

Maru batting center essay sample



**ASSIGN
BUSTER**

1. What is the customer acquisition cost to Maru Batting Center for the following customers?

a. A little leaguer = 10, 000

b. A summer slugger= 10, 000

C. An elite ballplayer is MBC places the ad in the local baseball enthusiasts magazine= 60, 000

d. An elite ballplayer is MBC purchases the list and

invites all target customers to the gala event= 50, 000 e. An entertainment seeker = 2, 000

2. Without discounting cash flows to take into account the time value of money, how soon will MBC break even on the following customers? In all cases, assume that revenues and variable costs to staff the cages occur on an outgoing basis but that the acquisition costs are a one-time event.

a. A little leaguer = year 3

b. A summer slugger = year 3

C. An elite ballplayer is MBC places the ad in the local baseball enthusiast's magazine= year 4

d. An elite ballplayer is MBC purchases the list and invites all target customers to the gala event= year 3

e. An entertainment seeker= year 2

3. Taking into account the time value of money and assuming that 100 percent of a customer segment will have experienced attrition once the net present value of annual profits per customer falls below 100, what is the lifetime value to MBC of the following customers?

a. A little leaguer= 5, 556

b. A summer slugger= 956

C. An elite ballplayer is MBC places the ad in the local baseball enthusiast's

magazine= 5, 916 d. An elite ballplayer is MBC purchases the list and invites all target customers to the gala event= 15, 916

i. Should MBC throw the gala event? Yes because it shows the highest earning e. An entertainment seeker = 117

4. Which is the most attractive customer segment for MBC to target? Explain your reasoning. Elite ballplayers are the most attractive customer segment for MBC to target even though they have high acquisition costs because their purchase is big and buys the product frequently. They are able to charge this group a higher price. Also little leaguers is an important segment to market because the kids market is larger³ and slower acquisition costs.

5. MBC has been approached by Little League representatives from the nearby Chiyoda ward who are eager to gain the jersey subsidy the Minato ward has enjoyed due to the company's sponsorship. Because the parents of Chiyoda Little Leaguers will have to travel a greater distance, Maru believes there will be a lower response rate (8%) and a lower retention rate (65%), which she can make up by purchasing slightly lower-quality jerseys, reducing the cost of ownership to just 600 per player. However, the Chiyoda ward representatives demand that theirs be the only ward receiving such a sponsorship, which means MBC must choose between the two wards.

The Chiyoda representatives argue that because their ward has twice the number of Little League customers, it is more attractive than the Minato ward. Should MBC pursue the Chiyoda ward sponsorship? Explain your reasoning. No. Because the customer lifetime value decreased to 4, 615.

They would need to see the total lifetime value of the customers. Capacity

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would be an issue. Good demand and knowledge of the different location would be essential. Local competitors may be better at knowing their customer. It is easier to retain clients than to win them back.

6. Maru's brother suggested she focus on the Elite Ballplayers segment, targeting it by offering a 500 discount on all future purchases to elite ballplayers who purchase at least twenty batting cage hours in year 1. (assume all elite ballplayer customers book exactly 20 hours each year) although this will decrease the amount MBC can bill Elite ballplayers from (7,500 to 7,000 per hour from year 2 onward), Maru believes it will increase the retention rate of these customers to 75% immediately. Should MBC offer this promotion? Explain your reasoning. Yes they should. The customer lifetime value increases to 22,656. This is an increase of almost 7,000 by increasing the retention rate.