

Chapter 3 – Customer Selection Metrics

❖ **Past Customer Value, pgs. 34 – 35**

Based on the PCV scores, ABC Sportswear decides that Customer 1 has the greater potential for profitability because the PCV score for Customer 1 (\$196) is higher than for Customer 2 (\$180). Therefore, in this case, ABC Sportswear chooses Customer 1 as the ideal customer for its current marketing campaign.

$$\text{PCV of Customer 1} = 60*(1.0125)^5 + 15*(1.0125)^4 + 24*(1.0125)^3 + 30*(1.0125)^2 + 60*(1.0125)^1 = 196$$

$$\text{PCV of Customer 2} = 90*(1.0125)^5 + 60*(1.0125)^4 + 0*(1.0125)^3 + 7.5*(1.0125)^2 + 13.5*(1.0125)^1 = 180$$

Table 3.7 – PCV of the Customers

	Past Customer Value (PCV) as of June
Customer 1	\$196
Customer 2	\$180

❖ **Case Study. pg. 42**

$$CLV = \left[\left\{ \left(\frac{455}{1.0125^4} \right) * (0.75)^1 \right\} + \left\{ \left(\frac{455}{1.0125^2} \right) * (0.75)^2 \right\} + \left\{ \left(\frac{455}{1.0125^3} \right) * (0.75)^3 \right\} \right] - 60$$

Equation 3.6

$$= [772] - 60 = \$712$$

❖ **Case Study, pgs. 46 – 47**

$$NPV \text{ of } EGC_1 = 0.40 * \frac{126}{(1.0125)^1} + 0.19 * \frac{126}{(1.0125)^2} + 0.10 * \frac{126}{(1.0125)^3} = \$85$$

Equation 3.11

Table 3.10 shows the NPVs of Customers 1 and 2.

	NPV of the EGC
Customer 1	\$85
Customer 2	\$99