

Marketing and lifetime value assignment

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Tuscan Lifestyles catalogs markets a number of products such as cookware, tableware, linens and decorative home accessories. Due to the nature of the products and the business, it is difficult for the company to know whether or when the customer makes additional purchases. The company is looking to see whether a customer's initial purchase amount is predictive of the overall lifetime value of the customer and base their future marketing plans on the outcome.

For this study, the customers were divided into two groups, customers that made an initial purchase of less than \$50 and customers with an initial purchase of at least \$50. The average lifetime value of a customer whose initial purchase was less than \$50 was (13.36). The average lifetime value of a customer whose initial purchase was more than \$50 was 58.31. Tuscan Lifestyles should focus their marketing efforts on the customers making an initial purchase of at least \$50.

This is because as stated above, the average lifetime value of the customers in this group is pretty high. The company should initiate special promotional packages for these customers. The company should resort to giving special discount vouchers or sending exclusive catalogs or allocating reward points for purchases made or sending gifts or providing preferential service and provide other such incentives, so that these customers remain loyal and make repeat purchases.

The company could also identify high margin products related to the products this customer group is currently purchasing and market them aggressively to this group. Also, the company should not ignore the

customers making purchases less than \$50 as they do form a major part of the company revenues. However, the company should save on the catalog costs and reduce the number of catalogs sent to this group of customers. For these customers the company should determine the product lines that these customers tend to purchase more and focus on promotional activities for those product lines.

The customers could be grouped in other ways such as the type of product researched, the margin on the product purchased, the number of orders made in the first year of purchase to determine the lifetime value. Marketing and Lifetime Value By daydreamers customers were divided into two groups, customers that made an initial purchase of initial purchase of at least \$50.