

DETERMINING THE CUSTOMER VALUE OF INTERNET ACCESS SERVICES FOR A MOBILE PHONE COMPANY

MĂDĂLINA BRUTU¹

¹ *University of Pitești, Romania*

***Abstract:** This paper aims at researching the customer value for the category Internet Access Service provided by a mobile phone company. The methodology used is that proposed by C. Allard, including 3 stages: the stage of attracting customers, the stage of customer loyalty and the stage of developing relations with the loyal ones.*

***Key words:** customers, mobile phone company, Internet Access*

INTRODUCTION

According to the philosophy of customer relationship management, is it not enough for a company to focus on the market, it is necessary to focus on each individual customer and on his or her expectations. Therefore, developing, maintaining and updating the customer databases have great importance in making CRM strategies and programs. The company becomes a real partner for the customer, being able to provide value and long-term solutions. Transactions have a secondary role, while customer relationship and net profit flow have prime importance during the entire collaboration.

MATERIALS AND METHODS

Customer relationship management (a concept known in literature and business practice as **CRM**) has developed into a major element of the business strategy of many companies and it is based on creating and developing personalized relationships with customers in order increase their profitability. A CRM strategy (Peppers, D., Rogers, M., 1999) allows a rapid adaptation to the changing organizational behavior on the market, so that the company applying it could better meet the wishes and demands of its customers during the stages of their life cycle: increasing the *customer* database through attracting programs, developing loyalty strategies for the existing customers and increasing their profitability through additional and cross sales.

The premise of an effective marketing was the customer satisfaction a few decades ago. Since customers easily migrated from one manufacturer to another, customer loyalty became necessary: different marketing actions and programs, benefits such as promotional offers, discounts, loyalty cards, etc. The strategies that determine customer enthusiasm have imposed lately through personalized offers targeting reference groups (Mihai, D., 2013).

Most companies adopt an approach directed towards customer loyalty, but find that their competitors do the same and the result is a total lack of differentiation, instead of the expected competitiveness. Before establishing satisfaction and customer loyalty as basic objectives of the companies, they should know that customer preferences and perceptions are the result of a learning process (Carpentier, G., 1997). The objective of a strategy for customer relationship management is to adapt the company to the customers' requirements, so this learning process brings benefits to the respective company. Some experts in the field of customer relationship management (Lehua, JM, 1996) believe that a company should focus its efforts on its loyal customers, the only ones who deserve personalized relationships, and less on the customers with alternant consumption. The casual customers deserve a minimal service to maintain the reputation of the brand.

The concept of CRM got a new meaning by the end of the last decade of the second millennium (Bergeron, B., 2002): a strategy through which the companies manage the relationships with their customers using information and communication technology. The connecting element in developing customer relationship is the informational flow - both internal and external data referring to customers, obtained during each contact with them; thus companies may offer a greater value to their customers. The information resulted from the contacts with the customers - "the digital gold" - will help the companies to choose the most effective ways to satisfy their customers. Often managers say they are overloaded with information. Performant managers are those who quickly get the information they need to make market-oriented decisions that meet the 100% customer needs.

RESEARCH RESULTS

We applied hereinafter the methodology proposed by C. Allard in his renowned book "Management de la valeur client" to determine the customer value of Internet Access Service for a mobile phone company, during the 3 stages of the lifecycle.

1. The stage of attracting customers

A mobile phone company targets a number of 500,000 prospective customers selected by querying the customer database, proposing them a package of Internet Access Service. The cost of a contact is 0.7 euros and the net agreement rate is 30%. CRM software provides in this stage a valuable contribution of 145,000 euros and 141% ROI.

Table 1

**Calculating the value of customers' contribution
in the stage of attracting customers**

Letter	Indicator description	Indicator value	Calculation method
A	Number of contacted prospects	500,000	variable
B	Cost per contact	0.7	variable
C	Total cost of the program	350,000	AxB
D	The gross rate of agreement	55%	variable
E	Number of gross sales	275,000	AxD
F	Net rate of agreement	30%	variable
G	Number of new customers	82,500	ExF
H	Overall agreement rate	17%	G/A
J	Cost of attracting a customer	4.24	B/H
K	Revenue generated by a net sale	10	variable
L	Revenue generated in the attracting stage	825,000	GxK
M	Gross margin rate	60%	variable
N	Gross margin per customer	6	KxM
P	Total gross margin	495,000	LxM
Q	ROI (the rate of return on investment)	141%	P/C
R	Value per customer	1.75	N-J
T	Total value of customers' contribution	145,000	P-C

2. The stage of customer loyalty

During this stage, the company tries to maintain the loyalty of the customers attracted in the first stage, offering them points for Internet usage. The monthly rate of customer loss ("churn rate") reaches 10%, with 5% rate of nonpayment. The average

monthly revenue spent by a customer for this service is 6 euros. The loyalty program generates a profit of 210,375 euros.

Table 2

The value of customers during the loyalty stage

Letter	Indicator description	Indicator value	Calculation method
A	Monthly revenue allocated per customer	6	variable
B	Monthly rate of customer loss	10%	variable
C	Gross margin rate	80%	variable
D	Cost of customer retention	1.5	variable
E	Rate of nonpayment	5%	variable
F	Number of customers at the beginning of a period	82,500	Ht-1
G	Number of lost customers	8,250	FxB
H	Number of customers at the end of a period	74,250	F-G
J	Revenues	445,500	HxA
K	Gross margin	356,400	JxC
L	Cost of customer retention	123,750	FxD
M	The cost of not paying the customers' debts	22,275	JxE
N	Value of customers during the loyalty stage	210,375	K-L-M

The profit earned in this stage is higher than that in the first stage of attracting customers, showing once again the necessity of customer retention.

3. The stage of developing relations with the loyal customers

During the third stage of the customer lifecycle, the mobile phone company offers its customers mobile Internet access cards, with free hours included. The revenue generated by an offer is 12 euros, 80% of customers are exposed to the new offer, and the acceptance rate of the new offer is 60%. The nonpayment rate is 5%. The value of customer contribution reaches 57,024 euros in this last stage.

Table 3

The value of customer contribution in the stage of increasing customer value, by subscribing to a new offer

Letter	Indicator description	Calculation method
A	Number of of loyal customers	74,250
B	Percentage of customers exposed to new offers	80%
C	Number of customers exposed to new offers	59,400
D	Acceptance rate of new offers	60%
E	Number of completed sales	35,640
F	Revenue generated by new offers	12
G	Total generated revenue	427,680
H	Gross margin rate of an offer	60%
J	Gross margin generated by new offers	256,608
K	Cost per customer and per new offer	3
L	Cost of the new offer	178,200
M	Nonpayment rate	5%

N	The cost of not paying the customers' debts	21,384
P	Value of customer contribution	57,024

The company makes a profit of 412,399 euros during the three stages of customer lifecycle for Internet Access Service.

CONCLUSIONS

In recent years, the information technology development and the availability of a great number of applications have been a tremendous boost for CRM within organizations. Designing information systems for customer relationship management has become a priority for all companies attempting to survive and develop in the e-business environment (S. Sleight, 2002).

This research applied on a mobile phone company determined the customer value of Internet Access Service. The main conclusions are:

1. In the first stage, the number of new customers was 82,500, the generated revenue was 825,000 euros, inducing a 145,000 euro customer contribution.
2. In the second stage, the company lost 8,250 out of 82,500 customers, the revenue recorded 445,000 euros, and the generated profit reached 210,375 euros.
3. In the third stage, the revenues recorded 427,680 euros and the generated profit 57,024 euros.
4. The mobile phone company made 412,399 euros in profit during the three stages of Internet Access Service.

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