Calculating Customer Lifetime Value through Data Analysis

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Abstract

Customer Lifetime Value (CLV) is a crucial metric for businesses to understand the long-term value of their customers. This research paper delves into the significance of CLV, explores various methods for calculating it through data analysis, and discusses the implications of accurate CLV estimation on business strategies. By leveraging data analytics techniques, businesses can gain valuable insights into customer behaviour, preferences, and profitability, ultimately leading to improved decision-making and enhanced customer relationships.

Customer Lifetime Value (CLV) is a vital metric for businesses to comprehend the long-term value of their customers. The research paper highlights several key points regarding CLV:

Calculation Factors: CLV calculations should consider indirect costs like administrative, marketing, and legal costs, not just direct expenses.

Limitations: CLV based solely on spending may not fully represent a customer's value, as factors like brand advocacy, referrals, and feedback also contribute.

Historical Data: CLV is often calculated using past customer data, which may not accurately predict future customer behaviours due to changing trends and customer preferences.

Pareto's Principle: This principle, known as the 80/20 rule, can be applied to CLV to identify high-value customers and key factors influencing CLV.

Overall, the paper emphasizes the importance of understanding CLV beyond mere spending, considering historical data limitations, and utilizing tools like Pareto's Principle to optimize customer value and business strategies.

Keywords: Customer Lifetime Value, Data Analysis, Customer Behaviour, Business Strategies, Data Analytics

Introduction

India is currently experiencing a unique economic upturn. The impacts of this economic expansion are evident everywhere. There has been a notable rise in consumer spending. Shoppers are searching for fast methods to make purchases. Simultaneously because they are facing increasing time limitations. Online shopping, also known as electronic commerce, provides an alternative option. Because of the widespread access to the Internet, individuals can now easily access it.

purchase online now and reduce costs, time, and energy. An increasing number of marketers are getting ready to offer a diverse range of products and services through online platforms due to their understanding of the immense opportunities. The capacity this platform has. According to a study conducted by Google India, Indians are showing a growing interest in online activities.
There has been a substantial rise in shopping. India's online retail sector is growing rapidly, with a fast pace of development. Approximately 8 million Indians make online purchases every year. Adolescents now have the highest usage of digital products, presenting a challenge for the future. The goal of internet marketers is to draw in and retain customers by providing them with a range of options. Indians below 30 years old make up 60% of the population, with half of them being under 25, and 22% are under 20 years old. Goods, which are promoted, target young people, just like 59% of advertisements. Since young people spend most of their time on the internet, there should be media specifically for them. Individuals and the evolution of adolescent culture. Online media is utilized as a platform for conducting activities. It is possible to engage in a variety of commercial transactions, including B2B, B2C, and C2C. Customers nowadays need to be treated with care due to their close ties through wireless, broadband, and presently via mobile phones. The marketers are focusing on promoting their efforts on the internet by creating a belongingness in the online youthful group.

![Image of Retail Ecommerce Sales in India 2013-2018](image)

**Figure 1.1: Growth of E-commerce Sales in India**

That's where Customer lifetime value comes into play. Customer Lifetime Value (CLV), also known as Customer Lifetime Revenue (CLR), is an important metric that helps identify the total revenue expected from a single customer over the duration of the business relation. This metric helps evaluates a customer's revenue value and company's projected customer lifespan. Customer LTV is a metric that can be influenced by customer support teams throughout the customer journey. The longer a customer continues to make purchases from a company, the higher the lifetime value they produce for the business. The formula for calculating Customer Lifetime Value is expressed as Customer Lifetime Value = Customer Value x Average Customer Lifespan. This formula yields the revenue expected from an average customer during their association with the business. While Lifetime Value (LTV) typically assesses the overall value of all customers, Customer Lifetime Value (CLV) can focus on the business value of specific customers or customer segments. This standard formula for calculating CLV is fundamental in determining the financial impact of individual customers or customer groups on a business. Customer Lifetime Value (CLV) is a crucial metric that businesses utilize to gauge the total revenue they can anticipate from a single customer account throughout the business relationship. This metric is essential as it considers a customer's revenue value and compares it to the company's predicted customer lifespan. Customer LTV is a metric that can be influenced directly by customer support and success teams throughout the customer journey. The longer a customer continues to make purchases from a company, the higher their lifetime value becomes. The formula for calculating Customer Lifetime Value is expressed as Customer Lifetime Value = Customer Value x Average Customer Lifespan. This formula helps in estimating the revenue expected from an average customer during their association with the Value
business. While Lifetime Value (LTV) typically evaluates the overall value of all customers, Customer Lifetime Value (CLV) can focus on the business value of specific customers or customer segments. This standard formula for calculating CLV is crucial in determining the financial impact of individual customers or customer groups on a business.

By delving deeper into the concept of Customer Lifetime Value (CLV), it is essential to understand the intricacies of how this metric is calculated and its significance for businesses. Customer Lifetime Value represents the total revenue a business can expect from a single customer over the entire duration of their relationship. This metric is crucial for businesses as it helps in assessing the long-term value of customers and guides strategic decision-making.

Calculating CLV involves various factors such as customer acquisition costs, retention rates, average purchase value, and customer lifespan. By analyzing these components, businesses can gain insights into the profitability of different customer segments and tailor their marketing and customer retention strategies accordingly.

Moreover, CLV is not a static metric but evolves over time as customer behavior, preferences, and market dynamics change. Businesses need to continuously monitor and update their CLV calculations to ensure they remain relevant and reflective of the current business environment.

CLV also plays a crucial role in customer relationship management. By understanding the value of individual customers, businesses can personalize their interactions, provide better customer service, and foster long-term loyalty.

**Utilizing data analysis in calculating Customer Lifetime Value (CLV)**

Utilizing data analysis in calculating Customer Lifetime Value (CLV) is a strategic approach that enables businesses to derive valuable insights from customer data to make informed decisions and optimize their marketing strategies. By leveraging data analytics techniques, businesses can enhance their understanding of customer behavior, preferences, and purchasing patterns, ultimately leading to more accurate CLV calculations and improved customer relationship management. Here is an in-depth exploration of how data analysis can be employed to calculate CLV effectively:

**Data Collection and Integration**

One of the initial steps in using data analysis for CLV calculation is collecting relevant customer data from various sources such as sales transactions, customer interactions, and demographic information. This data needs to be integrated and consolidated into a centralized database to ensure consistency and accuracy in the analysis process. By aggregating data from multiple touchpoints, businesses can create a comprehensive view of each customer's journey and interactions with the company.

**Customer Segmentation**

Data analysis allows businesses to segment customers based on various criteria such as purchase history, frequency of transactions, and engagement levels. By categorizing customers into different segments, businesses can tailor their marketing strategies and communication efforts to meet the specific needs and preferences of each segment. This segmentation approach enables more personalized interactions with customers, leading to increased customer satisfaction and loyalty.
Predictive Modeling
Predictive analytics plays a crucial role in calculating CLV by forecasting future customer behavior and revenue potential. By applying predictive modeling techniques such as regression analysis, decision trees, and machine learning algorithms, businesses can predict customer lifetime value based on historical data and customer attributes. These models help in identifying high-value customers, understanding their purchasing patterns, and predicting their future value to the business.

Customer Lifetime Value Formula Optimization
Data analysis allows businesses to refine and optimize the CLV formula by incorporating additional variables and factors that influence customer value. By analyzing customer data and identifying key drivers of CLV, businesses can enhance the accuracy of their calculations and make more informed decisions regarding customer acquisition, retention, and marketing investments. Continuous optimization of the CLV formula based on data insights ensures that businesses stay competitive and responsive to changing market dynamics.

Customer Retention Strategies
Data analysis can help businesses identify at-risk customers and implement targeted retention strategies to prolong customer relationships and maximize CLV. By analyzing customer churn patterns, businesses can proactively address issues, offer personalized incentives, and improve customer experiences to enhance loyalty and reduce churn rates. Data-driven retention strategies enable businesses to focus their resources on retaining high-value customers and increasing their lifetime value over time.

Performance Monitoring and Evaluation
Data analysis provides businesses with the tools to monitor and evaluate the effectiveness of their CLV calculations and strategies. By tracking key performance indicators related to customer lifetime value, businesses can assess the impact of their initiatives, identify areas for improvement, and adjust their strategies accordingly. Regular performance monitoring using data analytics ensures that businesses stay agile and responsive to market changes, customer preferences, and competitive dynamics.

In conclusion, data analysis is a powerful tool that businesses can leverage to calculate Customer Lifetime Value effectively. By harnessing the insights derived from customer data, businesses can enhance their understanding of customer behavior, optimize their marketing strategies, and maximize the value of each customer relationship. Data-driven CLV calculations enable businesses to make informed decisions, improve customer retention, and drive long-term profitability.

E-commerce and e-business are becoming more prevalent in the burgeoning global marketplace. Economy has transformed into a vital component of corporate strategies and a strong driving force of growth in the economy. The interactions between people in organizations and between them have been drastically transformed due to. ICT in business refers to the use of technology for sharing and communicating information. The utilization of ICT in business is prevalent increased consumer engagement, enhanced productivity, facilitated personalized mass production, and decreased expenses, CLV can help us counter these problems.

The difference between the global electronic market and traditional markets has lessened.
The advancements in Internet and online technologies have led to a notable increase. The content needs to be rephrased and maintained within the same word count. The internet has revolutionized the way business is conducted in today's world. The Internet has progressed. Over the past few years, it has evolved into a large global market for trading products and services. The Internet is commonly acknowledged as a crucial element and important aspect. Media in numerous developed countries offer a wide variety of products with constant connectivity and widespread geographic coverage. Mass marketing and sales force were the foundation for promoting and selling goods. Activities before the rise of the Internet and online commerce. Marketers were regarded as. Customers are viewed as the recipients of advertising efforts aimed at impacting their behaviours. Immediate and long-range purchasing decisions. Consumers were unable to conduct a comprehensive search due to geographical and social constraints.Nevertheless, there has been a significant shift in the way business is carried out. Due to the swift expansion and advancement in the information technology industry.

**Factor Affecting Customer Lifetime Value in Marketing**

Customer Lifetime Value (CLV) in marketing involves evaluating various internal and external factors that influence the estimation and utilization of CLV in marketing strategies.

**Internal Factors:**

1. **Company's Understanding of CLV:**
   The company's understanding of Customer Lifetime Value (CLV) is crucial for effective marketing strategies. It involves comprehending the total value a customer brings over their relationship with the company. This understanding should reflect in the company's data collection methods, ensuring accurate and reliable data is gathered to calculate CLV. Integration of CLV calculations into marketing strategies is essential for personalized marketing campaigns, customer retention, and maximizing profitability.

2. **Competitive Advantage:**
   In terms of CLV estimation and utilization, the company's competitive advantage lies in its ability to accurately calculate and leverage CLV insights. By understanding the long-term value of customers, the company can tailor marketing efforts, allocate resources efficiently, and predict future revenue streams. This competitive advantage enables the company to target high-value customers effectively, optimize customer acquisition costs, and develop focused customer retention strategies.

3. **Goals:**
   The company's short-term and long-term goals related to CLV should align with its marketing objectives for sustainable growth and profitability. Short-term goals may focus on improving CLV calculations, enhancing customer segmentation, and refining marketing strategies based on CLV insights. Long-term goals could involve increasing CLV through customer loyalty programs, innovative product offerings, and strategic resource allocation. Aligning CLV goals with marketing objectives ensures a customer-centric approach, efficient resource allocation, and long-term business success.

**External Factors:**

1. **Customers:**
   Customer behaviours, such as purchase frequency, brand loyalty, and returns, directly influences CLV calculations. Understanding these patterns helps in segmenting customers effectively for targeted marketing campaigns.
Analysing customers' purchasing habits and preferences allows businesses to tailor marketing strategies, offer personalized recommendations, and enhance the overall customer experience to drive repeat purchases and increase CLV.

2. Competitors:
Competitors' approaches to CLV analysis and segmentation provide insights into industry best practices and innovative strategies for maximizing customer value and retention. Studying how competitors segment their customers based on CLV helps in identifying emerging market segments and niche markets with high growth potential, guiding businesses in developing targeted marketing strategies.

3. Market Trends:
Economic trends impact customer spending behaviours, affecting CLV calculations and marketing strategies. Adapting to economic fluctuations is crucial for maintaining accurate CLV estimations. Emerging technologies influence customer engagement and purchasing habits, requiring businesses to integrate advanced analytics tools for precise CLV calculations and effective marketing campaigns. Changes in customer behaviours, such as preferences for online shopping or personalized experiences, necessitate continuous monitoring and adjustment of CLV calculations to align with evolving market trends.

Business Usage
Businesses can leverage Customer Lifetime Value (CLV) to identify high-value customers through strategic analysis and tailored approaches. Here are key ways in which CLV can be utilized for this purpose:

1. Segmentation: By analysing CLV data, businesses can segment customers based on their value to the company. This segmentation allows for the identification of high-value customers who contribute significantly to the company's revenue over time.

2. Personalized Marketing: CLV insights enable businesses to personalize marketing efforts towards high-value customers. Tailored marketing campaigns can be designed to cater to the specific needs and preferences of these customers, increasing engagement and loyalty.

3. Resource Allocation: Businesses can allocate resources more effectively by focusing on high CLV customers. This includes investing in customer service, retention programs, and loyalty initiatives targeted at retaining and maximizing the value of these customers.

4. Retention Strategies: CLV analysis helps in developing targeted retention strategies for high-value customers. By understanding their value and potential, businesses can implement initiatives to enhance customer satisfaction, reduce churn, and foster long-term relationships.

5. Cross-Selling and Upselling: High CLV customers present opportunities for cross-selling and upselling additional products or services. By identifying these customers, businesses can tailor their offerings to meet their needs and increase their lifetime value.

6. Customer Experience Enhancement: Businesses can use CLV insights to enhance the overall customer experience for high-value customers. Providing personalized services, exclusive offers, and exceptional customer support can further solidify relationships with these valuable customers.

Literature Review
In a fiercely competitive business environment marked by rapidly evolving consumer behaviour and technology-driven market dynamics, grasping and forecasting Customer Lifetime Value (CLV) has
emerged as a fundamental strategy for marketers. CLV, representing the net profit a company expects from each customer over their relationship duration, stands as a pivotal metric for evaluating the efficacy of marketing campaigns and strategies (Kumar et al., 2018). Understanding CLV empowers marketers to assess the long-term impact of their marketing endeavours and gauge the return on investment (ROI) from various initiatives. By factoring in the projected net profit from a customer over their relationship lifespan, businesses can prioritize marketing activities, allocate resources efficiently, and customize strategies to maximize customer worth.

Predictive analytics, a transformative methodology that amalgamates data, statistical algorithms, and machine learning techniques to predict future outcomes (Wang et al., 2020), has gained traction in evaluating CLV. Predictive analytics equips marketers to make informed strategic decisions, optimize resource distribution, and bolster customer retention and profitability (Oliver & Roehrich, 2021). Recent studies indicate a notable shift from traditional CLV evaluation methods towards predictive analytics. A survey conducted by Consultancy and Redeye among 610 respondents, primarily from the U.K., revealed that 7 out of 10 companies intend to boost their technology investments to enhance CLV (Redeye, 2019). Another survey by the CMO Survey demonstrated that companies are witnessing a substantial (25% of respondents) or moderate (68% of respondents) increase in CLV through predictive analytics and personalization (Marketing Charts, 2019). This trend mirrors the digital transformation in the business landscape and the effectiveness of predictive analytics in augmenting marketing performance.

A tangible example of this evolution is evident in the media industry. By leveraging a predictive analytics model developed by WNS, a global Business Process Management (BPM) provider, the company significantly enhanced customer lifetime value and sales. Integration of Artificial Intelligence (AI) and Machine Learning (ML) in this model enabled the firm to adopt a data-driven strategy for delivering highly personalized customer experiences. Consequently, the media company witnessed an 83% surge in average revenue per call, a 46% enhancement in cross-sell conversion, and a 42% increase in 4 and 5-star ratings during their collaboration with WNS (WNS, 2023).

The current study aims to conduct a comprehensive exploration of the application of predictive analytics in assessing CLV. It also seeks to identify the factors influencing its effectiveness and the potential challenges companies may encounter in integrating predictive analytics into their marketing strategies. The outcomes of this study will hold significant implications for both academia and industry, particularly in enriching our comprehension of contemporary marketing practices.

Significance: This research contributes to elucidating the shift in modern marketing practices towards predictive analytics for evaluating CLV. It underscores the advantages and hurdles of this approach, offering valuable insights for academia and businesses. The findings carry substantial implications for enhancing marketing performance, profitability, and customer loyalty.

Predictive analytics applied to Customer Lifetime Value (CLV) has garnered significant attention in recent scholarly works, highlighting the shift in contemporary marketing practices. The essence of evaluating CLV through predictive analytics involves leveraging extensive datasets to predict customer behaviour, purchasing trends, and profitability. A seminal study by Kumar et al. (2018) advocated for the efficacy of predictive analytics in capturing the overall value of customer engagement, stressing the significance of acknowledging diverse engagement behaviours among various customer segments.

In a similar vein, Wang et al. (2020) delved into a comprehensive integrated data analytics-driven transformation model within the healthcare domain, showcasing a practical implementation of predictive...
analytics. Their research showcased how healthcare providers could accurately forecast the CLV of patients, enabling personalized healthcare strategies and optimized resource allocation.

A crucial theme in the literature revolves around enhancing the precision and effectiveness of CLV prediction models. Josef et al. (2021) introduced an innovative approach that fused traditional RFM (recency, frequency, monetary) analysis with machine learning methods to predict CLV. Josef’s model, tested on an online retail platform, exhibited a 15% enhancement in prediction accuracy, leading to improved budget allocation and heightened customer satisfaction.

Nevertheless, the integration of predictive analytics and CLV is not devoid of challenges. Oliver and Roehrich (2021) shed light on issues concerning data privacy and the complexities of implementing sophisticated analytical models. Notably, the European Union's General Data Protection Regulation (GDPR) imposes stringent regulations on data usage, presenting hurdles for marketers seeking to personalize offerings based on predictive analytics.

Moreover, recent literature underscores the ethical and data protection ramifications when predictive analytics is employed to predict sensitive individual information or treat individuals disparately based on data provided by unrelated individuals. The misuse of data analytics in incidents like the Cambridge Analytica scandal underscores potential risks, emphasizing the need for regulatory frameworks and ethical guidelines for predictive analytics in marketing.

The emerging trend of predictive analytics in CLV, as depicted in recent literature, signifies the profound influence of technology on marketing strategies. While the benefits of precise customer value predictions are promising, challenges related to data privacy and ethical considerations are paramount and warrant thorough consideration in future research endeavours.

**Research objectives**
1. To understand the Significance of CLV in marketing.
2. To explore various methods for calculating CLV through data analysis.
3. To discussing the implications of accurate CLV estimation on business strategies.
4. To demonstrated a growing reliance on predictive analytics for determining CLV.

The purpose of the research on Customer Lifetime Value (CLV) can be defined as the following:

**Understanding the Significance of CLV:**
Measure the impact of CLV on key business metrics such as revenue growth, customer retention rates, and profitability to quantify the importance of CLV in driving sustainable business success.

**Exploring Various Methods for Calculating CLV through Data Analysis:**
Evaluate the effectiveness and accuracy of different CLV calculation methods using statistical analysis, techniques to determine the most reliable approach for estimating CLV in diverse business contexts.

**Discussing the Implications of Accurate CLV Estimation on Business Strategies:**
Quantify the effects of accurate CLV estimation on strategic decision-making, marketing effectiveness, and customer relationship management by analysing the correlation between precise CLV predictions and improved business performance indicators.

**Demonstrated a Growing Reliance On Predictive Analytics For Determining CLV**
emphasizing its significance in maximizing customer profitability and achieving sustainable business growth. The research underscores the transformative potential of this approach for businesses aiming to
enhance customer retention rates and optimize marketing strategies. By measuring these aspects of the research objectives, the study aims to provide actionable insights and evidence on the role of CLV in shaping business strategies, optimizing customer relationships, and enhancing long-term profitability through data-driven analysis and strategic decision-making.

Significance of CLV
The Customer Lifetime Value (CLV) is a crucial metric for businesses that helps them understand the long-term value of their customers. It represents the total revenue a business can expect to earn from a customer over their entire relationship. The significance of CLV lies in its ability to guide strategic decision-making, optimize marketing efforts, enhance customer relationships, and ultimately drive sustainable business success. Here, we delve into the profound importance of CLV in the business landscape.

Understanding Customer Lifetime Value (CLV)
Customer Lifetime Value (CLV) is a metric that quantifies the total value a customer brings to a business over the entire duration of their relationship. It goes beyond the immediate transactional value of a customer and focuses on the long-term revenue potential that a customer represents. By calculating CLV, businesses can gain insights into the profitability of their customer base, identify high-value customers, and tailor their strategies to maximize customer value over time.

Significance of CLV in Business Decision-Making
1. Strategic Planning:
   CLV provides businesses with a strategic lens to prioritize resources, investments, and initiatives that align with long-term customer value. It helps in setting realistic goals and objectives that drive sustainable growth.
2. Marketing Optimization:
   Understanding CLV enables businesses to optimize their marketing strategies by focusing on customer segments with the highest lifetime value. This leads to more efficient marketing campaigns and higher returns on investment.
3. Customer Retention:
   CLV emphasizes the importance of customer retention by highlighting the financial impact of retaining customers over acquiring new ones. It underscores the value of building strong customer relationships for long-term profitability.
4. Product Development:
   By considering CLV, businesses can tailor their product development efforts to meet the needs and preferences of high-value customers, leading to increased customer satisfaction and loyalty.
5. Financial Forecasting:
   CLV serves as a valuable tool for financial forecasting, allowing businesses to predict future revenue streams, assess the impact of customer churn, and make informed decisions about resource allocation.
6. Personalized Customer Experiences
   Tailoring customer experiences based on CLV insights can enhance customer satisfaction, loyalty, and lifetime value. Personalized interactions foster stronger relationships and drive repeat business.
7. Retention Strategies:
   Implementing targeted retention strategies for high-value customers can help businesses prolong customer relationships, reduce churn, and maximize CLV over time.
8. **Cross-Selling and Upselling:**
Leveraging CLV data to identify cross-selling and upselling opportunities can increase the average transaction value, boost revenue, and enhance customer lifetime value.

9. **Customer Service Excellence:**
Providing exceptional customer service and support can positively impact CLV by fostering customer loyalty, advocacy, and long-term relationships.

Customer Lifetime Value (CLV) is a fundamental metric that holds immense significance for businesses across industries. By understanding and leveraging CLV effectively, businesses can drive sustainable growth, enhance customer relationships, and optimize their strategies to maximize long-term profitability.

As of January, China ranked highest among countries with the highest number of internet users worldwide. The country with the highest population globally had over 1.05 billion internet users. The United States came in third place with just over 311 million, three times less than the top country. As of January 2023, the global internet user population reached five billion. Nevertheless, there are distinct differences in user presence across different areas. Eastern region has a total of 1.24 billion people using the internet. This all data shows us that Calculating Customer Life Time Value is going really easy and important for a business’s marketing division.

### Countries with the largest digital populations in the world as of January 2023 (in millions)

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<th>Characteristic</th>
<th>Number of internet users in millions</th>
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<td>India</td>
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Some recent developments in E-commerce Industry in India

It is estimated that the digital economy of Indian consumers will increase from US$ 537.5 billion in 2020. By 2030, the country is expected to reach a total of US$ 1 trillion, mainly due to the fast adoption of online services such as e-commerce and educational technology nationwide.

Grant Thornton estimates that India's e-commerce industry will reach a value of US$ 188 billion by the year 2025.

Indian online shopping websites generated revenue through their Gross Merchandise Value (GMV). Throughout the holiday season of 2021, there was a $9.2 billion spending, which is a 23% rise from $7.4 billion. In the previous year, it was one billion.

A few of the government programs:

Piyush Goyal, the minister of commerce and industry in the country, gave his approval for start-ups. Sign up on GeM, the online marketplace for public procurement, where you can provide products and services to Public Sector Undertakings (PSUs) government's agencies.

Mandatory for foreign companies to have Permanent Account Numbers (PANs). In October 2020, there were alterations made to the equalisation levy rules affecting Indian e-commerce platforms. The year 2016. Selling products or offering services through a foreign online company. Was taxed at a rate of 2% in the budget for the fiscal year 2020.

The Indian Government increased the boundaries of FDI allowed in E-commerce platforms to a maximum of 100% is required (in B2B models) to promote the participation of international firms in the industry. The Indian government's substantial investment will lead to further growth of the e-commerce sector in India through implementation 5G.

India along with Manipur Handloom & Handicrafts Development Corp Limited (MHHDCCL) are collaborating, state-owned business to support the growth of artisans and textile workers throughout the state.

A combined $15 billion has been invested in private equity and venture capital in the E-Commerce industry in India experienced a 5.4 times growth in 2021 compared to the previous year.
Online marketing

2011 saw a 200% drop in mobile and tablet advertising when compared to the years after, per figures from the Indian digital marketing sector. The total assets were $2 billion during this year. It expanded at a geometric rate, hitting $6 billion in 2014. The Indian advertising market was worth $11 billion in 2022, and by 2024 it is anticipated to have climbed even more to $14 billion. In 2020, the market for online marketing and advertising was estimated at $350 billion, and by 2026, it will have grown to $786.2 billion. The market for digital marketing and advertising is presently valued at $460 billion in the United States.

Google presently controls 92% of the market for search engines worldwide. The following statistics regarding digital marketing in India have been provided by the Global Journal of Advanced Research Foundation: A trade between students at the Stanford Artificial Intelligence Laboratory and the Massachusetts Institute of Technology was set up between 1971 and 1972 via The ARPANET, which was the initial instance of electronics or digital commerce.
Growing Demand
With a CAGR of 55–60%, social commerce in India has the potential to grow to US$16–20 billion in FY25. By 2024 & 2026, respectively, it is estimated that India's e-commerce market would make it to 111 billion of dollars and 200 billion dollars in the United States.

Opportunities
The Indian e-commerce sector anticipates to expand by 21.5% and reach $74.8 billion in 2022. By 2030, it will be estimated that India's online retail sector would be valued US$350 billion
E-commerce challenges for India

1. Even now, cash on arrival is the most common form of payment. The selected method of payment is the first major and typical challenges that online shops and e-commerce face. The vast majority of online buyers continues to pay via cash on delivery. Reason is given below.
   a) Low credit card uses.
   b) Low trust in online transactions
   c) People are ignorant of the advantages of digital wallets.

Low Internet Penetration

Compared with the western nations such as the US, UK, France, Germany, and many others, internet penetration in India is quite low. Even when we split India's population by its internet penetration rate, the statistics are still comparatively small. Just a tiny percentage of the nation's total population has straightforward access to the World Wide Web.

2. Incomplete Addresses

Instead of online shopping shops, delivery services and couriers were those who deal with this problem the most. It is a huge problem as many times consumers forget or fail to mention their complete addresses due to which it can be difficult for delivery riders to deliver the order to the exact location.

3. Delivery Issues

Delivery issues still most challenges in the country, even after the e-commerce industry became so popular. Because of insufficient information, the country issues with delivery on time. Roadblocks, insufficient facilities and remote areas may put off prospective clients becoming angry & frustrated and cancelling the order.

Methods For Calculating CLV Through Data Analysis

Historical Method:

This method is based on the gross profit sum that customers have purchased from a company in the past. It involves calculating CLV using the average revenue per customer based on past transactions, providing a single CLV value.

Cohort Model:

The cohort model groups customers into different cohorts based on various factors like transaction date. It calculates the average revenue per cohort, giving a CLV value for each cohort.

Predictive Method:

The predictive approach involves using machine learning models or probabilistic models to predict CLV by analyzing past data and customer behavior. This method aims to forecast what customers are likely to do in the future based on their transactional behavior.

Individual Level Calculation:

Calculating CLV at an individual level involves multiplying the customer revenue per year by the duration of the relationship in years and subtracting the total costs of acquiring and serving the customer. This method is useful for scenarios where figures remain relatively flat year-on-year.

Predictive CLV:

Predictive CLV models factor in churn predictions into CLV calculations, providing a more accurate estimation of future customer value. By analyzing customer data and behavior, predictive CLV models offer insights into customer lifetime value based on expected lifespan and customer value.
These methods leverage data analysis techniques to estimate and predict Customer Lifetime Value, enabling businesses to make informed decisions, optimize marketing strategies, enhance customer relationships, and drive long-term profitability.

**Implications Of Accurate CLV Estimation On Business Strategies**
The standards of what the research on Customer Lifetime Value (CLV) should accomplish can be defined as follows:

**Comprehensive Literature Review:**
The research should thoroughly review existing literature on CLV measurement, models, and analysis to establish a strong theoretical foundation and identify gaps in current knowledge.

**Contextual Framework Development:**
Develop a contextual framework for understanding and categorizing models of CLV to provide a structured approach for analysing and comparing different methods of calculating customer lifetime value.

**Evaluation of CLV Models:**
Assess and compare prominent models for measuring CLV in various contexts, highlighting the strengths and weaknesses of each model to guide researchers and practitioners in selecting the most appropriate approach.

**Advancement of CLV Literature:**
Address key issues in CLV measurement to advance the literature by proposing innovative methodologies, refining existing models, and suggesting areas for future research to enhance the accuracy and applicability of CLV estimation.

**Quantitative Analysis and Validation:**
Conduct quantitative analysis and validation of CLV models using statistical methods, regression analysis, and performance metrics to ensure the reliability and validity of the research findings and model outcomes.

**Practical Implications and Recommendations:**
Provide practical implications and actionable recommendations based on the research findings to guide businesses in leveraging CLV insights for strategic decision-making, customer relationship management, and long-term profitability.

**Alignment with Industry Standards:**
Ensure that the research aligns with industry standards and best practices in CLV measurement, taking into account market conditions, business growth rates, and competitive benchmarks to offer relevant and valuable insights to practitioners.

**Contribution to Knowledge and Practice:**
Make a significant contribution to both academic knowledge and practical applications by offering new insights, methodologies, and perspectives on CLV measurement that can drive innovation, efficiency, and effectiveness in customer-centric strategies and business operations.

By adhering to these standards, the research on CLV aims to achieve a high level of rigor, relevance, and impact in advancing the understanding and application of customer lifetime value in business contexts. The research on Customer Lifetime Value (CLV) is poised to aid management decision-making in the following ways:

**Enhanced Strategic Planning:**
By providing insights into the impact of managerial decision-making on employee motivation and performance in manufacturing companies, the research can guide managers in formulating strategic plans
that prioritize employee satisfaction and long-term performance, ultimately contributing to the sustainable success of the company.

**Optimized Resource Allocation:**
Understanding the influence of managerial decision-making on employee motivation can help managers allocate resources effectively, focusing on initiatives that enhance motivation, engagement, and productivity, leading to improved organizational performance and profitability.

**Improved Employee Engagement:**
Insights from the research can assist managers in making decisions that foster a positive work environment, boost employee morale, and increase motivation, resulting in higher levels of engagement, retention, and overall job satisfaction among employees.

**Tailored Management Approaches:**
The research findings can inform managers about the importance of participative decision-making and collective management approaches in addressing complex issues, guiding them to adopt strategies that involve employees in decision-making processes, leading to more innovative solutions and increased employee commitment.

**Strategic Alignment with CLV:**
Linking the impact of managerial decision-making on employee motivation to CLV can help managers recognize the significance of employee satisfaction in customer relationships and long-term business success. This alignment can guide decision-making towards strategies that prioritize both employee and customer satisfaction, ultimately driving higher CLV and business growth.

**Data-Driven Decision-Making:**
By understanding how managerial decisions influence employee motivation, managers can leverage data-driven insights to make informed decisions that positively impact employee engagement, performance, and ultimately contribute to higher CLV through improved customer experiences and loyalty. Overall, the research on the impact of managerial decision-making on employee motivation in manufacturing companies can serve as a valuable resource for managers, providing them with evidence-based insights to make informed decisions that enhance employee motivation, drive organizational performance, and ultimately contribute to increased CLV and sustainable business success.

**Growing Reliance on Predictive Analytics for Determining CLV**
The research on Customer Lifetime Value (CLV) and predictive analytics demonstrates a significant shift in modern marketing strategies towards leveraging predictive CLV models for enhancing customer acquisition and retention efforts. Predictive analytics, particularly when applied to CLV calculations, offers businesses a more dynamic and accurate approach compared to traditional methods. The integration of machine learning techniques into predictive CLV models has shown substantial benefits for companies like WNS and Walmart, leading to notable increases in customer retention rates and revenue. Despite the promising results, challenges such as data quality, privacy, and ethical considerations need to be effectively managed to harness the full potential of predictive analytics for CLV calculations. Businesses are increasingly relying on predictive analytics to determine CLV due to its ability to provide more precise forecasts compared to traditional methods. Studies have shown that businesses using predictive analytics for CLV have experienced significant improvements in forecast accuracy, highlighting the growing importance of this approach in modern marketing strategies. Practical examples
from companies like WNS and Walmart demonstrate the tangible benefits of integrating predictive analytics into CLV models, leading to enhanced revenue and customer satisfaction. The implementation of predictive analytics for CLV is not without challenges, as highlighted by concerns around data privacy issues and ethical considerations. Businesses need to address these challenges by ensuring the highest quality and accuracy of data for predictive models, along with establishing ethical frameworks for data usage. Effective data management strategies and ethical considerations are crucial for businesses to leverage the full potential of predictive analytics in enhancing customer profitability and achieving sustainable business growth.

In summary, the research underscores the transformative potential of predictive analytics for CLV calculations, emphasizing the need for businesses to adopt this approach to maximize customer profitability and drive sustainable growth. By effectively managing data quality, privacy, and ethical considerations, businesses can leverage predictive analytics to make more intelligent, targeted decisions that enhance marketing effectiveness and customer relationships. The findings highlight those predictive analytics is a powerful tool that, when harnessed correctly, can provide businesses with a competitive edge in today's dynamic marketing landscape.

Research Design
Research design is the framework of conducting research for a project. It specifies all the details of procedures necessary for obtaining, processing, and analysing the information needed to exactly define the research problems and to solve that research problem. There is basic two types of research design.

EXPLORATORY RESEARCH
In the case of exploratory research, the focus is on the discovery of idea. Exploratory research is research conducted for a problem that has not been studied more clearly, intended to establish priorities, develop operational definitions and improve the final research design.

a) CONCLUSIVE RESEARCH
Conclusive research is meant to provide information that is useful in reaching conclusions or decision-making. It tends to be quantitative in nature that is to say in the form of numbers that can be quantified and summarized. It relies on both secondary data and primary research. There are two broad categories of conclusive design.

1. CAUSAL DESIGN
A causal design, as the term indicates, analyses the causal relationship between more than one variable. The purpose of causal research design is to understand which variable is the cause and which effect is.

2. DESCRIPTIVE RESEARCH DESIGN
A descriptive study may be needed when the researcher is interested about the characteristics of specific groups, such as age, sex, degree of education, employment, or salary. There are two categories of descriptive research design.

a) CROSS SECTIONAL STUDY
In a cross-sectional research, data are only obtained once from every specific sample of population sections. Sample taken out from population are is analysed only at a particular time interval.

b) LONGITUDINAL STUDY
Research design in which same sample taken out of population is analysed respectively for the same objective at different time intervals. A group of respondents who participate in longitudinal research is
called sample panels.

In this report exploratory research design is been used to conduct survey & to generate report.

Probability Sampling Methods:
A technique of sampling in which the probability that every single member of the population is to be picked for the sample is fixed. The probability of every unit in the population being Sampling design

- Probability sampling
- Simple random sampling
- Systematic random sampling
- Stratified sampling
- Cluster sampling
- Non-probability sampling
- Convenience sampling
- Judgmental sampling
- Quota sampling
- Snowball sampling

16 included in the sample is known and the selection of specific units in the sample depends entirely on chance. The choice to choose a sample is taken without using judgement from humans.

1. Simple random sampling: each element in the population has known and equal probability of selection (lottery system).
2. Systematic sampling: technique in which the sample is chosen by selecting a random starting point and the picking every 1st element in succession from the sampling frame.
3. Stratified Sampling: technique that uses two-step processes, first partition the population into subpopulation or strata and then elements are selected from each stratum by a random procedure.
4. Cluster Sampling: The target population is first broken up into mutually exclusive and collectively exhaustive specific populations for cluster sampling

Non probabilistic sampling:
Sampling technique that does not use chance selection procedure, rather than this it use the personal judgement of the researcher. The researcher can consciously decide what elements to include in the sample.

1. Quota Sampling: it is a two-stage restricted sampling. In first stage consist of developing these quotas, in second stage sample elements are selected on the based on convince or judgement.
2. Snowball sampling: an initial group of respondents is selected, usually at random. The interviewees are then asked to name additional members of the target audience. Subsequent respondents are selected on the basic of referrals.
3. Judgmental Sampling: A form of convenience sampling in which the population elements are purposively selected based on the judgement of the researcher.
4. Convenience Sampling: A non-probabilistic sampling approach titled convenience sampling aims to obtain a sample of things that are handy.

This research report uses non-probabilistic convenience sampling technique for further research purpose as it is best fitted for this research report. All the questions in the questionnaire are basically based on a generic format, the segment I targeted was of age above 18 years, and the data contains people from all kinds of occupations -students, working professionals, doctors etc. All the content of secondary data is just the screenshots and no numeric data have been used for secondary purposes.

100 persons make up the sample size in this research

RESEARCH METHODOLOGY
The research methodology's aim is to clarify the research activity. This includes the overall design, sampling procedure, data collection method and analysis procedure. It is hard to express methods without using specialized vocabulary, thus this part is vital. This study was made based on primary data as well as Secondary data. Data Collection Method Data collected can be classified into two types:
Primary Data
Authentic information collected for specific reasons is regarded as primary data. This project made utilises primary data. To obtain the primary data, a well-structured questionnaire was prepared to get the response.

Secondary Data
Secondary data can be defined as the information already existing in some where having been collected for some other reason. In this study the secondary data is derived from various books, journals, research papers, articles and the internet.

Tools for Data Collection In order to collect the primary data, the following methods are used:
1. Questionnaire
2. Telephonic interview

In order to collect the secondary data, the following methods are used:
1. Books
2. Journals
3. Business magazines
5. Websites (internet)
a) Google scholar

We will be using both the primary and secondary data for this research. As for primary data, questionnaires would help, whereas for secondary data we will be using the online portals and reviews of the company to know their sales growth through promotions.

The data shown in the report consist of both primary and secondary data. The primary data consist of the responses from various respondents which are derived through the use of questionnaires. The secondary data is derived from various journals, magazines and research papers. Primary data is uploaded on MS EXCEL & Google Forms to formulate it properly and so that proper graphs and charts could be presented and decrease the paper work in the report.

Data Analysis & Interpretation
The data used here is to know about the “Calculating Customer Lifetime Value through Data Analysis”. This data is mainly acquired through questionnaires in a web based survey. And the data is of 100 customers from different professions and age groups.
The following questions are some of the ones I’ve asked with the following intentions in consideration:
1. Do you think that social media plays an effective marketing strategy for Online Marketers in India?
2. What is the main objective of Social Media platforms in terms of ONLINE MARKETERS?
3. How often do you purchase any product from online with reference to any support from online marketing activity?
4. Amongst the Options Given Below Which Parameter you can consider as the most relevant parameter which Indicates the Growth for an ONLINE MARKETERS?
5. Do you think the better & Efficient online marketing activities helps you to create a better bond with the online marketer?
6. According to you What's the average time period taken for a lead to convert into a customer?
The conclusion which I have reached after this survey will be explained further. So, the below given are the questions asked from the respondents and the pie chart shows the outcome of the answers. Other than this after the questions the interpretation is given, which will let you know about the outcomes of the questions asked and what we can interpret through the pie chart.

Q.1 Do you think that social media plays an effective marketing strategy for Online Marketers in India?

- 86.7% of people “Agreed” that media plays an effective marketing strategy for Online Marketers in India.
- Where as on other hand 13.3% of people said “Maybe” that media plays an effective marketing strategy for Online Marketers in India.
- Hence, we can identify that majority of population “Agreed” that media plays an effective marketing strategy for Online Marketers in India, Thus Indian Online Marketers should develop more effective marketing strategy.

Q.2 According to you what is the main objective of Social Media platforms in terms of ONLINE MARKETERS ?

- 48% of people said that “Creation of Brand Awareness” is the main objective of Social Media platforms in terms of Online Marketers in India.
- Where as on other hand 37.8% of people said “Customer Engagement / Retention” is the main objective of Social Media platforms in terms of Online Marketers in India.
- Also, 14.3% people said that “Generate sales leads” is the main objective of Social Media platforms in terms of Online Marketers in India.
- Hence, we can Identify that majority of population Believed that “Creation of Brand Awareness” is the main objective of Social Media platforms in terms of Online Marketers in India, Thus Indian Online Marketers should develop more effective marketing strategy to Create much better Brand Awareness Amongst people in India.

Q.3 How often do you purchase any product from online with reference to any support from online marketing activity ?

- 94% within 1 week.
- 5% - 3 weeks.
- 1% 4 weeks.
- 0% At once.
51% of people said that “Within 2 weeks” they purchase any product from online with reference to any support from online marketing activity.

Where as on other hand 29.6% of people said that “In 2-3 Weeks” they purchase any product from online with reference to any support from online marketing activity.

Also, 10.2% people said that “In 3-4 Weeks” they purchase any product from online with reference to any support from online marketing activity.

Finally 9.2% people said that “In 4+ Weeks” they purchase any product from online with reference to any support from online marketing activity.

Hence, we can Identify that majority of population buys the Product within the 2 weeks purchase any product from online with reference to any support from online marketing activity. Thus Indian Online Marketers should develop more effective marketing strategy in such a manner that the Most of Purchases can be done by customer in the initial 2 weeks which in return would help to generate more better profitability to the Indian Online Marketers.

Q.4 Amongst the Options Given Below which Parameter you can consider as the most relevant parameter which Indicates the Growth for a ONLINE MARKETERS Sales?

37.4% of people said that “Net Profit” is considered the most which Indicates the Growth for a ONLINE MARKETERS Sales.
Where as on other hand 35.4% of people said that “Customer Base” is considered the most which Indicates the Growth for a ONLINE MARKETERS Sales.

Also, 27.3% people said that “Overall growth of the organisation” is considered the most which Indicates the Growth for a ONLINE MARKETERS Sales.

Thus Indian Online Marketers should develop “Holistic marketing strategy” most which Indicates the Growth for a ONLINE MARKETERS Sales.

Q.5 Do you think the better & Efficient online marketing activities helps you to create a better bond with the online marketer?

- 70.4% of people said that “Yes”, better & Efficient online marketing activities helps you to create a better bond with the online marketer
- Where as on other hand 27.6% of people said that “Maybe”, better & Efficient online marketing activities helps you to create a better bond with the online marketer
- Hardly, 2% people said that “No”, better & Efficient online marketing activities helps you to create a better bond with the online marketer
- Thus Indian Online Marketers should Consider the opinion of Majority and on other hand also should try to convert the Maybe opinion people into Yes Segment.
Q.6 According to you What’s the average time period taken for a lead to convert into a customer?

- 40.4% of people said that “in 2 – 3 months”, is required for lead to convert into a customer in context to Indian online marketer.
- Where as on other hand 36.4% of people said that “in 1 – 2 Months”, is required for lead to convert into a customer in context to Indian online marketer.
- Also, 14.1% people said that “Less Than 1 Month”, is required for lead to convert into a customer in context to Indian online marketer.
- Moreover, 7.1% of people said that “3 – 6 Months” is required for the lead to convert into a customer in context to Indian online marketer.
- Finally 2% of people said that “6+ Months” is required for the lead to convert into a customer in context to Indian online marketer.
- Thus Indian Online Marketers should Consider the opinion of Majority and should also try to convert the maximum of their leads into customers, so they do not switch on to any of their other competitors.

Q.7 According to you which of the Online Customer Engagement Programs are preferred in retaining customers?
57.6% of people said that “Multimedia Marketing (audio/Video)”, Programs are preferred in retaining customers.

Where as on other hand 25.3% of people said that “Content Marketing” Programs are preferred in retaining customers.

Also, 9.1% people said that “Newsletters / Regular updates”, Programs are preferred in retaining customers.

Moreover, 5.1% of people said that “Contest”, Programs are preferred in retaining customers.

Finally 3% of people said that “Games / Quiz” are preferred in retaining customers.

Thus Indian Online Marketers should Adopt “Holistic marketing strategy” to Retain the customers, As different segment of people have different choices, so each & everyone should be taken into consideration & accordingly the Activities should be designed to Retain Customers.
Q.8 According to you which online marketing technique is preferred to convert a lead into a customer?

Where 1 means Least Preferred and 5 means Highly preferred

E-mail Marketing

![Bar chart for E-mail Marketing]

Mobile Marketing

![Bar chart for Mobile Marketing]
Limitations
Like every coin has 2 sides in same manner the topic has its own positive and Negative Aspects. Advantages are always looked up, but what should actually get focus is the limitations. So, the topic of “do involve its own limitations.
They are:
- Report is been prepared within the limited given time period.
- Only 100 people are been surveyed during the preparation of project.
- For this report convenient sampling is taken into consideration.
- Due to the smaller Number the data collected isn’t enough and may led to improper results.
- Respondents are not willing to provide personal information.

Thus, the collection for the data for the Survey was a major challenge

Findings
Calculating Customer Lifetime Value (CLV) involves determining the total net profit a company derives from an individual customer. It is a projection that estimates the financial value a customer brings to a business by considering the relationship’s value over time. CLV serves as a crucial metric highlighting the
economic contribution customers make to businesses and aids in making informed decisions regarding customer acquisition and retention strategies. Various methods exist to calculate CLV, each offering distinct insights based on the business context and objectives. 

Historical CLV, a traditional approach, calculates CLV based on a customer’s past gross profit. This method is straightforward and involves multiplying the average purchase value by the average purchase frequency and then by the average customer lifespan. 

The formula for Historical CLV is: 

\[ \text{Historical CLV} = (\text{Average Purchase Value} \times \text{Purchase Frequency}) \times \text{Average Customer Lifespan} \]

While this method is valued for its simplicity and efficiency, it has a limitation in that it relies solely on past behavior, overlooking potential shifts in customer behavior in the future (HubSpot, 2023). On the other hand, Predictive CLV represents an advanced method that utilizes sophisticated predictive models beyond historical data analysis. This approach integrates various behavioral indicators such as recency, frequency, and monetary value (RFM) of purchases (Josef et al., 2021). By employing complex algorithms and machine learning techniques, Predictive CLV offers a more dynamic and forward-looking estimation of customer lifetime value, taking into account evolving customer behaviors and preferences. 

\[ \text{Predictive CLV} = (\text{Recency Score} \times \text{Frequency Score} \times \text{Monetary Score}) \times \text{Average Customer Lifespan} \]

Conclusions and Recommendations

This study has highlighted the crucial role of predictive analytics in predicting Customer Lifetime Value (CLV) and influencing strategic decision-making. Its dynamic and precise methodology empowers businesses to improve customer retention, optimize marketing strategies, and boost profitability. However, it is essential to address issues related to data quality, accuracy, and ethical considerations effectively. Future research should prioritize the use of primary data collection methods and explore the incorporation of emerging technologies like artificial intelligence and blockchain. In summary, the adoption of predictive analytics is essential for achieving sustainable business growth in the digital era, offering opportunities for enhanced marketing efficiency and nurturing enduring customer relationships. 

In conclusion, although predictive analytics offers a dynamic and potentially more precise method for determining CLV, its adoption presents challenges. Companies must effectively address issues related to data quality, privacy, and ethical concerns to fully harness the benefits of predictive analytics in calculating CLV.

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Appendices

Survey For a Research Study

It's time being questions related to the MARKETING PRACTICES OF INDIAN E-MARKETERS.

Name
Short answer text

Age
Short answer text

Gender
- Male
- Female
- Prefer not to say

Profession
- Student
- Working Professional
- Business Person
- Others

Contact No.
Short answer text

Q1. Do you think that social media plays an effective marketing strategy for Online Marketers in India?

- Yes
- No
- Maybe

Add option or Add "Other"

Q2. According to you what is the main objective of Social Media platforms in terms of ONLINE MARKETERS?

- Creation of Brand awareness
- Customer Engagement / Retention
- Generate sales leads
- Build community advocates

Q3. How often do you purchase any product from online with reference to any support from online marketing activity?

- Within 1 week
- 1-5 weeks
- 1-4 months
- 1 year

Q4. Amongst the options shown below which parameter you can consider as the most relevant parameter which indicates the Growth for ONLINE MARKETERS Sales?

- Net Profits
- Customer Base
- Overall Growth of the Organisation
Q.5 Do you think the better & efficient online marketing activities help you to create a better bond with the online marketer?
- Yes
- No
- Maybe

Q.6 According to you what's the average time period taken for a lead to convert into a customer?
- Less than 1 month
- 1 month - 2 months
- 2 months - 3 months
- 3 months - 6 months
- More than 6 months

Q.7 According to you which of the Online Customer Engagement Programs are preferred in retaining customers?
- Contest
- Newsletters / Regular updates
- Games / Quiz
- Multimedia Marketing (audio/Video)
- Content Marketing

Q.8 According to you which online marketing technique is preferred to convert a lead into a customer?
Where 1 means Least Preferred and 5 means Highly preferred
E-mail Marketing

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