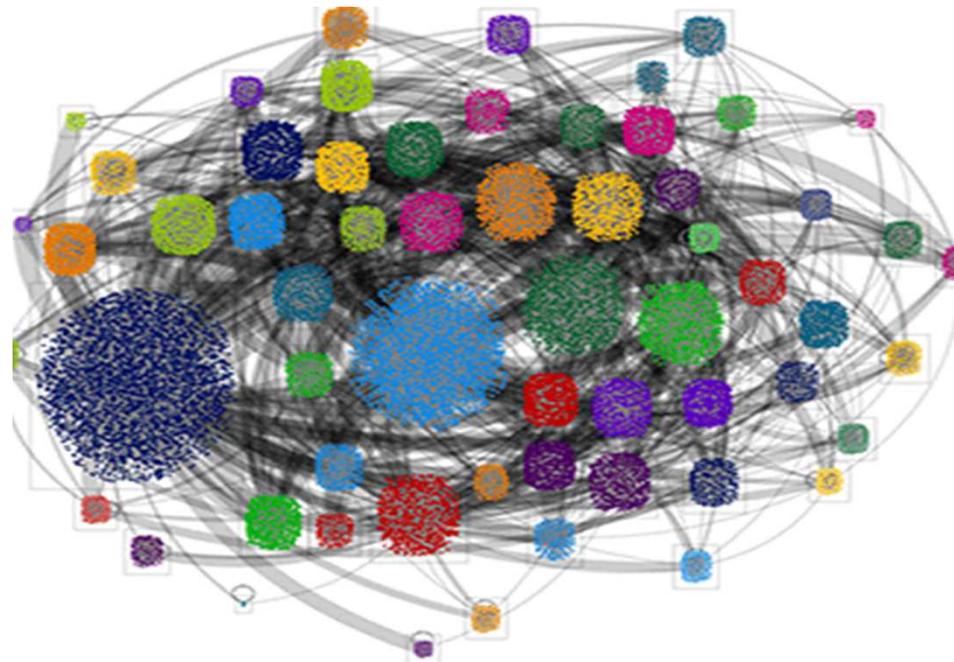


Social influence & Customer Referral Value in Loyalty Management

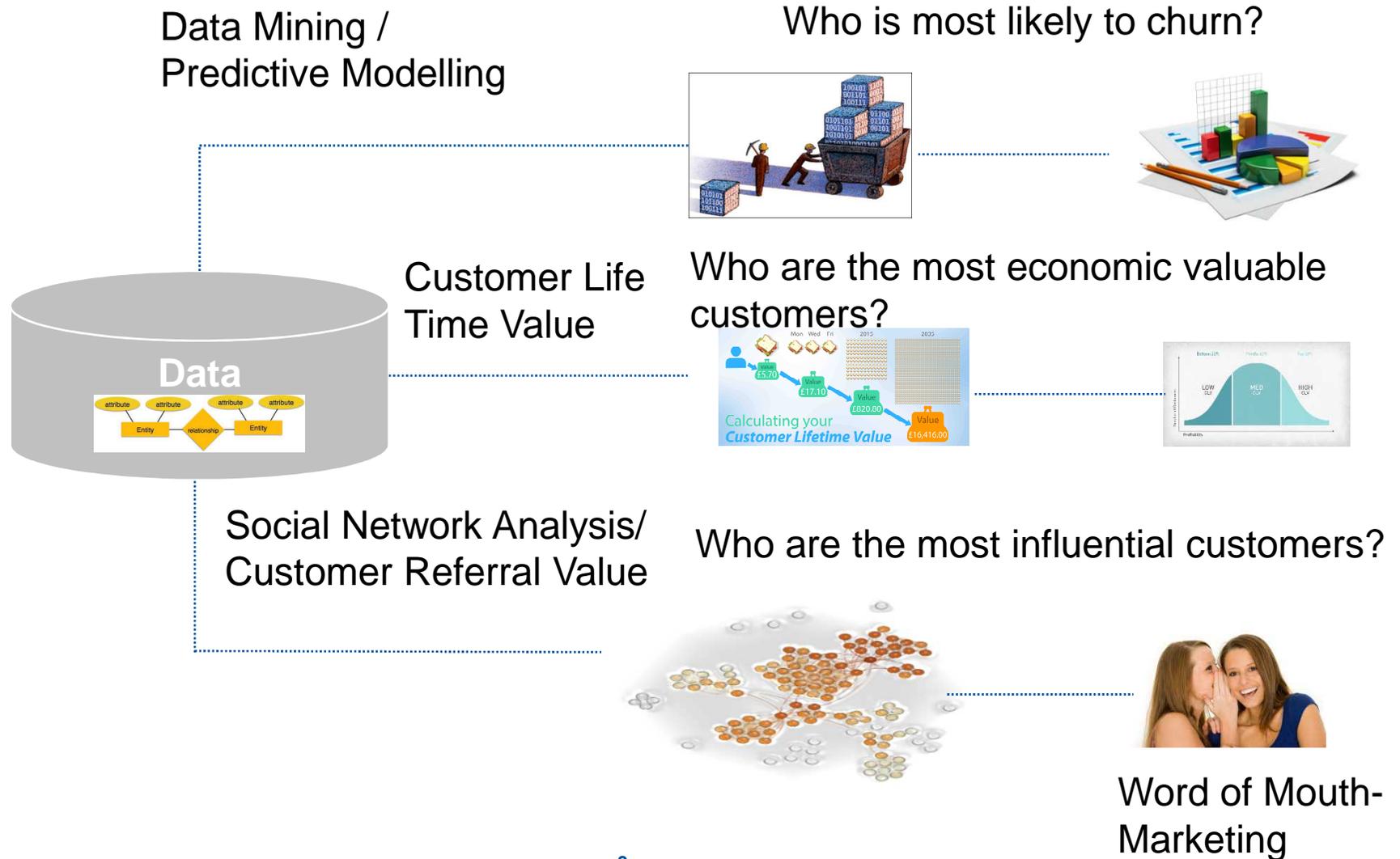


Prof. Dr. Evangelos Xevelonakis

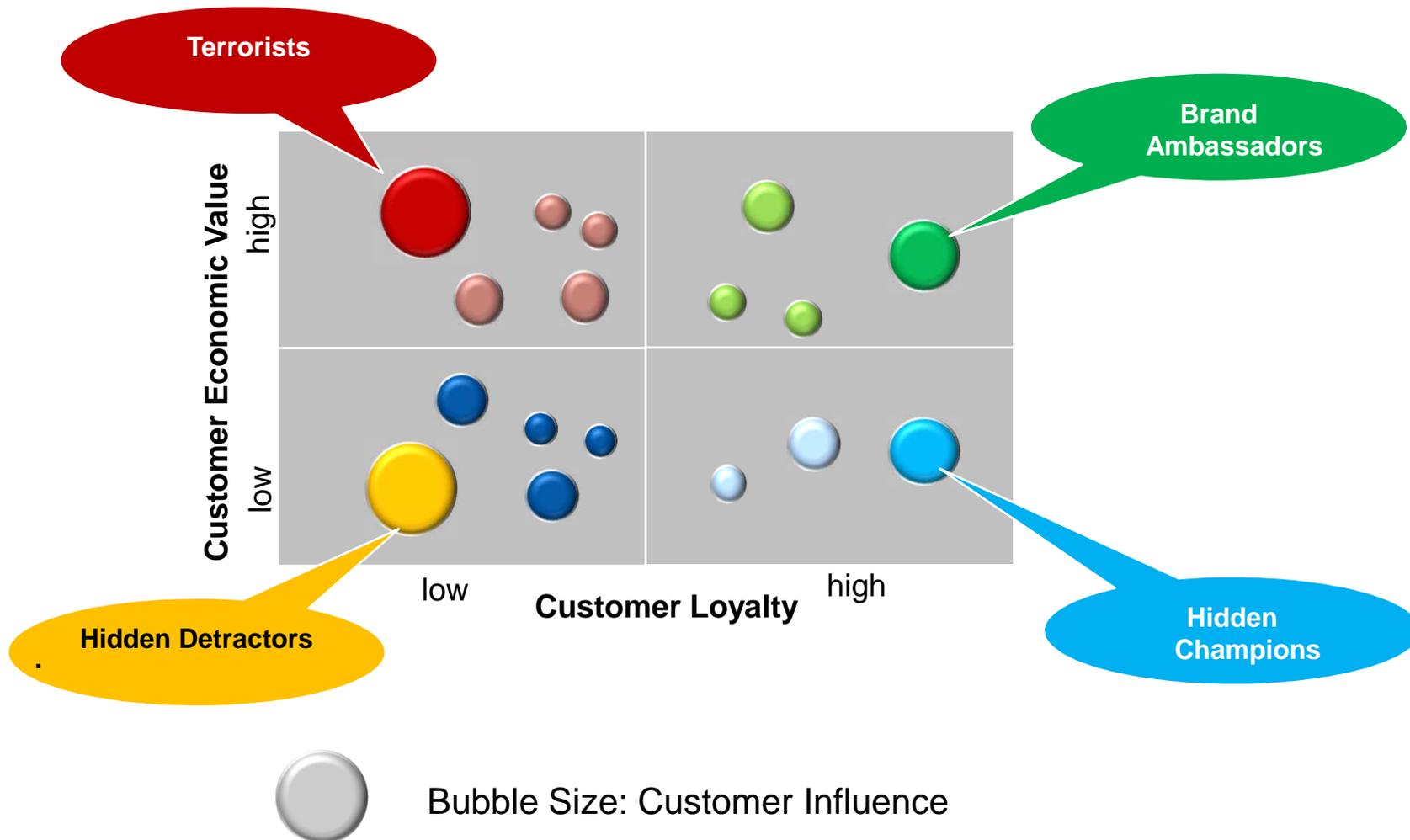
Agenda

1. Introduction
2. Identifying Customer Influence
 - Network & Sentiment Analysis
3. Calculating the Customer Referral Value
4. Empirical Results
5. Applications
6. Conclusion

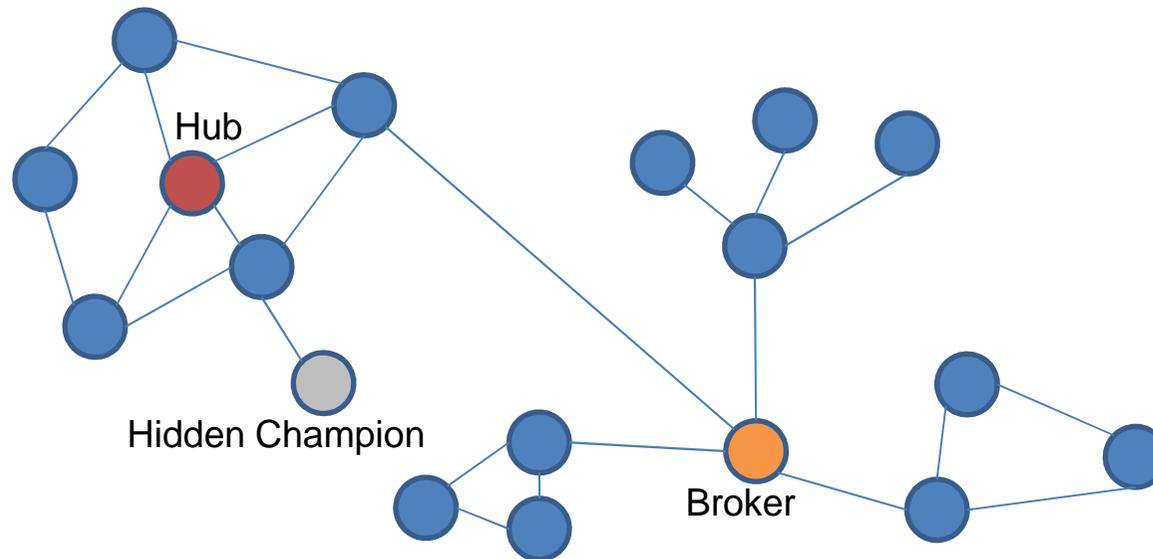
Building Elements of a Loyalty Strategy



The Relevance of Customer Influence



Network Analysis



Hub (Degree): number of links to other people in the network

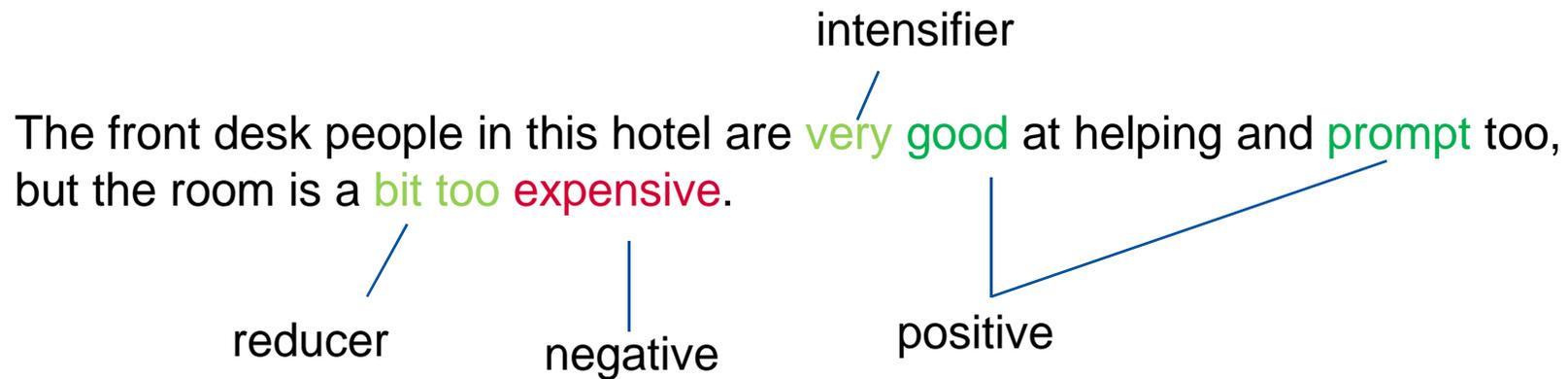
How many people can this person reach directly?

Broker (Betweenness): number of people connected indirectly

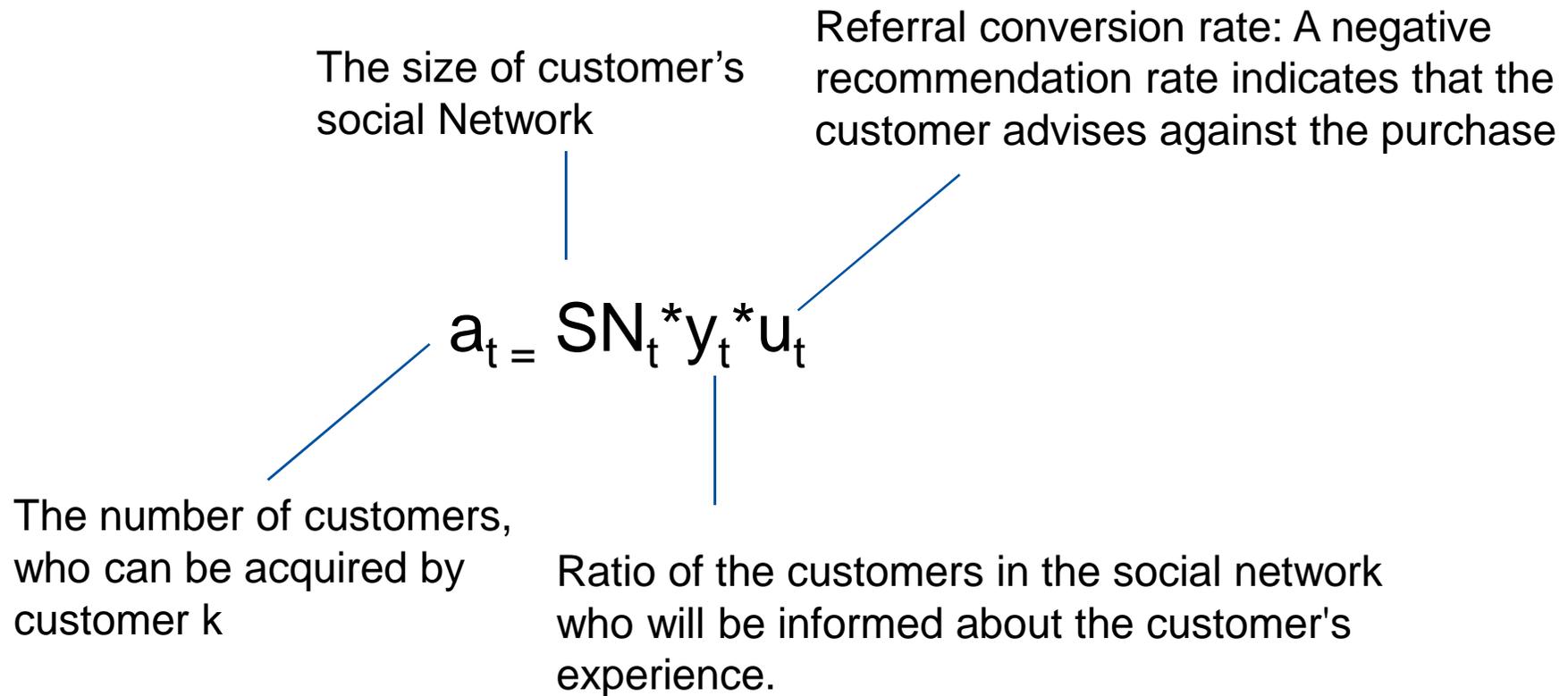
Hidden Champion: Peripheral Players may have their own network outside of the mapped network.

Sentiment Analysis

Sentiment analysis translates a text into different contexts, such as positive or negative.



Calculating the Customer Referral Value



The referral value RV of the customer k is therefore obtained by multiplying the number of acquired customers with their payment surplus $(R_t - C_t)$.

$$RV(k) = \sum_{t=0}^n \frac{(R_t - C_t) * a_t}{(1+i)^t}$$

Evaluating the Implementation Feasibility of the Proposed Model

In a customer survey, we tried to answer following questions, which are relevant to judge the implementation feasibility of the proposed model:

- Q1: Does word-of-mouth have an effect on the attitudes and probability of purchase of potential consumers in the Swiss market?
- Q2: Do negative word-of-mouth referrals have a stronger effect than positive ones on consumers' probability of purchase?
- Q3: Are Swiss consumers willing to provide information to companies in order to measure their social influence?

Empirical Results

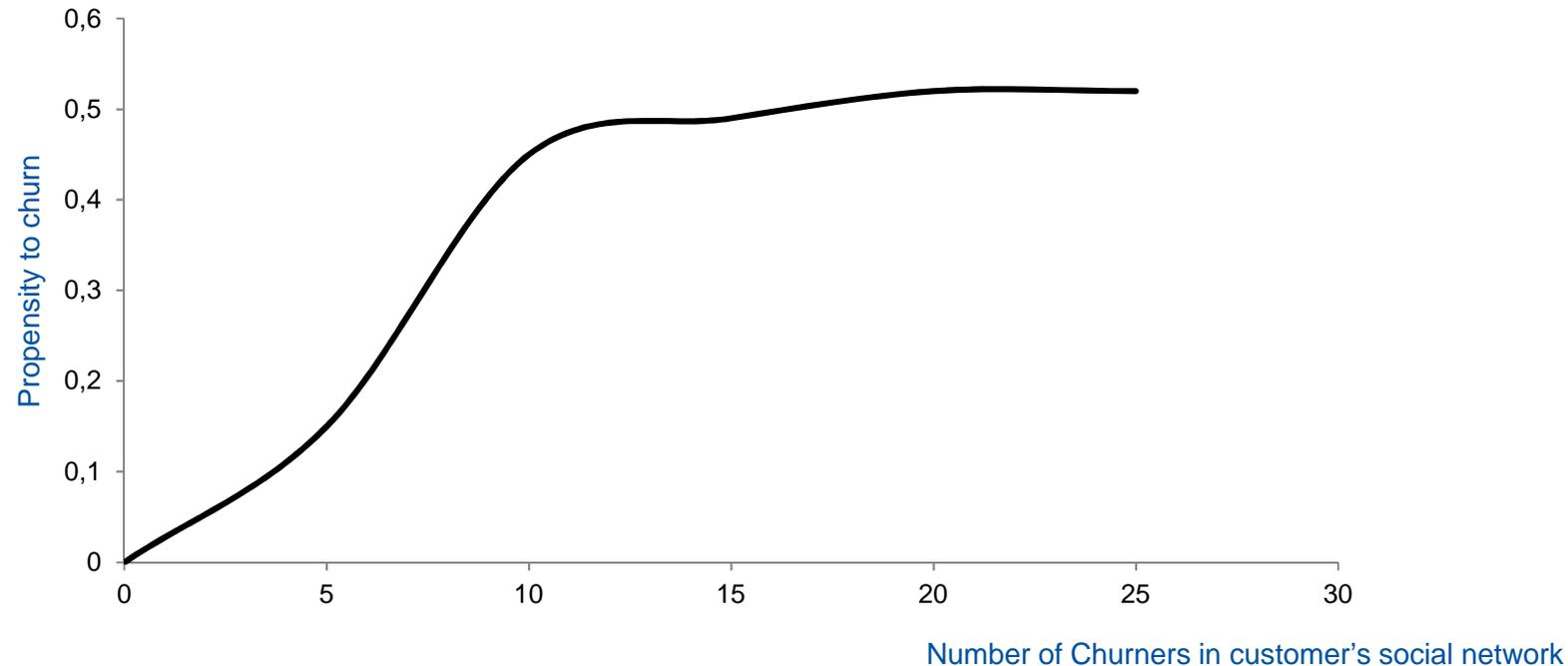
- 84% of all participants trust the opinions and experiences of friends, colleagues, relatives and club mates the most.
- 79% of all participants would buy a product because of a recommendation of friends, colleagues, relatives, club mates and so on.
- Additionally, 94% of all participants share their opinion and experience over products and services with their friends, colleagues, relatives, club mates and so on.
- Another really important result is that negative word of mouth advertising, spreads much faster than positive one. The results of the survey have shown that people share their negative experiences 20-25% more than positive experiences.
- 60% of all participants would give the company their personal data about their social network activities.

Case

Social Based Loyalty Program-The Basic Concept

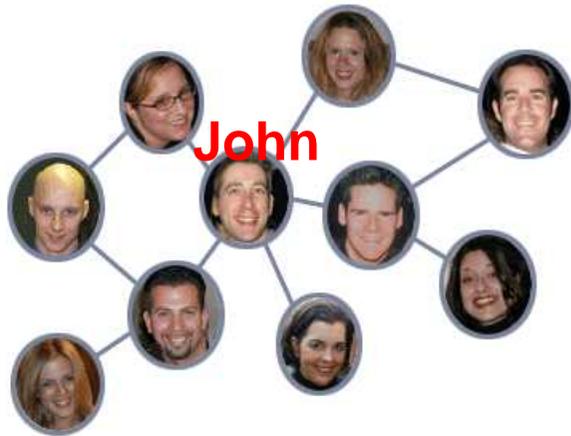


The word-of-mouth effect in social groups



The propensity to churn of a customer is depended on the **number of customers in his social network**, who left the company (churned) recently and the **strength of his relationship to them** (Dasgupta, Koustuv et al. 2008).

Social Based Loyalty Program-The Basic Concept



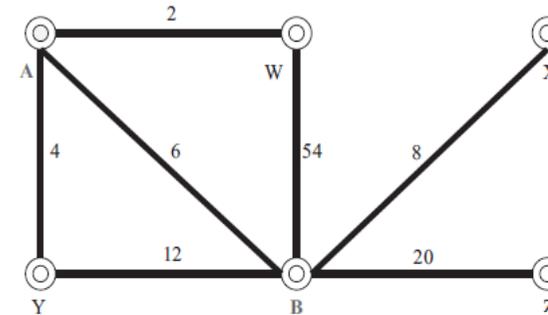
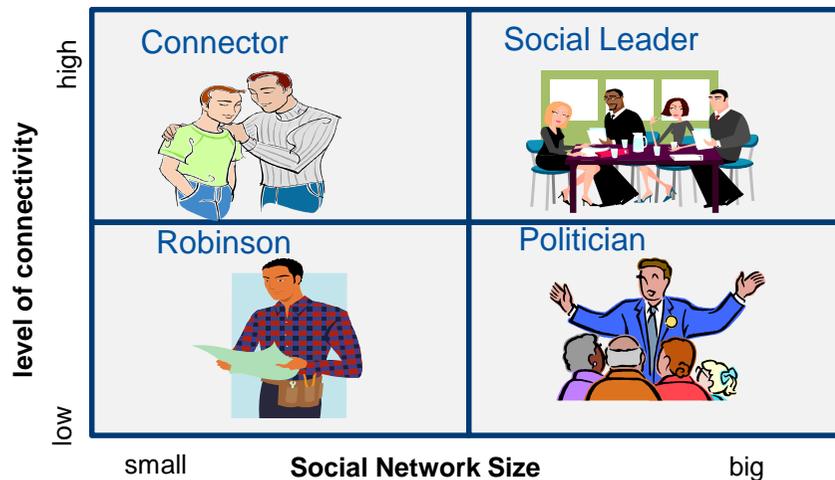
- John defines his Network (leader function) in extranet (number of lines)
- Everyone in his network has the economical advantages of a basic package
- Everyone has the option to choose 3 additional services between 7 categories

Business Question:

What Services for which customers are attractive enough?

Social based Segmentation

Social Network Size (S) and Level of Connectivity (C)



$$C_c = \frac{\sum_{t=1}^n i_t + o_t}{\sum_{t=1}^n d_t}$$

$S_A = 3 \quad C_A = \frac{12}{3} = 4$
 $S_B = 5 \quad C_B = \frac{100}{5} = 20$

- C = level of connectivity
- c = customer
- i = incoming calls
- o = outgoing calls
- d = different connections
- t = time period

Source: Xevelonakis, Som: *Journal of Database Marketing & Customer Strategy Management*, (2012) 19, 98 – 106, 7 May 2012; doi: 10.1057/dbm.2012.12, published online 7 May 2012

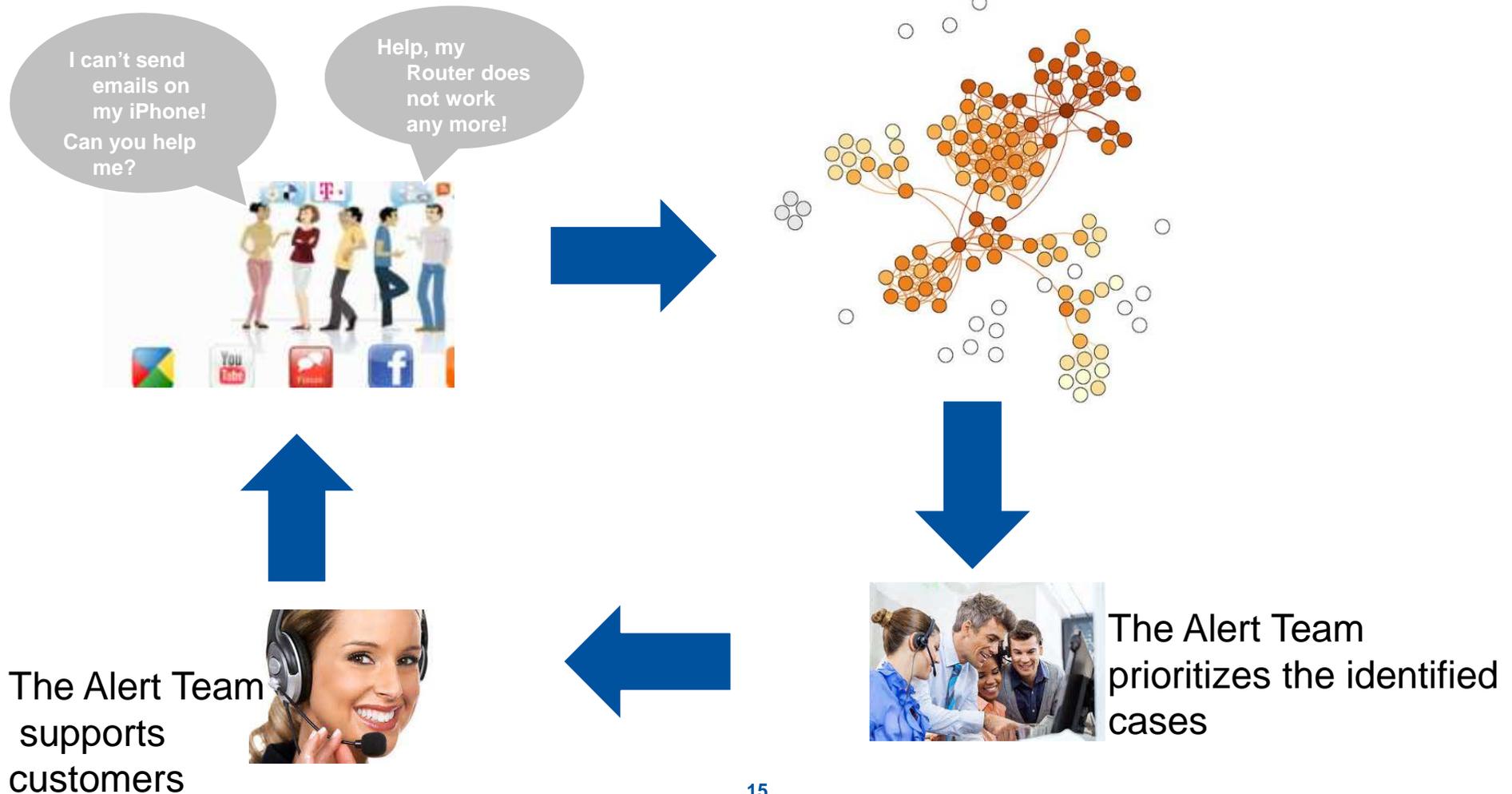
Results

- Three months after the introduction of this loyalty programme, over 1000 networks were founded with 30 per cent of the existing customers.
- A first analysis after 4 months showed that the churn rate of the social network customers had decreased.
- At the same time they increased their spending significantly.

Case Deutsche Telekom

Introducing innovative support channels

Social Media Centre identifies the most important service cases in the social web



Conclusion

- The results of this empirical study indicate that word-of-mouth is a powerful factor, which influences the purchasing behavior of customers.
- Companies should rethink their customer strategy and make it easier for their customers to communicate positive referrals to their products and services.
- Negative word of mouth should be taken into consideration as a relevant factor for calculating the real customer referral value.
- Applying this knowledge, a company will be able to segment its customers and define the right strategy to increase marketing efficiency.



Short Biography

Evangelos Xevelonakis is Managing Director of SWISS VALUENET and Professor at HWZ Zurich University of Applied Science. He graduated in economics and information technology and has a doctor title in Relationship Marketing from the University of Zurich.

Evangelos headed several segmentation projects involving customer profitability, customer segmentation, churn and loyalty management in several industries. Before joining SWISS VALUENET he headed the Strategic CRM Department of SWISSCOM for 6 years where he was responsible for customer segmentation, customer profitability and for the whole Business Intelligence Process. He also worked for about 10 years in CREDIT SUISSE, where he was responsible for setting up the Database Marketing Process for Direct Banking.