We must not overpromote. We must not offer discounts to our loyal regular customers. We must not degrade our service by cheapening our offering in the effort to build the body counts, while losing the high valued customers. We soon learn that each customer segment needs to be treated differently based on their contribution to overall profits. If we segment the customer base into five quintiles, based on lifetime value, for example, we get a picture that looks like this: The top quintile, our Gold customers, are where the bulk of our revenue and profits are generated. We must treat these customers with respect. The marketing dollars should be aimed at the second, third, and fourth quintiles. To the second quintile, you tell them how close they are to qualifying for Gold. You tell them how wonderful it is to be Gold, and how easy it would be for them to move up. Why try to retain these people? Why spend expensive service dollars on them? On the other hand, we need to manage them properly. Maybe some of these bottom quintile people may be young college graduates just starting out in life. They may have very low incomes and no children now, but they have a great life ahead of them with hundreds of dollars of spending during the next forty years. Why alienate them too early? Find out why they are in the bottom quintile. If they have a legitimate excuse and a reasonable future potential, keep them in. How can we measure what we are doing in our customer management activities. We recommend determining the rate of return on customer investment. If we can determine the lifetime value of each customer segment and divide that by the investment we are prepared to make in that segment, we will come up with a ROI for that segment. The formula looks like this: Each may have different costs and success rates. Using this information, we can determine where to put our marketing dollars. Lets start with acquisition: We can divide that into our customer lifetime value to determine the ROI of our acquisition efforts. Lets assume that we set up a regular series of communications with our existing customers during year, designed to keep them interested and loyal to our company. We mail each customer four times per year. What does this mean? It is much more profitable to work to retain our existing customers than to beat the bushes for new customers. We already knew that, intuitively, but here is the proof, which you can compute for yourself if you do your homework and compute such things as lifetime value, costs of acquisition and retention activities, and your success rates in these ventures. A final example shows the return on investment of reactivation efforts. We all have old customers who no longer buy from us.

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Chapter 6 : Business Management Investment Solutions | Citizens Bank

Gupta, Sunil, and Donald R. Lehmann. Managing Customers as Investments: The Strategic Value of Customers in the Long Run. Wharton School Publishing, (winner of the annual Berry-AMA book prize for the best book in marketing.

The company offers financial advisers to help clients invest their money smartly. Not sure who to choose? Take our two minute quiz to find the right Investment Companies for you. Get matched now Not sure how to choose? Get expert buying tips about Investment Companies delivered to your inbox. Email Thank you, you have successfully subscribed to our newsletter! Enjoy reading our tips and recommendations. We value your privacy. What features should investors consider when choosing a company? Top Trustworthiness When someone is giving you investing advice, it is important that you trust them. Many factors can help you determine whether or not the individual advisor or firm is trustworthy. Visit the North American Securities Administrators Association website to find the state organization where an advisor would need to register. Fiduciary or suitability standards: Ask whether your advisor will be bound by fiduciary or suitability standards. Legally, registered investment advisors must either meet fiduciary or suitability standards. Under fiduciary standards, the advisor must advise you to make investments in your overall best interest, while suitability standards only require an advisor to recommend products that are suitable for your current financial portfolio. Following suitability standards, advisors might recommend products that will earn them more money, even if a different product might be best for you. Note that the SIPC does not protect investors from losses due to market changes. A long history can indicate how reputable and stable the firm is. If someone offers an investment that seems too good to be true, it probably is. Investment options You can invest in many different types of products. Think about your investing goals and how comfortable you are with risk because these factors should determine which products you choose. Research different kinds of investments and then pick a company that offers those.

Chapter 7 : Managing Customers as Investments: The Strategic Value of Customers in the Long Run by S

Investment management is a phrase that refers to the buying and selling of investments within a portfolio, and can also include banking and budgeting duties, as well as taxes. The term most often.

Chapter 8 : Wealth Management | Investment Management for Business | Old National Bank

In their book titled, Managing Customers as Investments: The Strategic Value of Customers in the Long Run (Wharton School Publishing), authors Sunil Gupta and Donald R. Lehmann offer practical.

Chapter 9 : Managing Customers as Investments - HBS Working Knowledge - Harvard Business School

Investment Philosophy. At First Business, we strive to help you achieve attractive risk-adjusted returns on your investments over the long term while aspiring to preserve capital during times of market weakness.