

The Path to Success: Maximizing Customer Equity through Customer Journey Analysis

Markus Gahler*
Chair for Value Based Marketing
University of Augsburg
86159 Augsburg, Germany
Phone (+49) 821 598 42 48
Fax (+49) 821 598 42 42
Email: markus.gahler@wiwi.uni-augsburg.de

Michael Paul
Chair for Value Based Marketing
University of Augsburg
86159 Augsburg, Germany
Phone (+49) 821 598 42 46
Fax (+49) 821 598 42 42
Email: michael.paul@wiwi.uni-augsburg.de

Thorsten Hennig-Thurau
Marketing Center Muenster
University of Muenster
48143 Muenster, Germany
Phone (+49) 251 83 299 54
Fax (+49) 251 83 220 32
Email: tht@wiwi.uni-muenster.de

Thomas Rudolph
Institute of Marketing and Retailing
University of St.Gallen
9000 St. Gallen, Switzerland
Phone (+41) 71 224 28 56
Fax (+41) 71 224 28 35
Email: thomas.rudolph@unisg.ch

*corresponding author

Acknowledgement: The authors thank Thomas Schröder for his help with the data collection and questionnaire design.

Keywords: Customer journey analysis, multichannel, data matching, customer equity, customer lifetime value

The Path to Success: Maximizing Customer Equity through Customer Journey Analysis

In multichannel environments, customers interact with companies through a series of online and offline channels, resulting in various customer journey paths (Lemon & Verhoef 2016). To maximize performance outcomes of different journey paths, managers need to know which channel (i.e., online, offline) they should offer at each customer journey stage (i.e., search, purchase, after sales) to distribute their products.

To evaluate the company's channel performance along the customer journey, researchers and managers need a measurement approach that accounts for long-term, future-oriented performance outcomes and differential costs of providing channels at each customer journey stage. As extant research investigates customer journeys mainly from an external market-sided perspective (e.g., channel migration: Ansari, Mela, & Scott 2008; channel integration: Bendoly et al. 2005; customer journey mapping: Anderl et al. 2016), a strategic channel measurement approach that also considers internal accounting information on stage-specific channel revenues and costs is still missing in the multichannel literature.

To overcome these limitations in the literature, we introduce activity based costing to multichannel research and provide a novel customer journey analysis approach that aims at maximizing customer equity as a long-term, future-oriented performance outcome by considering companies' revenues and costs of both online and offline channels in all customer journey stages (i.e., search, purchase, after sales). To calibrate our model, we draw on data from two sources, namely external customer behavior data and a company's internal cost database, which are combined by a data matching procedure.

We contribute to multichannel research and managerial practice in three ways. First, our customer journey analysis approach differentiates between different channel types (i.e., online, offline) and customer journey stages (i.e., search, purchase, after sales). As customers behave

heterogeneously with regard to channel sequences, we account for customer segments (i.e., online, offline, multichannel). We apply our model to a leading European travel company and then derive managerial implications by systematically varying critical model variables such as the relative size of the customer segments. Our model helps researchers and managers to identify customer equity-maximizing multichannel strategies. More specifically, companies could encourage certain customer segments to use specific channels in different customer journey stages (e.g., online for search, offline for purchase, online for after sales) to create a win-win situation by balancing customer preferences with channel economics.

Second, we introduce a data matching procedure that guides researchers and practitioners when combining external customer data and internal company data. While external customer data provides customer retention rates for different customer journey paths (e.g., determined by experiments), internal company data contains information on revenues and costs for channels and customer journey stages. Matching both data sources enables to calculate customer equity of each customer journey path. We collect customer data by conducting experiments, because companies often miss to collect data on customer retention rates that relate to specific channels in a given customer journey stage (e.g., online channel in search stage).

Third, we extend the multichannel literature by accounting insights. To draw a comprehensive picture of customer journeys, a customer journey analysis needs to account for channel costs and cannot merely be a marketing topic. In our model, we use an activity-based costing analysis approach to allocate companies' costs and revenues to the different channels and customer journey stages. The integration of activity-based costing information in customer journey analysis helps to identify journey paths that are not profitable and need to be improved.

REFERENCES

- Anderl, E., Becker, I., von Wangenheim, F., & Schumann, J. H. (2016). Mapping the customer journey: Lessons learned from graph-based online attribution modeling. *International Journal of Research in Marketing*, 33, 457-474.
- Ansari, Asim, Mela, Carl F., & Neslin, Scott A. (2008). Customer Channel Migration. *Journal of Marketing Research*, 45, 60-76.
- Bendoly, Elliot, Blocher, James D., Bretthauer, Kurt M., Krishnan, Shankar, & Venkataramanan, M. A. (2005). Online/In-Store Integration and Customer Retention. *Journal of Service Research*, 7, 313-327.
- Lemon, K. N., & Verhoef, P.C. (2016). Understanding customer experience throughout the customer journey. *Journal of Marketing*, 80, 69-96.