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KEY INSIGHTS FOR MARKETERS AND ACADEMICS



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Measuring the Lifetime Value of a Customer in the Consumer Packaged Goods Industry – *by Sarang Sunder, Texas Christian University*

The customer-centricity paradigm has long been documented as being one of the most important tenets of marketing today. Recently, CLV has emerged as an effective metric for CRM. Strategies developed from CLV modeling has led to positive financial gains in various business settings. However, CLV has not been applied to a CPG setting. In fact, the implementation of CLV in the CPG industry is one of the explicitly stated objectives of the Marketing Accountability Standards Board (MASB). Our main goal from this research was to provide a framework for CPG managers to assess CLV in the CPG industry.

Method

To achieve the stated research objectives, we propose a flexible Bayesian structural modeling framework to assess CLV, while addressing the substantive and modeling challenges that arise in this setting, namely (a) multiple-discreteness, (b) brand-switching, and (c) budget constrained consumption. We implement the proposed model on panel data in the carbonated beverages category (provided by the Marketing Accountability Standards Board (MASB)) and showcase the benefits of the proposed model over simpler heuristics as well as conventional CLV approaches.

Findings

The proposed framework has several salient features that contribute to marketing academia and practice. Using a Bayesian estimation, we are able to infer the consumer's latent budgetary constraint using only transaction information. Using the proposed framework, CPG firms can assess CLV at the brand-level as well as at the category-level, a departure from CLV literature which has mostly been firm-centric. Further, we conduct two policy simulations describing the role of the budget constraint on CLV as well as the asymmetric effects of pricing in this setting and develop managerial insights.

Implications

We believe that this research addresses some important issues in its attempt to bridge the gap between customer base evaluation (CLV metrics) and the CPG context. The major implications of this study are for CPG managers who can use the proposed framework for customer base valuation and to build appropriate CRM strategies. This research also provides insights for the carbonated soda market since we assess CLV for specific brands (such as Coca-Cola, Pepsi etc.) as well as CLV at the category level. This research attempts to provide the first steps for CPG firms toward customer-centricity.

Key Takeaways

This study enables CPG managers to get a long-term view of the customer, the first step toward customer centricity in the CPG setting. The authors provide a novel framework to model CLV by explicitly addressing major modeling challenges such as multiple discreteness and heavy brand switching. The modeling framework also allows for managers to have a deeper understanding of the household budget constraint and its relationship to CLV. The use of a structural model in this study enables the authors to conduct theoretically grounded counterfactual analyses, a first in CLV modeling.

Sarang Sunder is Assistant Professor of Marketing, Neeley School of Business, Texas Christian University

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7 Immigrants Share Their Success Stories – by Jennifer Casseday-Blair

Leaving everything behind and immigrating to another country can be likened to an act of entrepreneurship. Both require the same kind of courage and tenacity to walk away or escape what you have known to take a risk and begin again. Learning a new language, adapting to a different culture or trying to fit into a community that doesn't always embrace newcomers didn't deter these seven wonders from around the world. Armed with dedication and given opportunity, their achievements represent a microcosm of immigrant entrepreneurship. They have positively transformed the local landscape and serve as an inspiration to others.

George Popstefanov – Founder and President, PMG Digital Advertising

Country of Origin: Macedonia

Transferring to **Texas Christian University (TCU)** from another university at the age of 19, George Popstefanov is originally from Macedonia. **At TCU he joined the E-Commerce program at the Neeley School of Business and was fascinated by the internet and the opportunities it could bring.** Popstefanov says, "Right after graduation, I joined a small and growing digital advertising agency and was instantly hooked."

Digital advertising allows me to combine my technical background with a passion for marketing to solve very interesting challenges/opportunities for some of the top Fortune 1000 companies."

Today Popstefanov runs his company, PMG, a full-service digital agency that does everything from social media to search engine optimization. Currently operating with 92 full-time employees, PMG projects \$20 million in revenue for the year. Popstefanov doesn't believe there is such a thing as overnight success. "There has been hard work, partnership and collaboration by a lot of people. This includes my amazing clients, the entire PMG team, my work and personal mentors, and, of course, my very supportive family, especially my wife, Melissa. From invaluable advice to unending patience to being a source of great ideas, I rely heavily on my network for support and motivation."

He adds that sometimes things are meant to happen over a period of time versus right away. Popstefanov encourages young entrepreneurs to not become discouraged when found in a difficult situation, but keep finding ways to move forward.

Popstefanov now considers North Texas his home, and one of his biggest goals is to continue to impact community in a positive way. He does this though providing opportunity to others less fortunate and acting as an ambassador for living and working in Fort Worth. "Outside of that, my time is consumed with being a great dad to my two boys, Stefan and Georgie," Popstefanov says.

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Medical, Business Leaders Discuss Transformation of Health Care – by Carolyn Poirot

Will priorities and strategies aimed at cutting healthcare costs and improving overall healthcare in the United States change under President-elect Donald Trump's threats to overturn and dismantle the Affordable Care Act (ACA)?

“Absolutely not,” Barclay Berdan, CEO of Texas Health Resources, said at a **Dec. 14 symposium on “Transforming Health and Health Care,” at Texas Christian University.**

“There’s no way Congress or the American people are going to abandon the 20 million people who have gotten health care” under the Affordable Care Act, Berdan said. “Health care is primarily local,” he said in a panel discussion.

Other speakers agreed with his statement. The ACA is a work in progress that needs some changes down the road, but the transition from a volume-based system to a system based on the value of patient outcomes and overall well-being is already underway and will continue, they said.

“Politics are local and health care is local,” said Dr. Stuart Flynn, dean of the new University of North Texas Health Science Center and TCU School of Medicine. “This is an opportunity for us to do amazing things. “Patients want time with their health care providers, eye-to-eye contact. They want to be touched,” he said. “We need to buy that time back.”

Ever-expanding knowledge and breakthroughs in medical technology will help buy time for health care providers to deliver the kind of direct care patients want, Flynn said. “Our focus is on 2026 – the year our first graduates will see their first patients by themselves. ... We are the pipeline for the next generation of health care providers. We need to reassure them,” he said.

To illustrate how his large hospital system, with 24 hospitals in the Fort Worth - Dallas area, is focused on value rather than volume, Berdan pointed to the Blue Zones project that Texas Health Resources helped the Fort Worth community launch in 2015 to make the city a model of health and well-being.

Blue Zones is the effort that encourages residents to make small changes that result in big impact: chose more fruits and vegetables, reduce weight, smoke less, exercise more, feel more connected and have a greater sense of purpose.

“It is about helping people make better choices, creating an environment that is healthier,” Berdan said. Blue Zones is about changing the way people deal with obesity and chronic diseases and aging and mental health issues and the use of emergency rooms. “We have to feed it, nurture it, grow it and head it in the right direction,” Berdan said of the Blue Zones initiative.

A productive workforce depends on a healthy home environment and overall well-being, said Bill Thornton, president of the Fort Worth Chamber of Commerce.

“All of that impacts our ability to ‘sell’ this community,” Thornton said.

Kristin Jenkins, president of the Dallas-Fort Worth Hospital Council Foundation and senior vice president of the DFW Hospital Council, was moderator for the panel discussion.

About 200 health care providers, hospital administrators and health educators attended the symposium, sponsored by the TCU Health Care MBA Program, TCU and UNTHSC School of Medicine, TCU Neeley Executive Education and the Texas Lone Star Chapter of the Healthcare Financial Management Association.

FORT WORTH BUSINESS

CEO

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Swamped - By Danyelle Williams Ackall, Instructor, TCU Neeley School of Business

Yet again, I received a copy of the *Harvard Business Review* with an article about HR not doing what HR should be doing. (Heavy sigh.) It's not that I disagree. In fact, I agree whole-heartedly.

Human resources professionals should be thinking and planning for tomorrow's work-force. They should focus on developing talent to be ready for challenges the business will face in the future. They should be cultivating relationships with candidate sources and creating a flow of qualified candidates in the war for talent.

HR professionals should be integrated into daily operations, seeking opportunities to learn the business and develop a fine-tuned business acumen. They should, but they can't. What the academics seem to forget, or rather do not know, is that HR staffers don't turn a blind eye to the war for talent and the need to learn the business; they simply do not have the time.

Futile Schedules

When you work in human resources, you do not get to schedule your day. Well, you can create a schedule, but it is highly unlikely you'll get to follow it. While working in industry, I learned that I had a good day if I could cross off more items on the TO DO list than I put on it. It is not a matter of controlling your time, it is about understanding that HR is there to serve the employees and that employees stop in any time they want.

Although you might have a full day of reconciling the insurance bills and processing compensation changes, an employee enters your office and spends 45 minutes detailing his recent illness and need for help under the Family and Medical Leave Act. It takes you five minutes to cover the FMLA paperwork, but the employee needs to see that someone from the company cares. Therefore, it takes 45 minutes.

Or it's the 60 minutes spent counseling a manager that she needs to address the employee who keeps being disrespectful to her. It is disrupting the department and she isn't sure how to address it. Therefore, you role-play for an hour so the manager has the confidence to address the issue.

Those meetings are difficult to schedule in advance and they disrupt your day.

When it comes down to it, it is not about there being too many employee problems and interruptions to do the more strategic functions. It is more a matter of there being more of everything.

Standard practice has companies employing one HR staff member for every 100 employees. That's typical; it is common knowledge and pretty widely accepted. HR professionals tend not to complain or ask for more help until that ratio is closer to 1:150. However, this ratio is not what you think it is.

The ratio of one HR employee for every hundred employees is nothing more than keeping time. One staff member can handle the paperwork, benefits administration, payroll changes and so forth, but not much more. I remember those long days.

When I got a new project such as developing a new hiring process or finding a new software program, I knew it was going to mean more time and effort. That should be expected. However, when I'm already working 50 hours a week, how much more do I have to give? HR professionals face this daily.

As a business owner or executive, you probably want your HR team to work on developing talent and ensuring that managers are trained to handle performance issues. Yet, that 1:100 ratio is not going to get you what you want. The standard practice does nothing more than cover the paperwork, procedures and people. No time is left for developing talent and business strategy.

Time Crunch

Human resources was formerly known as "personnel." It was nothing more than an extension of accounting. HR handled the paperwork and left the business decisions to a higher position – most likely the CFO or head of accounting. If you are holding fast to the 1:100 ratio, you may be getting the same results, regardless of the job titles in HR. The 1:100 ratio works when the workforce and business are homogenous.

However, I've yet to see a business that doesn't have some quirk. Things I've seen that create barriers to the effectiveness of the 1:100 ratio include employees working on multiple shifts, seven-days-a-week operations, high number of absences and FMLA claims, a lot of unique job titles (or one person per job title), performance reviews done on anniversary dates versus once a year, pay increases occurring year-round instead of at the beginning of the fiscal year, high turnover rates (meaning more recruiting), and on and on.

Any activity that gets spread out creates inefficiencies and reduces the effectiveness of your HR team. It makes that 1:100 ratio too low. Your HR team will not have the time to develop business acumen or be strategic players because the members are too bogged down in paperwork, procedures and people.

Bottom Line

The moral of the story? It may be time to hire more people and let go of the 1:100 ratio. That is, hire more clerks and administrative assistants who can learn the basics of HR so the true HR professionals can focus on developing a strategic vision for the human resources of the company. You may have the right players in place, but they are too busy with required administrative functions to focus time and energy on the "nice to have" functions of strategic planning and workforce development.

When the business grows and adds more customers, it is not a stretch for the CFO to ask for more help in accounts receivable. You wouldn't expect the CFO to do the clerical function; you'd hire someone and let the CFO focus on things only the CFO can do. So, why is that so hard to translate to HR?

When businesses start looking at HR as an equal and give that department the needed resources, I firmly believe the staff will rise to the occasion and give executives the benefit of a strategic partner. And maybe, finally, let the *Harvard Business Review* write about something else.

Danyelle Williams Ackall, SPHR, is an instructor for the Neeley School of Business at Texas Christian University. She has more than 18 years of experience in human resources.