Journal of Business Ecosystems
Volume 4 • Issue 1

Management of Customer Lifetime Value in Organizations:
Strategies and Initiatives

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ABSTRACT

Companies should focus on customer lifetime value, its management, and on profitable customers for company growth. The objective of the study is to analyze customer lifetime value and to manage it effectively. The methodology adopted is a conceptual analysis of various aspects of customer lifetime value and its management. Companies should appreciate the importance of customer lifetime value and the connections among customer lifetime value, brand equity, and customer equity. They should develop and build customer lifetime value through various measures (viz., improvement in customer services, customer engagement, enhancing the growth potential of customers, management of unprofitable customers, rewarding profitable customers, and developing customer touch points). They should develop customer loyalty through trust and measure customer lifetime value. Academicians may suggest models that are effective in measuring customer lifetime value and identifying profitable customers. Managers may suggest effective strategies and initiatives for better management of customer lifetime value.

KEYWORDS

Brand Equity, Customer Engagement, Customer Equity, Customer Loyalty, Customer Services, Customer Touch Points, Profitable Customers

1. INTRODUCTION

It is imperative for companies to attract and to retain profitable customers (Mishoba, Banujan, Prasanth, & Kumara, 2022). Retaining profitable customers is one of the most important tasks of marketing. The well-known 80/20 rule suggests that the top 20 percent of the customers generate more than 80 percent of the profits for a company (Rogić, Kašćelan, Kašćelan, & Đurišić, 2022). In some exceptional cases, the most profitable 20 percent of customers (on a per capita basis) may account for more than 100 percent of the profits for a company (Cardos & Cardos, 2014). Research also suggests that the 10 to 20 percent of the customers who are the least profitable, can actually reduce profits (Burton & Holden, 2010). A company breaks even with the middle 60 to 70 percent

DOI: 10.4018/jbe.318471 *Corresponding Author

(Keiningham, Vavra, Aksoy, & Wallard, 2005). The discussions suggest that companies can actually increase its profits by *firing* its worst customers.

Companies should analyze their profitable customers and should try to create value for such customers. Companies should focus on how efficiently they are able to understand and to create value for their profitable customers. They should also aim to generate value in return from such customers and prospects available (Kumar, 2018). It is not always the company's largest customers who demand considerable service and deep discounts or who yield the most profit. The smallest customers pay full price and receive minimal service. However, companies incur costs in transacting with such customers. Consequently, these customers generate reduced profitability for companies (Choi, Ha, & Kim, 2022). Midsize customers who receive good service and pay nearly full price are often the most profitable (Rogers & Peppers, 2022).

The discussions suggest that companies should not focus on all their customers. They should conduct an in-depth analysis and identify those customers who are profitable and generate value for the companies in the long run. It is difficult to identify such customers. However, it is imperative for companies to identify and to focus on such customers. Although the topic is important, few studies focus on conducting an in-depth analysis of customers and on identifying the most profitable customers. The study aims to address this research gap.

The objective of the study is to identify profitable customers, to analyze the value received by companies from such customers, and to manage the value received over the lifetime of the customers.

The methodology adopted is a conceptual analysis of the various aspects of profitable customers, the value received from such customers, and the management of the value received over the lifetime of the customers. Research papers published in reputed academic journals on the topic are referred for conducting the analysis. Primary data is not collected and empirical analysis is not done.

The novelty and the contributions of the study lie in the fact that an in-depth conceptual analysis of the various aspects of customer lifetime value and its management is done. Academicians may study and analyze the various ways of measuring customer lifetime value and suggest the best measure which will allow companies to identify profitable customers and to focus on such customers. They may analyze the connections among customer lifetime value, brand equity, and customer equity and how customer lifetime value helps in improving brand equity and customer equity. Practicing managers may study and analyze the various strategies and initiatives which companies adopt to develop and to build customer lifetime value. Based on the analysis, they may suggest the best practices which companies may adopt to identify profitable customers and to improve customer lifetime value. Business ecosystems and business platform perspective of the issues are also discussed. All these will help companies to identify the most profitable customers, improve customer lifetime value of the profitable customers, and to achieve business excellence in the long run.

The study is structured as follows:

Section 2 discusses about customer lifetime value and its importance. Section 3 focuses on the connections among customer lifetime value, brand equity, and customer equity. Section 4 discusses about developing and building customer lifetime value with sub-sections 4.1, 4.2, 4.3, 4.5, and 4.6 highlighting on improvement in customer services, engagement of customers, enhancing the growth potential of individual customer, management of unprofitable customers, rewarding the most profitable customers, and developing customer touch points respectively. Section 5 discusses about creation of customer loyalty by building trust. Section 6 discusses about measurement of customer lifetime value. Section 7 discusses the salient points of the study with sub-sections 7.1 and 7.2 highlighting the theoretical implications and the managerial implications of the study respectively. Section 8 concludes the study with sub-sections 8.1 and 8.2 highlighting the limitations of the study and the avenues of future research respectively.

2. CUSTOMER LIFETIME VALUE AND ITS IMPORTANCE

Companies need to identify their most profitable customers, understand the value received from such customers, and to manage the value received over the lifetime of the customers (Reddy, Swain, Shukla, & Jacob, 2022). A key driver of shareholder value is the aggregate value of the customer base. The aim of any company in customer relationship management is to generate high customer lifetime value (Sriyakula, Jermsittiparsert, Joemsittiprasertd, & Pamornmaste, 2019).

Customer lifetime value (CLV) reflects the monetary equivalent of the value that customers will create for the company during their tenure with the company (AboElHamd, Abdel-Basset, Shamma, Saleh, & El-Khodary, 2021). CLV can refer to the value created by an individual customer. CLV can also refer to the value created by a group of customers of the cumulative value created by all the customers of the company. So, CLV may be defined as "the sum of lifetime values of all customers" (Kannan & Kulkarni, 2021). Customer lifetime value is also referred to as customer equity.

Customer lifetime value is determined by the revenue generated from customers and the costs of customer acquisition, retention, and cross-selling (Kumar & Reinartz, 2018). A profitable customer is an individual, household, or a company that, over time, yields a revenue stream exceeding by an acceptable amount the cost stream the company might have incurred in attracting, selling to, and serving that customer. Companies should emphasize on the lifetime stream of revenues and costs and not on revenues generated and costs incurred on a transactional basis (Kumar & Reinartz, 2018). From a company's perspective, it is more interested in the value that customers generate over the course of all of its customer interactions, and not on a particular transaction. Companies can assess, analyze, and evaluate lifetime customer value individually, by market segments, or by channels (Kang, Eom, & Kim, 2022).

Companies will be able to manage customer relationships better when they are able to measure the value received from each of its customers over the course of the tenure of that customer remains with the company (Ledro, Nosella, & Vinelli, 2022). Many companies measure customer satisfaction. However, very few companies measure individual customer profitability. For example, in banks, it is difficult to measure individual customer profitability because each customer uses different banking services, and the transactions are logged in from different departments (Pakurár, Haddad, Nagy, Popp, & Oláh, 2019). However, it is a matter of concern when banks evaluate the number of unprofitable customers in their customer databases. Again, few banks have succeeded in linking customer transactions. Some banks report that they lose money on more than 45 percent of their retail customers (Hota, 2022).

Companies evaluate the profitability of customers by applying customer profitability analysis (CPA). It is conducted with the help of an accounting technique called activity-based costing (ABC). Activity-based costing aims to identify the real costs associated with serving each customer (Mahesha, 2022). The costs include the costs of products and services based on the resources they consume. The company estimates all the revenues coming from the customer, less the costs. Activity-based costing suggests that the costs in a business-to-business setting should include the cost of not only of making and distributing the products and services but also of taking phone calls from the customer, traveling to visit the customer, paying for entertainment and gifts. The company should consider all the resources which are invested in serving that customer (Anton, 2022). Activity-based costing also allocates indirect costs such as clerical costs, office expenses, and supplies to the activities that use them, rather than as a proportion of direct costs. Both variable and overhead costs are tagged back to each customer (Shil & Pramanik, 2013).

3. CUSTOMER LIFETIME VALUE AND BRAND EQUITY

The customer lifetime value perspective and the brand equity perspective share many common themes (Seyedin, Ramazani, Bodaghi Khajeh Noubar, & Alavimatin, 2021). Both customer lifetime value and brand equity emphasize the importance of customer loyalty. Companies can create value by having as many customers as possible. However, only those customers who pay a high price should be selected (Kang et al., 2022).

The two perspectives of customer lifetime value and brand equity do not emphasize the same things. The customer equity perspective focuses on bottom-line financial value. The main benefit of customer equity is that it yields quantifiable measures of financial performance (Heldt, Silveira, & Luce, 2022). However, customer equity does not fully account for some of the important advantages of creating a strong brand. The advantages include the ability to attract higher-quality employees, elicit stronger support from channel and supply chain partners, and the ability to create growth opportunities through line and category extensions and licensing (Neussner, Ebner, & Lackner, 2022). The customer equity approach can benefit from more explicitly considering the *option value* of brands and their potential to affect future revenues and costs (Stadler, 2017).

The brand equity perspective tends to emphasize strategic issues in managing brands. The perspective focuses on creating and leveraging brand awareness and image with customers (Boix, 2020). It provides a practical guidance for specific marketing activities. However, managers who focus on brands do not always focus on doing an in-depth customer analysis in terms of the brand equity they achieve or the resulting long-term profitability they create (Boix, 2020). Companies can apply brand equity approaches after they perform customer-level analysis and after they consider how to develop personalized, customized marketing programs. The marketing programs can be designed for individuals or for organizations such as retailers. Fewer financial considerations are focused on in the analysis of brand equity than in the analysis of customer equity (Zahoor, 2022).

Researchers state that companies can focus on either brand equity or customer equity depending on their requirements and objectives. It is decided by the way a company creates market value (Ledro et al., 2022). In general, companies which are product-centric, such as Procter & Gamble, PepsiCo, and Coca-Cola focus more on brand equity. For these companies, brand equity acts as a major source of value and a key asset for future growth (Bawa, 2022). Companies which are focused on providing services, such as banks, credit card companies, airlines, and cable and internet providers focus more on customer equity. These companies consider customer equity as a key asset and performance measure (Cavallone, 2017). The distinction between focusing on brand equity or customer equity may be attributed to a number of factors. These include:

- Firms that utilize subscription models receive value in customer equity. Such firms may include health clubs, mobile operators, and movie streaming companies (Diorio & Hummel, 2022). Firms that do not utilize subscription models and contractual services tend to focus on brand equity (Molenaar, 2022).
- Companies tend to focus on customer equity when they are able to uniquely identify their customers and do an accurate assessment of their profitability (Okami, Yamamoto, & Lloyd, 2020). Companies tend to focus on brand equity when they cannot establish a direct linkage between the behaviour of customers and performance outcomes (Okami et al., 2020).
- Companies tend to focus on brand equity when they market products which are self-expressive. Such products may include cars, apparels, and fashion accessories (Do, Rahman, & Robinson, 2019).
- Companies are inclined to focus on brand equity when they cannot readily obtain customer-level data. Such companies may not have direct contact with their customers (Heldt et al., 2022).
- Service-oriented companies have a higher and deeper level of interaction with customers than product-oriented companies. Consequently, service-oriented companies are more likely to focus on customer equity than are product-oriented companies (Megatari, 2021).

The discussions indicate that companies can focus on either customer equity or brand equity depending on the context. However, both customer equity and brand equity matter for companies. There are no brands without customers and no customers without brands. Customers are attracted towards companies because of the brands. Retailers and other channel intermediaries attract customers based on brands and expect to generate value from customers. Customers are the tangible profit engines for brands to monetize their brand value (Kates, Kesler, & DiMartino, 2021).

4. DEVELOPING AND BUILDING CUSTOMER LIFETIME VALUE

Companies analyze and manage customers or customer groups based on customer profitability analysis and customer acquisition funnel (Matsuoka, 2021). Customers or customer groups may vary in loyalty, profitability, risk, and other factors (Rogić, Kašćelan, & Đurišić, 2022). Winning and successful companies improve that value by excelling in adopting various strategies and initiatives.

4.1. Improvement in Customer Services

Companies realize that the value received from customers will increase if customers are offered improved and superior services (Rahimi & Kozak, 2017). Companies will be able to offer improved and superior services when their employees are knowledgeable and are friendly with customers. Companies should invest in selecting and training their employees so that the employees are customer-oriented (Jiwat & Zhang, 2022). This increases the likelihood that shopping questions of customers are answered satisfactorily. For example, Whole Foods attracts customers with a commitment to provide fresh, high-quality food. Whole Foods also strive to deliver a superior service experience (Perlman, 2021).

4.2. Engagement of Customers

Companies should try to improve the engagement of customers with themselves. Engaged customers have higher chances of staying with companies than customers who are not engaged (Tourchian, Aali, Sanoubar, & Zendeh, 2022). A large percentage of new Honda purchases replaces an older Honda. Drivers cited the reputation of Honda for creating safe vehicles with high resale value (Gansky, 2010). Companies should seek advice from those customers who are engaged. Such advice can be an effective way to engage customers with a brand and company (Tourchian et al., 2022).

4.3. Enhancing the Growth Potential of Individual Customer

Companies can increase sales from existing customers with new offerings and opportunities (Diorio & Hummel, 2022). For example, Harley-Davidson sells accessories like gloves, leather jackets, helmets, and sunglasses. The company generates substantial revenues from the sale of such accessories. Its dealerships sell more than 3000 items of clothing, and some even have fitting rooms (Chew, 2016). Licensed goods sold by others range from predictable goods like shot glasses, cue balls, and Zippo cigarette lighters. Unusual goods like cologne, dolls, and cell phones are also sold (McAlexander, Koenig, & DuFault, 2016). Companies do not generate profits from cross-selling if the targeted customer requires a lot of services for each product. Cross-selling is not profitable if the customer generates a lot of product returns, cherry-picks promotions, or limits total spending across all products (Deccax & Campani, 2022).

4.4. Management of Unprofitable Customers

Companies can aim to convert unprofitable customers into profitable ones. Unprofitable customers may be encouraged to buy more or in large quantities, forgo certain features or services, or pay higher amounts or fees (Xue, Sun, Bandyopadhyay, & Cheng, 2020). Banks, phone companies, and travel agencies have started charging for services which were once provided for free. This is done to ensure minimum revenue levels from these customers (Xue et al., 2020). Firms can also discourage those customers whose profitability prospects are questionable. For example, Progressive Insurance screens customers and diverts the potentially unprofitable ones to competitors. Companies may also have free customers who pay little or nothing. There may be paying customers – as in print and online media, employment and dating services, and shopping malls. They may create useful direct and indirect network effects (Xue et al., 2020).

4.5. Rewarding the Most Profitable Customers

Companies may encourage their most profitable customers by treating them in a special manner (Koch, 2022). Companies may communicate thoughtful gestures such as sending birthday greetings, small gifts, or invitations to special sports or arts events. Such communications may send strong positive signals (Koch, 2022). Hotels, airlines, credit card companies, and rental car agencies offer superior services to their most profitable customers to ensure their loyalty, while at the same time maximizing their profitability (Ozkan & Deveci Kocakoc, 2021).

4.6. Developing Customer Touch Points

A company should identify all possible customer touch points for contacting customers and for building customer value (Channa, 2019). A customer touch point is any occasion when a customer encounters the brand, product, or the company – from actual experience to personal to mass communications to casual observations (Foya & Garikayi, 2022). For example, customer touch points for a hotel may include reservations, check-in and check-out, frequent-stay programs, room services, business services, exercise facilities, laundry services, restaurants, and bars. The Four Seasons relies on personal touches. Personal touches may include a staff who always addresses guests by name, high-powered employees who understand the needs of sophisticated business travellers, and at least one best-in-region facility, such as a premier restaurant or spa (Meiri, 2021).

5. CREATION OF CUSTOMER LOYALTY BY BUILDING TRUST

Companies should try to ensure that customers trust the company or the brand. Research over the past 30 years has shown that trust is established and maintained through three important building blocks (Richardson, 2022). The first building block is competence. Companies and brands are able to build *competence trust* when managers have the required skills to perform jobs effectively, and when they meet or exceed expectations for those skills (Milman & Tasci, 2022). The most important building block is honesty. Companies should try to build *honesty trust* by being truthful consistently and by keeping promises (Kim & Om, 2014). A third building block is benevolence. Companies and brands build *benevolence trust* when they are able to demonstrate genuine concern about the interests and goals of customers and employees (Coelho, Rita, & Ramos, 2022).

Customers are asked to rate companies on their performance across the three building blocks. Responses of customers reveal that most companies learn that they are stronger with respect to some building blocks than with others (Nikootabar & Ghafari Ashtiani, 2022). For example, Facebook is perceived to be more competent than to be more honest or benevolent. Consequently, companies or brands cannot be simply termed as *trusted* or *distrusted*, because companies and brands are often trusted more with some than with others (Bachmann, Grassau, & Labarca, 2022). Companies and brands require analyzing and diagnosing more specifically whether their trust building blocks are strong or weak. The analysis will help companies to develop strategies and initiatives that will fortify and reinforce trust where a building block may be weak.

Research by Kent Grayson, Kellogg School of Management expert on trust suggests that a wide range of activities performed by a company may determine the extent to which customers are willing to trust the company (Isaac & Grayson, 2017). The trust may be related to the three building blocks – competency, honesty, and benevolence.

Competence Trust: Customers tend to judge a company or a brand on competence trust based on their experiences with the company or the brand and by comparing the experiences with that from other relevant companies or brands (Milman & Tasci, 2022). For example, customers who order room-service at a three-star hotel are likely to assess the room-service in relation to room-services experienced at other three-star hotels and restaurants. For example, if a customer asks for Dijon mustard and the room-service delivers regular mustard, then the trust of the customer in the competence of the hotel will be more negatively affected if it is a five-star hotel than it is a three-star hotel.

Honesty Trust: Customers tend to assess the honesty of a company or brand based on whether the company statements and company actions match with each other (Kim & Om, 2014). For example, an airline that claims to be charging "no hidden fees" will become mistrusted by customers who find surprising fees on their airline tickets.

Benevolence Trust: Customers assess the benevolence of a company or a brand based on whether they perceive to receive a fair deal or not. Customers also evaluate whether those who work for the company have a clear understanding of customer needs, preferences, and expectations. For example, many customers feel that it is unfair for companies to charge different customers different prices for the same product. Consequently, customers will tend to mistrust companies that charge customers different prices depending on their ZIP codes (Coelho et al., 2022).

The activities that most strongly influence perceptions of the three building blocks of trust will differ. The activities depend on factors such as the culture in which the company operates, the segment that the company is targeting, and customer perceptions of the brands of the company (Aldehayyat, 2021). Companies should conduct in-depth research about customers if they wish to manage trust effectively. Based on such analysis, companies should decide which activities require investment (Soleimani, 2021).

Research shows that both positive and negative information affects all the three building blocks differently (Pelletier, Tocock, MacDonald, Rose, & Sullivan, 2022). Competence is more strongly affected by positive information than by negative information. Customers are willing to forgive a brand or a company in cases of failure if the failure is related to competency and if the brand or the company was competent in the past (Van Tonder, De Beer, & Kuyper, 2020). In contrast, both honesty and benevolence are more strongly affected by negative information than by positive information. If customers feel that some situations demonstrate lack of honesty or benevolence, then customers are less likely to forgive the brand or the company, even if the manager of the brand or the company has been honest and benevolent in the past (Hui, 2011).

Trust is more important in the beginning stages of a relationship than in the later stages. Trust becomes less important once a relationship has been established and is operating successfully (Khan, Salamzadeh, Iqbal, & Yang, 2022). Companies and brands can benefit from the trust that employees and customers have, once trust is established. Trust considerations do not matter as long as a company or a brand does not behave in a manner that makes loyal customers question their trust. In such cases, trust considerations move into the background of their consideration (Khan et al., 2022). This indicates that companies or brands may start exercising less care in their long-term relationships. They have even started cutting corners expecting that customers and employees will not notice. Although this can be an effective strategy in the short run and in small measures, brands and companies should not consider trust for granted with long-term employees and customers (Hengboriboon, Sayut, Srisathan, & Naruetharadhol, 2022). The lifetime value of long-term customers is often relatively high, and perceptions of trust violations in long-term relationships can sometimes have more significant negative effects than violations in shorter-term relationships (Ref.).

6. MEASUREMENT OF CUSTOMER LIFETIME VALUE

Customer lifetime value is calculated as the net present value of the stream of future profits expected over the lifetime purchases of a customer (Ifediora, 2022). The company should deduct the expected costs of attracting, selling, and servicing the account of a customer from the expected revenues of the customer. A company should adjust the figures by applying the appropriate discount rate. The discount rate may vary between 10 and 20 percent depending on the cost of capital and risk attitudes. Lifetime value calculations for a product or service can add up to tens of thousands of dollars or even run to six figures (Madhani, 2014).

Companies perform customer lifetime value calculations to have an idea about how important specific customers are to them (Anton, Petouhoff, & Schwartz, 2003). The calculations provide a quantitative framework for planning customer investment and help marketers to adopt a long-term perspective. Researchers and practitioners adopt a number of approaches and measures for modelling and estimating customer lifetime value (Guha, Echagarruga, & Tian, 2021). The facts which are common to all such models include the revenues generated from a specific customer, the cost of acquiring and servicing the customer, the probability of the customer repeat buying in the future, likely tenure of the customer with the company, and the discount rate (cost of capital for the firm). Marketers should also consider the short-term, brand-building marketing activities that help increase customer loyalty while using and applying customer lifetime value concepts (Wang, 2021).

Companies should not only consider the monetary value each customer is likely to directly generate for them. Companies should also consider the strategic value which the customer will create by endorsing the company and its offerings to others (Ledro et al., 2022). The value a customer generates for the company depends in part on the ability and likelihood that he or she will make referrals and recommendations. They are also expected to engage in spreading positive word of mouth. Earning positive word of mouth from a customer is important. Even more important is getting customers to directly engage with the company and providing it with feedback and suggestions. This can lead to even greater loyalty and sales (Lohanda & Berto, 2022).

7. "BUSINESS ECOSYSTEMS" AND "BUSINESS PLATFORM" PERSPECTIVE

Companies do not compete alone in the business environment. Companies should be aware of the business environment and their competitors. Companies need the help of a number of business entities to perform their operations. These business entities are essential for the business ecosystems (Fuller, Jacobides, & Reeves, 2019). Companies also require business platforms to communicate, to share information, and to make the business ecosystem robust. Companies and businesses should perform a proper evaluation of customer lifetime value to understand the business environment and to enhance competitiveness in the new competitive environment which is based on business ecosystems (Hattore, Damke, Ferasso, & Dechechi, 2022).

7.1. Business Ecosystems

It is not possible for individual businesses and companies to thrive and to grow alone in the competitive business environment. They must understand the business ecosystems. They must develop in clusters or economic ecosystems (Clevenger & Miao, 2022). For example, the agriculture industry cannot sustain only with farms. The industry requires an infrastructure of roads or ports on which transport companies can move the goods, supporting a network of storage facilities, distributors, and finally consumer markets (Ronsom, Amaral, & Vieira Filho, 2022). All these complimentary activities form the *agricultural business ecosystem* (Moore, 2003). Traditionally, economic geographers conduct the study of economic ecosystems. Such geographers may come from a combination of economists, urban and regional planners, and development experts (Moore, 2003). However, the field has become particularly important in the past few years and has become vibrant and has expanded to other domains. Economic ecosystems generate insights which prove to be helpful in promoting economic development (Tolstykh, Shmeleva, Alpeeva, Boboshko, & Malkova, 2022).

The economic ecosystems have expanded into digital business ecosystems (Jupowicz-Ginalska & Sokół, 2022). The ecosystems require a number of specialized complimentary contributions, in addition to depending on many of the same supporting capabilities of other types of enterprises (Moore, 2003). There may be a number of layers in the specialized digitally-relevant capabilities. The layers relate roughly to the progression from underlying network infrastructure, through hardware devices, to software, and finally to services of direct use to consumers and businesses (Jupowicz-Ginalska & Sokół, 2022). The ecosystems may consist of internet services. Again, internet services depend on telecommunications companies to provide basic connectivity, Internet Service Providers which set up, maintain, and charge for internet service accounts (Kostovska, 2022). Internet applications cannot function without the help of technical services. For businesses, these services may range from systems integration to software development and installation, and education and user support

(Kostovska, 2022). Companies should appreciate and understand the business ecosystems perspective to compete effectively.

7.2. Business Platform

Business platform is a stage where individuals and technology share the information and constitute the business ecosystem through the network effect (Yoon, Moon, & Lee, 2022). Business platform forms a state-of-the-art technology for businesses. Business platform consists of an interaction of the network effects. The network effects create profits in multi-dimensional ways (Mosch & Obermaier, 2022). Business platforms encourage business growth and efficiency. Such business growth and efficiency happen in an exponential and asymptomatic manner. A platform forms a base which empowers other products and amenities (Fan, 2022). Digital platforms occur at many levels in internet-based business and business models with blockchain technology. They consist of high-level platforms. The platforms enable a platform business model to a low-level platform which provides an assembly line of business and technology dimensions that other products and services consume to deliver their own business capabilities (Yablonsky, 2018). Business platforms require a proper understanding of customers to function. The understanding and customer insights are pre-requisites of the frontrunners for noble organizations. Based on the understanding and customer insights gained, organizations keep customers alive, active, and compete in the business in the digital age (Foltean & van Bruggen, 2022). Companies analyze both online and offline data using intelligent business tools. Such tools and databases allow companies to identify marketing trends of customers, their business patterns, and their value to the company. The understanding of business platform perspective is essential for companies to compete effectively.

8. DISCUSSIONS

It is imperative for a company to build customer value in all its offerings and across all occasions on which a customer encounters its products, services, or brands. Customer value should be built in the occasions of actual experience to personal or mass communications to casual observations. Companies should aim to deliver superior customer value on a consistent basis. Otherwise, they might find their customer base eroding over time.

Companies should understand that all customers are not equally important. They should evaluate the importance of customers and should calculate customer lifetime value to understand the profit implications from customers. Customer profitability analysis helps marketers identify their most valued customers and develop strategies to create value for those customers in a way that fosters long-term customer loyalty. It is not sufficient to consider the monetary value each customer is likely to directly generate for the company while calculating customer lifetime value. Companies should also evaluate the strategic value that a customer will create by endorsing the company and its offerings to others. All these aspects are discussed in the study. The study has both theoretical and managerial implications.

8.1. Theoretical implications

Academicians may study and analyze customer lifetime value to understand the importance of customers. They may analyze the connections among customer lifetime value, brand equity, and customer equity. They may analyze the various ways which companies apply to develop and to build customer lifetime value. They may also analyze and evaluate how customer lifetime value calculations are done. They may suggest better and effective ways of calculating, developing, and building customer lifetime value. The relevance of business ecosystems and business platform in developing and managing customer lifetime value and in the performance of organizations and company growth is highlighted. The connections among business ecosystems, business platform, and customer lifetime value are discussed. It reviewed the various strategies companies adopt to manage customer lifetime value in organizations. The discussions will help academicians to conduct a further review of the relevance of business ecosystems and business platform in database marketing. They may suggest models for customer lifetime value which are more effective and through which the importance of customers can be ascertained in a better manner.

8.2. Managerial Implications

Practicing managers may understand the importance of managing customer lifetime value in identifying profitable customers and in building and in developing relationships with such customers. They will also understand that it is not advisable to focus on all customers. They should focus on those customers who are profitable and who bring value to the company in the long run. They should adopt strategies and initiatives which are effective in developing and in building customer lifetime value for such customers. They should also aim to create customer loyalty based on mutual trust and based on developing relationships with profitable customers. It is essential for companies to understand the business ecosystems and business platform perspectives to compete effectively. Managers will understand the importance of business ecosystems and business platform in the management of customer lifetime value and in organizational performance and the roles played by business ecosystems and business platform in the management of customer lifetime value in organizations. All these will help companies to identify profitable customers, develop relationships with such customers, and to achieve business excellence in the long run.

9. CONCLUSIONS

Companies should understand the importance of customer lifetime value in evaluating customers, in understanding profitable customers, and in focusing on profitable customers. Companies should understand the connections among customer lifetime value, brand equity, and customer equity. They should adopt strategies and initiatives to develop and to build customer lifetime value for profitable customers. They should create customer loyalty by building and developing mutual trust and respect between companies and customers. Companies should understand the roles of business ecosystems and business platform in management of customer lifetime value in organizations.

9.1. Limitations

The study conducted a conceptual analysis of the various aspects of customer lifetime value and its management. Primary data is not collected and empirical analysis is not done. It investigated the roles of business ecosystems and business platform in the process. Also, the study focused on conducting an analysis of the companies mainly from the United States.

9.2. Avenues of Future Research

Researchers may analyze the various ways in which customer lifetime value is calculated and suggest the most effective way of calculating customer lifetime value. Researchers may collect primary data related to the various aspects of customer profitability and customer lifetime value and conduct empirical analysis. Empirical analysis may provide more accurate measures to determine the importance of a customer. The roles of business ecosystems and business platform in the entire process may also be investigated. Researchers may conduct analysis for companies and markets outside the United States. Based on the analysis, researchers may suggest measures which will be more effective in determining the value of a customer to the company. The analysis will also allow companies to identify profitable customers and to develop effective and fruitful relationships with such customers.

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