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## Article

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# A conceptual framework for customer value management

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## Abstract

It is essential for a company to be engagement-oriented and analyze how marketing variables affect customer value and how it improves efficiency in both customer attraction and retention. But a comprehensive, integrated assessment of all marketing variables and their interdependencies is an arduous and complex task and thereby, an unsettled issue.

Using relationship marketing literature as the theoretical basis of this research, this study overviews marketing variables empirical research, from a customer value perspective. First, we describe the most relevant relationships between each variable and customer value. Then we present a structured framework of the relationships observed between the variables. Lastly, we give some guidelights to manage marketing variables in a unitary manner, considering that the strategies and budgets for attraction and retention should be carried out jointly. The resulting framework shows that customer value is necessarily achieved over customer lifetime, and mainly through four clear predictors: perceived value, purchase intention, satisfaction and switching costs. Such framework can be used by entrepreneurs and marketing managers as a roadmap to customer value that facilitates understanding the significance of marketing variables predicting customer value and their underlying relations.

**Keywords:** customer value; customer lifetime; retention; marketing variables; perceived value; purchase intention; satisfaction; switching costs.

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## Marco conceptual para la gestión del valor del cliente

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### Extracto

El saber cómo las variables de marketing afectan al valor del cliente es un conocimiento imprescindible para que la empresa pueda orientarse al compromiso (*engagement*) mejorando la eficacia de sus inversiones, tanto en captación como en retención. Sin embargo, los estudios empíricos de estas variables están muy fragmentados; acceder a este conocimiento es una tarea ardua y muy compleja para los gerentes y los investigadores de marketing.

Utilizando la literatura de marketing relacional como base teórica de esta investigación, este estudio repasa la investigación empírica de las variables de marketing, desde la perspectiva de valor para el cliente. En primer lugar, describimos las relaciones más relevantes entre cada variable y el valor del cliente. A continuación, presentamos un marco de las relaciones observadas entre las variables. Por último, damos algunas pautas para gestionar las variables de marketing de forma unitaria, considerando que las estrategias y los presupuestos de captación y retención deben considerarse conjuntamente. El marco propuesto muestra cómo el valor del cliente pasa necesariamente por la vida del cliente en la empresa y principalmente a través de cuatro predictores: el valor percibido, la intención de compra, la satisfacción y los costes de cambio. Este marco puede ser utilizado por empresarios y directores de marketing como una hoja de ruta hacia el valor del cliente, facilitando la comprensión de la importancia de las variables de marketing que predicen el valor del cliente y sus relaciones subyacentes.

**Palabras clave:** valor del cliente; vida del cliente; fidelización; retención; variables de marketing; valor percibido; intención de compra; satisfacción; costes de cambio.

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## 1. Introduction

Customer value theory is in continuous development (Oblander et al., 2020). Its implementation in companies is done by calculating Customer Lifetime Value (CLV), linking customer value to firm value, and by managing acquisition and retention actions (Oblander et al., 2020). These actions materialize in the use of different marketing variables that generate customer value (Jiang et al., 2011).

Since running an empirical model that captures all the variables associated with the customer value is extraordinarily complex, researchers have studied these variables in partial small models. They focused on how to increase value by selecting the most valuable customers (Kumar et al., 2011) with the right offers (Lemon and Verhoef, 2016). They analyzed how to invest in an efficient way the budgets of acquisition and retention to obtain the best value (Pick et al., 2016). And they studied the most effective variables for retaining the valuable customer (Jiang et al., 2011).

Therefore, the study of the variables is very fragmented. However, for customer value purposes, the variables are not separate entities (Ranjan and Read, 2016). Customer behavior does not work in temporary or circumstantial watertight compartments. Marketing variables affect in a multivariate and cyclical way to customer's value (Ranjan and Read, 2016). They are part of a unitary company strategy in which all areas are related to each other: acquisition, retention, growth and recovery (Iyengar et al., 2011).

The theoretical basis of this work is found in the literature on the relationship marketing. Reinartz et al. (2004) found its origins in three theories:

1. Transaction cost theory (Rindfleisch and Heide, 1997 in Reinartz et al., 2004) focuses on minimizing the cost of structuring and managing relationships and maximizing the returns from them.
2. Agency theory attends to the design of incentive-compatible contracts with employees that realign company goals and the employees' utility is necessary to maximize company profit (Holmström 1979 in Reinartz et al., 2004)
3. Contingency theory focuses on maximizing company profits by depicting appropriate organizational structures (Black and Boal, 1994; Miller, 1996 in Reinartz et al., 2004).

In the marketing relationship area of knowledge, it is theoretically held that the building and managing of ongoing customer relationships delivers the essence of the marketing con-

cept (Morgan and Hunt, 1994). Kumar and Reinartz (2018) explained how the service-profit chain is the central concept in a theory of business management which links the delivery of value transversally to customer loyalty and value. Frennea et al. (2014) provided a conceptual, theoretical, and managerial framework to improve organizational performance, specifying the difference between the service profit chain and the satisfaction profit chain.

In this line, the aim of this work is to introduce a structured conceptual framework that integrates all the marketing variables that affect customer value. Previous studies have presented customer value frameworks from different perspectives: focusing on its impact on the company's operations, classifying customer value according to its origin or proposing different dimensions of customer value (Yan and Chiou, 2020). This study takes a further step towards the practical application of customer value theory since the presented framework can be used by entrepreneurs and marketing managers as a roadmap to customer value that facilitates understanding the significance of marketing variables predicting customer value and their underlying relations.

To this end, we have first gone through the most outstanding empirical literature on the marketing variables that affect customer value. Given the growing omnichannel nature of business (Mencarelli et al., 2021) we have included works on variables present in any of the channels used by the company (online and offline). Second, we show graphically and explain the relationships between the variables studied, and customer value. Finally, we provide some outputs to facilitate the application of different variables depending on the company's circumstances.

## 2. Objectives

As far as we know, there is no study that captures all the marketing variables that have been empirically shown to affect customer value. This work aims to collect the results of the most relevant empirical studies that relate marketing variables to customer value, and explain the relationship among them. Further, the study has the aim to propose a structured and graphical framework to help CLV's management.

The research questions of this study are the following:

- RQ<sub>1</sub>. What are the marketing variables that have shown to be effective for customer value?
- RQ<sub>2</sub>. How do marketing variables affect customer value when they are related to each other?  
How does each of the marketing variables act on the others to create or not value for the customer?
- RQ<sub>3</sub>. How can existing knowledge be collected and presented to be useful in marketing management?

These issues are addressed in the following sections.

### 3. Methodology

We first proceed to collect all the information on marketing variables related to customer value. The requirement for empirical studies has drastically limited the research, since the empirical literature related to customer value is still scarce. We systematize and order the analysis considering the following issues for each of the published studies analyzed:

1. Dominant theoretical framework: it aims at the knowledge of the assumptions that the authors of each article have made for their research.
2. Customer value concepts used.
3. Relationship between the variable studied and customer value for the company.
4. Design of the study (methods used and levels of analysis).
5. Model proposed.
6. Business implications.

### 4. Marketing variables predicting customer lifetime value

The variables included in this section are those from empirical studies that relate a marketing variable with the value it generates for the company (not all marketing variables have been empirically studied from a value point of view).

For clarity reasons, we have divided the explanations of the variables in three groups depending on the main factors influencing each variable: company, product and customer. Next, we describe these variables and their relationship with customer value.

#### 4.1. Variables related to the company

The variables related to the company are those controlled by the business to create a position and influence on its target market (Grace and O'Cass, 2004). The ones empirically studied in their relation with customer value are: brand, point of sale and employees.

##### 4.1.1. Brand

The brand is a determining, differential and inimitable factor to create and add value to companies, products and services. Its degree of influence in the purchase decision depends on the familiarity, appreciation, identification, trust and respect that the buyer has for

the brand (Schmitt et al., 2013). The fact that a consumer remembers, chooses or identifies with one brand and not with others, is the result of various interrelated elements, which make this preference directly influence the increase in sales and profitability of the company (Jaitly and Gautam, 2021).

Brand's value goes beyond the company's financial results. This value is affected by all components of the value chain of the company associated with the brand: distributors, customers, employees, media, shareholders and suppliers (Kumar and Reinartz, 2018). When a customer is satisfied with the relationship with the brand and appreciates the product or brand, he or she acquires a higher level of commitment and loyalty (El-Adly, 2019). And if the brand evokes an experience, it can generate engagement, satisfaction and loyalty by itself (Huang, 2017).

Brand experience can affect satisfaction and loyalty indirectly through the brand personality which is defined as the set of human characteristics associated with the brand (Schmitt et al., 2013). The consumer tends to associate the brand with human personality characteristics such as sincerity, excitement, competition (as skill), sophistication and audacity, projecting these characteristics onto the brands. In turn, brand personality builds trust, increases brand preference, and increases loyalty (Schmitt et al., 2013, Huang, 2017).

#### 4.1.2. Point of sale and employees

Various studies establish a relationship between the atmosphere of a business establishment and increased sales and repeat purchases (Goutam et al., 2021). Although cognitive factors can have an important impact on store selection, the store environment and the mood of consumers can be determining factors in their purchasing behavior. Environments should cater to different types of shoppers (Kaltcheva and Weitz, 2006):

1. Utilitarian-type customers see shopping as a way to obtain a resource (product, service or information) and look for the most efficient way to do so. This type of customer associates very exciting environments with unpleasant ones. If the environment is the right one, they will be more willing to buy more products.
2. On the contrary, hedonic consumers like environments that are rich in shopping experiences and highly exciting (Gallarza et al., 2016). Of course, a positive experience created by the environment can be nullified by a bad experience in customer care or after-sales service (Goutam et al., 2021). For example, in the case of e-commerce, timely delivery has a direct effect on customer's satisfaction and loyalty (Goutam et al., 2021).

The importance of the employees who interact with the customer is vital to the smooth running of the business, as they represent the organization. In the last years, there have in-



creased the expectations of customers in relation to the knowledge of the sales staff, their speed of response, the depth and clarity of communication and the customization of information relating to the products and services. The company must adapt its training and commercial discourse to the new times, since recent studies indicate that consumer loyalty depends to a great extent on the customization of service and the management of personal contact (El-Adly, 2019).

There are also multiple evidence of the relationship between customer satisfaction as a predictor of customer loyalty in business establishments (Gallarza et al., 2016). The level of satisfaction will influence the customer's loyalty, recommendation, or future switching costs (Biglaiser et al., 2013).

## 4.2. Variables related to the product

The variables related to the product (or service) are defined by the company to sell and retain, and their impact changes over the life of the customer (Ryu et al., 2012). The ones empirically studied in their relationship with customer value are: price, discounts, product complementarity and termination fee commitment.

### 4.2.1. Price

Price has the double meaning of income for the company and cost for the consumer. It is one of the most important criteria when deciding a purchase by the consumer and at the same time it is the only component of the marketing mix that generates income for the company, being the main element that determines the value of the customer (Jiang et al., 2011). This implies that it must be considered not only at the time of acquisition but throughout the lifetime of the customer (Ryu et al., 2012). Elements related to the creation of value for the company that should be considered in price definition are the following:

1. As a rule, consumers accept to pay a higher price in exchange for higher quality (Jiang et al., 2011). It should also be considered that a poor price positioning can affect the perception of product quality (Hinterhuber and Liozu, 2014).
2. The first consumer's impressions remain over long time as anchors for future decisions (Ascarza et al., 2012) affecting customer's purchase and recovery (Pick et al., 2016).
3. Corporate reputation in online customers has an important mediating effect on perceived value and quality (Caruana and Ewing, 2010).
4. In sectors with complex pricing structures (such as telecommunications), customers prefer flat rates (Iyengar et al., 2011). This is related to the Prospective

Theory of decision making in situations of uncertainty, and to the Mental Calculation Theory which indicates that consumers tend to perceive many prices as being worse than a single price of equivalent amount (clustering of decisions) (Kahneman et al., 1991). For this reason, bundling has spread rapidly (e.g., menus or all-inclusive in the hospitality industry) as it generates economies of aggregation for the company and also has a positive influence on customer loyalty and retention (Jiang et al., 2011).

#### 4.2.2. Discounts

The effects of discounts on customer value have received equal negative and positive criticism (Pick et al., 2016; Lemon and Verhoef, 2016; Jiang et al., 2011). Discounts have different objectives depending on when they are used. At the time of purchase, they can reduce the customer's perceived risk and make the test more attractive, but there is a danger that the customer will assume the discounted price as the anchor price and not buy when it becomes "regular price" (Lemon and Verhoef, 2016). At the time of retention, the purpose may be to generate tie-in, increase future switching costs or prevent downgrading (Pedreño-Santos et al., 2019).

To use discounts as a long-term strategy to increase value, the following issues should be considered:

1. If the company is pursuing a high market share, it should focus on having both retention and recovery prices low (Pick et al., 2016).
2. The relation between quality and price perception is affected by customer's lifetime in the company. Existing customers' purchases at low prices, increase customer value in the long term (Rust et al., 2004).
3. The effect of the price discount on customer loyalty is related to the relational investment made by the company. The higher the discount on the bundling, the more the customer will spend on the service (and vice versa) which will strengthen their relationship with the company (Jiang et al., 2011).
4. The frequency of discounts also affects customer behavior. When discounts are unusual, the value of the customer will be independent of the discount on the purchase. However, if discounts are regular, discounts made at the time of purchase can lead to significant differences in the value of the customer (Lemon and Verhoef, 2016).

The calculation of LV must be made differently for customers acquired at a discount and for those acquired at full price (Lemon and Verhoef, 2016).

### 4.2.3. Product complementarity

Bundling is the practice of including more than one service within a package at a more competitive price. It has become particularly widespread among telecommunications operators because it generates economies of aggregation for the company and influences customer loyalty and value (Jiang et al., 2011). If the company can offer customers high complementarity in the components of a product bundle, there is no need to emphasize discounting because complementarity mitigates the impact of discounts on loyalty. If it cannot provide complementarity this will lead the company to offer higher discounts to increase the customers' lifetime (Lemon and Verhoef, 2016).

The higher the complementarity, the more customers will spend on bundles. On the other hand, consumers with a high level of uncertainty are more likely to make an upgrade (change to a product or service with higher performance) reducing uncertainty even if their invoice increases (Lambrech et al., 2007).

### 4.2.4. Termination fee commitment

Unlike switching costs, which become evident when the customer is ready to consider the change, the termination fee commitment appears during the purchase process, becoming an element of linkage between the customer and the company (Pedreño-Santos et al., 2019). The company offers a tradeoff to the customer who obtains an advantage in the price or quality of the product or service in exchange for a greater commitment to the company. The company usually establishes a penalty to ensure the commitment compliance because the consumer feels more obligated to complete the agreed transaction.

Companies use penalties to compensate the loss of the opportunity to sell to other customers (e.g., last-minute cancellations or delayed returns) or the investment made to be able to offer the service (e.g., installation of a telephone line or delivery of an internet access router). The impact of the termination fee commitments on customer value has been studied by Pedreño-Santos et al. (2019) with the following conclusions:

1. Customers with a termination fee commitment have a longer lifetime and generate greater customer value than customers without termination fees. Long time discounts offered in the tradeoff, increase retention and customer value.
2. Sales are not affected by the existence of a permanence commitment when the perceived value of the advantage obtained (e.g., discounts or gifts) is sufficient to compensate for the time linkage and the penalty for non-compliance. As duration of the commitment increases, also increases retention. But purchases decrease.
3. Satisfaction is not affected by the existence of a termination fee commitment when the customer is aware of the tradeoff agreed with the company.

### 4.3. Variables related to the customer

The variables related to the customer include the variables used by the company in its relationship with the customer. In this case, the results on customer value are affected by the individual personality of each customer (Kaltcheva and Weitz, 2006; Frennea et al., 2014). The ones empirically studied in their relationship with customer value are: experiences, emotions, perceived value, quality, satisfaction, switching costs, customer lifetime and loyalty.

#### 4.3.1. Experiences

A great effort has been made by companies to improve service experiences and profitability, as they contribute to customer satisfaction (Gallarza et al., 2016). Generating positive experiences that increase customer value, requires to reinforce the service provided, its format and how employees execute it (Grace and O'Cass, 2004). Since experiences come through stimuli and generate pleasant records in the consumer, experiences increase the likelihood that the consumer will want to repeat the experience, affecting not only judgments about the experience itself but also future loyalty (Huang, 2017).

Some important highlights found in the literature are:

1. Experiences reduce the barrier of entry and the risk of product return, increasing the customer's imagination (benefit of experience), and making a company-customer interaction (Shaykhzade and Alvandi, 2020).
2. Promotions are considered as value added to the shopping experience (Blom et al., 2017). In addition to monetary benefits, the consumer may perceive other benefits such as the benefit of savings, access to upgrades, reduction of search costs and improvement of self-esteem for considering themselves a good buyer (Blom et al., 2017).
3. The customer will be more willing to buy again and recommend to others the brand that provided the best experience rather than another (Schmitt et al., 2013).

The challenge for the company is to determine which promotions generate, in addition to customer satisfaction, customer value for the company.

#### 4.3.2. Emotions

We find emotions in all phases of the relationship with the consumer. Emotions related to innovation, image, and uncertainty have greater relevance in acquisition, and once the customer is already a customer, emotions related to quality, attention, or price be-

come more relevant (Ou and Verhoef, 2017). Emotion is a fundamental attribute of satisfaction, and negative emotions have a greater effect on satisfaction than positive ones (Kim et al., 2008).

Two of the emotions studied in their relation to customer value are trust and regret (Ou and Verhoef, 2017). Trust is the subjective belief that the seller will fulfil the transactional obligations as understood by the consumer (Huang, 2017). It has a positive effect on the intention to purchase and, at the same time, a negative effect on the perception of risk (Kim et al., 2008). Most predictors of trust and perceived risk are factors that can be controlled directly or indirectly by companies in two ways: through the employee training and the design of any communication element (web, corporate image, advertising, points of sale), and in their behavior in business transactions (Milan et al., 2015).

Regret is a functional emotion that influences the decision-making process (Sánchez-García and Currás-Pérez, 2011). It is different from dissatisfaction because it has a larger emotional component that includes pain and/or humiliation (Ou and Verhoef, 2017). This implies that the customer was more involved in the acquisition process or has been more involved with the company than the customer who is simply dissatisfied. Therefore, this customer can make a very negative word-of-mouth communication and will also be very difficult to recover in the future (Pick et al., 2016). Therefore, it is important to create realistic expectations, since creating excessive expectations can be counterproductive (Amin et al., 2019).

#### 4.3.3. Perceived value

Perceived value is the result of the consumer's comparison between perceived benefits and the sacrifices made (Li and Green, 2011). Obtaining high value is one of the primary motivations for consumer behavior. Perceived value regulates the customer's intention to behave towards the company, as long as the company's service provides a higher value. Customer purchase intentions and customer lifetime have a strong relationship with perceived value (Yang and Peterson, 2004).

The study conducted by Cengiz and Yayla (2007) on the relationship between marketing mix, perceived value, perceived quality, customer satisfaction and customer loyalty through word-of-mouth recommendation reveals that elements of the marketing mix have a significant influence on customer loyalty, and that, in particular, price and promotions have significant effects on perceived value. Decreased benefits (e.g., service failures) can be offset by reduced sacrifices (e.g., price) that satisfy the customer (Matzler et al., 2015).

In relation to customer value, perceived value is critical to increasing market share and to increase customer loyalty (Edward and Sahadev, 2011) and is a mediating influence between marketing strategy and customer loyalty (Li and Green, 2011).

#### 4.3.4. Quality

Perceived quality is one of the main elements of customer satisfaction (Caruana and Ewing 2010). Satisfaction is a variable that mediates the relationship between judgments about service quality and customer linkage to the company (Edward and Sahadev, 2011).

Various studies (Yang and Peterson, 2004; Boonlertvanich, 2011; Wu et al., 2014) considered quality and perceived value to be the determining factors of satisfaction. Customers compare their pre-purchase expectations with their current perception of the value of the purchase and make judgments about their experiences based on these comparisons (in the case of interaction in social media, they also share judgments with other users –Ho and Cheng, 2020–). The quality-of-service leads to customer satisfaction which, in turn, affects purchase intentions (Caruana and Ewing, 2010). It therefore seems necessary for the company to strive to increase quality, perceived value and satisfaction together, in order to increase the customer's perception of the service. Likewise, when the customer considers that in addition to quality, the price is reasonable, the effect of the perception of quality on satisfaction increases (Ryu et al., 2012).

When launching a service quality marketing initiative to influence customer loyalty, consider not just its effect on service quality- It is also necessary to consider the impact that said strategy will have on other variables such as perceived value or satisfaction (Ho and Cheng, 2020).

#### 4.3.5. Satisfaction

In general, satisfaction can be considered as the feeling of happiness that a person has when achieving his or her goals, needs or motivations (Huang, 2017). Everyone wants to be satisfied, although one's personal satisfaction with a given stimulus may be different depending on attitude, value, education and the moment of the interaction (El-Adly, 2019). Satisfaction also depends on expectation. In general, it is a feeling that comes from the comparison between what is expected and what is obtained (Boonlertvanich, 2011).

This variable has been measured in companies for years through surveys, but it is very important to consider the following (Mittal and Kamakura, 2001):

1. Customers have different levels of tolerance and different thresholds of satisfaction that are not often reflected in surveys. Thus, customers with the same satisfaction ratio may have different purchasing behaviors.
2. The responses obtained in a satisfaction survey may not correspond to the true level of satisfaction or may differ from one customer to another.
3. The functional way of linking satisfaction to repurchase may not be linear, and the latter may vary depending on the characteristics of the customer.

Satisfaction ratios are linked to strategic purposes such as customer retention, which directly affects customer profitability (Wong, 2011). According to several studies carried out in different sales channels, satisfaction is a variable that affects repeat purchases. It is the main predictor of customer loyalty and ultimately, of customer value and the company's profitability (Gallarza et al., 2016; Goutam et al., 2021).

#### 4.3.6. Switching costs

Switching costs are those costs associated with the process of changing from one supplier to another (Biglaiser et al., 2013). Because people are loss averse, the consumer will tend to overestimate the losses generated by switching to another provider (Ascarza et al., 2012).

Switching costs may be procedural (time and effort costs), financial (lost profits) and relational (loss of personal and brand relationships) –Milan et al., 2015–. Studies on switching costs highlight the following issues:

1. Greater product complexity (e.g., bundles) is associated with higher procedural, financial and relational switching costs (Jiang, 2011).
2. The greater the experience with alternative suppliers, the lower the customer's procedural, financial, and relational switching costs (Milan et al., 2015).
3. Satisfaction is related to the intention to change: the higher the customer satisfaction, the higher the intention to stay with their supplier (e.g., reducing online consumers' information searching cost is the core element of repurchase intention –Wu et al., 2014–).
4. The influence of switching costs on perceived value and customer satisfaction is negative when these costs are raised in a negative way (Yang and Peterson, 2004).
5. The effects of switching costs on customer lifetime increase when customer satisfaction or perceived value is higher than average (Matzler et al., 2015).

Both satisfaction and switching costs are closely related to the customer lifetime in the company (Biglaiser et al., 2013). When switching costs are substantial or the process unpleasant, dissatisfied customers may choose to remain with the firm, becoming false loyal customers whom may be detrimental to the firm (Yang and Peterson, 2004).

#### 4.3.7. Customer lifetime and loyalty

From an attitudinal perspective, customer loyalty is the specific desire to continue a relationship with a supplier (Oliver, 2014). From a behavioral perspective, loyalty is defined

as a pattern of repeated behavior, that is, the proportion of times a customer chooses the same product or service (Lemon and Verhoef, 2016). The dilemma lies in the fact that intention may not be matched by action, and that repeated buying behavior may not be reflecting the consumer's intentions (Yang and Peterson, 2004). This is, the link between the customer and the company (customer lifetime), may or may not be associated with loyalty, which implies positive emotional affects (Rust et al., 2004).

In order to assess customer loyalty, Oliver (2014) proposed four ascending stages:

1. Cognitive loyalty: customers are loyal to a brand based on the information they have about it.
2. Emotional loyalty: the customer relates positive attitudes towards a brand.
3. Purchase intentions: it is the conviction to buy, although this desire may not be realized.
4. Loyalty action: the customer turns the intentions into actions. Recent studies focused on generating loyalty through social media indicated that the use of influencers in social media has a direct effect on customer loyalty, affecting customer's perception, attitude toward the brand and future purchases (Jaitly and Gautam, 2021). Likewise, Shaykhzade and Alvandi (2020) remarked how satisfaction and immersion through social media interactions create customer value for brands.

Satisfaction is a mediator variable between value and loyalty, and satisfaction and loyalty have significant reciprocal effects on each other (Matzler et al., 2015).

Customer loyalty is the result of a successful marketing strategy that creates value for the consumer and is positively reflected in customer's value (Li and Green, 2011).

## 4.4. Marketing variables' relationships based in empirical studies

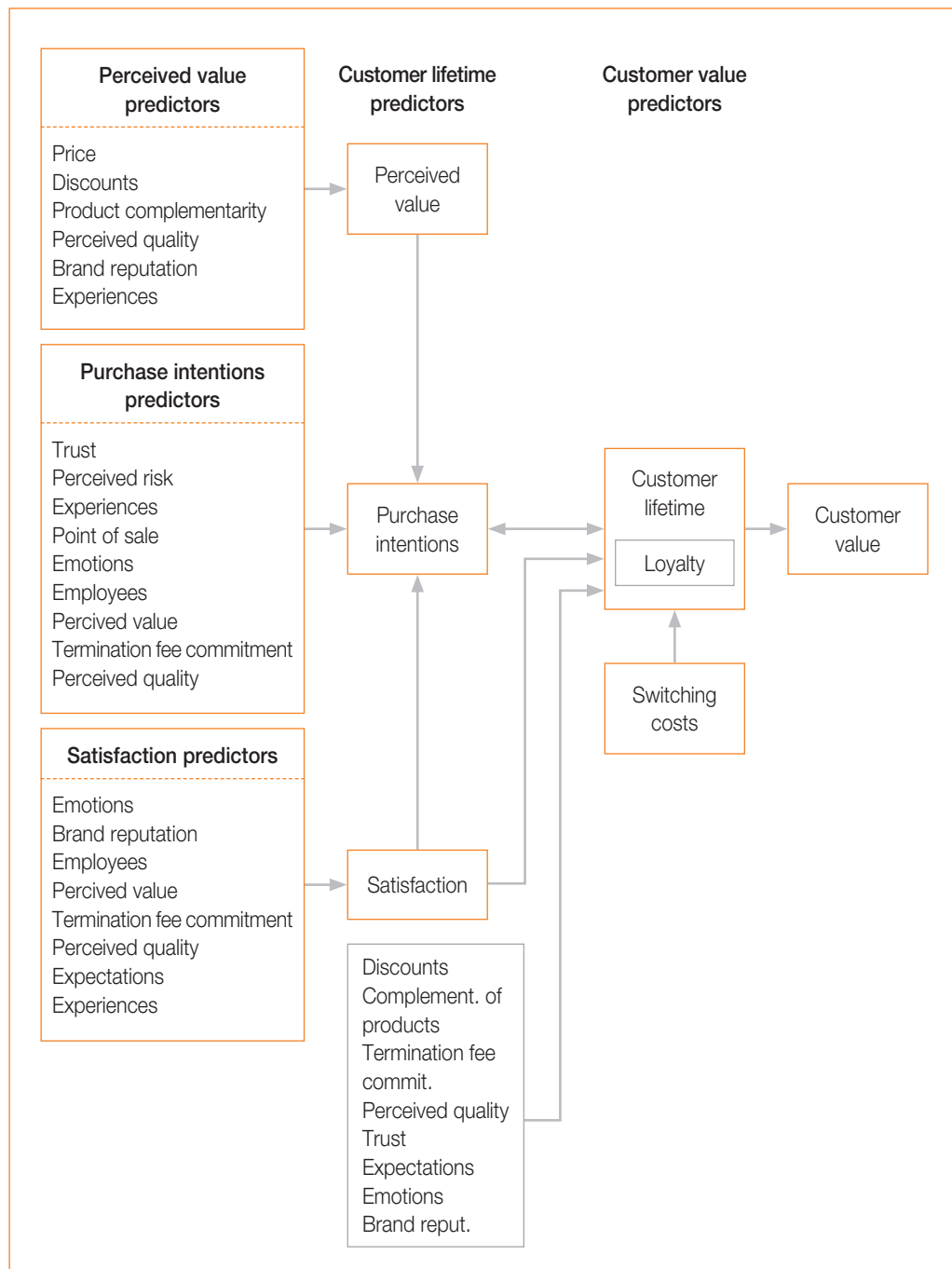
### 4.4.1. Relationships' framework

The relationships found analyzing the empirical literature on the marketing variables that generate customer lifetime and therefore value for the company, are shown in figure 1.

When graphically representing the relationships, it is observed that the customer value for the company is necessarily achieved through customer lifetime. There are four clear predictors to customer lifetime: perceived value, purchase intent, satisfaction and switching costs.



Figure 1. Marketing variables predicting customer lifetime value in empirical studies



Although there are other variables that directly affect lifetime and value, usually these four variables mediate customer lifetime. To work on them, the graphic shows us another fifteen variables that are grouped around a mediating variable:

1. Variables most linked to the product (price, discounts and product complementarity, perceived quality and reputation affect perceived value).
2. Variables related to emotional elements (emotions, brand reputation or the relationship with the employees are closely linked to satisfaction).
3. Variables that generate value through purchase intention (trust, expectations, experiences, perceived risk and point of sale).

Switching cost act independently on the value, since they are variables that manifest themselves at the moment in which the customer considers changing providers. Termination fee commitment, being a variable designed to affect attraction and retention simultaneously, directly affects customer lifetime, purchase intentions and switching costs.

#### 4.4.2. Highlights to manage marketing variables in a unitary manner

Understanding how each of the marketing variables acts on others and whether doing so increases or decreases the value of the customer for the company, allows the company to work efficiently, optimizing investments and simultaneously creating positive relations with their customers.

The presented framework (figure 1) and the highlights of marketing variables (table 1), simplify the task of finding information of the effects produced by the use of certain marketing variables, in order to work together the areas of acquisition and retention and predict what will be the possible results of the implemented marketing actions.

Thus, for example, if a company intends to quickly capture a market share, it should know that the effect of «free» is much greater than that of very low prices (Hinterhuber and Liozu, 2014) but that its effects on retention are worse (Lemon and Verhoef, 2016) since the customer is not in the habit of paying. Or that the complementarity of products over the principal, not only generates greater value in the customer, but also greater customer lifetime for the company.

The variables described can relate directly to customer lifetime or do it through other variables. For clarity reasons, table 1 shows the most relevant characteristics of the variables, grouping them around the predictors that have shown to be more relevant in the literature.

Table 1. Highlights of marketing variables predicting customer lifetime value

Highlights of marketing variables predicting customer lifetime and value	
Marketing variables	Customer lifetime and value predictors
<p><i>Price</i> influences uncertainty and trust. It is a driver of customer lifetime through perceived value and quality that changes throughout the customer lifetime cycle.</p> <p><i>Discounts</i> affect customer lifetime depending on its quantity, length, frequency, customer relationship, and the moment of its application (acquisition or retention).</p> <p><i>Product complementarity</i> mitigates the impact of discounts on loyalty. Bundles increase customer lifetime increasing customer spend and reducing uncertainty.</p> <p><i>Perceived quality</i> in addition to price, increases the effect on satisfaction through perceived value. Companies should pursue these variables together.</p>	<p><i>Perceived value</i></p> <p>It is a key factor in increasing market share and increasing customer loyalty and is a critical mediating influence between marketing strategy and customer loyalty and therefore on customer value.</p>
<p><i>Perceived risk</i> is mediated by trust. Predictors of both can be controlled through behavior in business transactions, employees training and communication.</p> <p><i>Termination fee commitment</i> increases customer lifetime and value without affecting sales or satisfaction, when offering a good perceived value, through a tradeoff.</p> <p><i>Experiences</i> reduce the barrier of entry and the risk of product return and affect not only judgments about past experience but also future loyalty.</p> <p><i>Point of sale.</i> Store environment and consumer's mood (utilitarian or hedonic) determine purchasing behavior increasing sales and repeat purchases.</p>	<p><i>Purchase intentions</i></p> <p>It is the conviction to buy, although this desire may not be realized. Previous experiences and satisfaction, affect purchase intentions. That is the reason why its relation with customer lifetime and value is reciprocal.</p>
<p><i>Emotions change.</i> In acquisition are more relevant those related to innovation, image, and uncertainty. In retention, those related to quality, attention, or price.</p>	<p><i>Satisfaction</i></p> <p>Is the main antecedent to customer lifetime. It affects repeat purchases, brand loyalty and ultimately the company's profitability and growth. It must be com-</p>



Highlights of marketing variables predicting customer lifetime and value	
Marketing variables	Customer lifetime and value predictors
<p>►</p> <p><i>Brand reputation:</i> When a customer is satisfied with the relationship with the brand this results in a higher level of engagement and loyalty.</p> <p><i>Employees</i> represent the company and affect consumer loyalty through their knowledge, speed of response, the depth and clarity of their communication.</p> <p><i>Expectations</i> creation must be realistic, since creating excessive expectations can be counterproductive.</p>	<p>plemented by other variables such as perceived value, experiences and switching costs, since satisfaction alone does not guarantee customer loyalty to the company.</p>
	<p><i>Switching costs</i></p> <p>When comparing, the customer tends to overestimate the losses generated by its switching to another supplier. Building strong relationships through the product, brand or sales channel will always give the current supplier a competitive advantage over the new one.</p>

## 5. Discussion and conclusions

Knowing the effect on value of using each marketing variable is a priority task for business. This way the company is prepared to anticipate and react to eventualities and changes and can react following a previously defined strategy that predicts the impact of a marketing action over each one of the variables that affect customer lifetime and value (Kumar et al., 2011).

This work wants to contribute to the relationship marketing literature by providing a conceptual and managerial overview of the marketing variables predicting customer value. To answer the research questions *What are the marketing variables that have proven effective for customer value?* ( $RQ_1$ ), *How do marketing variables affect customer value when related to each other?* ( $RQ_2$ ) *How each of the marketing variables acts on others to create or not customer value?* ( $RQ_3$ ) *How can existing knowledge be collected and presented to be useful in marketing management?* ( $RQ_4$ ), we document the relations between empirically studied variables and customer value and present a structured framework of their relationships.

This framework shows that customer value is necessarily achieved over customer lifetime (Iyengar et al., 2011). Customer lifetime can occur with or without loyalty (switching costs sometimes increase lifetime without loyalty), but emotional loyalty always increases customer lifetime (Gallarza, 2016). In periods of economic crisis and high competitiveness, perceived value is a critical element in retention because customers are more willing to reduce their sacrifices than to increase their satisfaction (Matzler et al., 2015). However, in periods of economic prosperity, satisfaction will have a greater weight on customer lifetime since the customer is less concerned about his or her compensation in exchange for the product or service. The question, therefore, is not which of the predictors has more weight on customer lifetime since this will vary according to the circumstances and the sector, but rather what are the variables that affect it, and with it, affect customer value. As shown in this work, there is no general formula to be applied, but rather each company has to find its own individual way to success, because according to existing studies, what in some cases presents an adequate investment-results relationship, in others represents a loss of resources (Edward and Sahadev, 2011).

The customer's lifetime and value relationship are generated by many marketing variables that directly or indirectly affect it. Therefore, it is necessary to consider the relation with the customer as a whole, from positioning of the company's brand in the market until the moment when the customer ceases to be a customer, going through all the phases of first contact with the company, its relationship with products and employees, and customer relationship strategies. Leading to a positive perception of the value of the relationship by both parties: value for the customer and value for the company.

## 6. Limitations and future avenues of research in the study of variables affecting customer value

The study of the existing literature on marketing variables affecting customer value has focused on empirical studies. This is the reason why some relevant marketing variables (e.g., advertising) are not included in the study. Even though, and despite having done an exhaustive search, it is likely that empirical research relating marketing variables to customer value has been left out of the study.

As this is such a broad topic, the future lines of research relating marketing variables to customer value are many and we can look at it from two angles: the one that refers to each of the variables and a broader one that focuses on the global treatment of the different marketing variables to generate value.

The graphic representation of figure 1, based on the selected empirical studies, is therefore far from definitive. But it can be useful as a starting point for other researchers to, on the one hand to check known relationships between variables and, on the other hand, to add new relationships based on their own research.

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