CRITICAL INSIGHTS OF CUSTOMER VALUATION METHODS IN THE RELATIONSHIP MARKETING PARADIGM

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This paper is aimed at providing the key critical insights into the traditional customer valuation models RFM, FRAC and CLV in the context of relationship marketing. It examines the principal assumptions that have conditioned changes in the traditional approach to customer value measurement methods through the application of post-modern marketing (e.g., interactive, relationship, etc.) under the knowledge economy conditions.

Although customer value can be examined using both quantitative and qualitative criteria (e.g., customer impact on public opinion, customer trust in the company, etc.), this paper treats customer value as a quantitative measure which is studied using different measurable qualitative indicators rather than analysing psychological, social and other types of qualitative criteria characterising the buyer/seller relationships.

The analysis of the RFM, FRAC and CLV customer value measurement methods and of their variables is based on the methodology for the analysis and systematisation of the content of scientific and methodological literature to distinguish the key critical aspects of customer value measurement methods through the application of the principles characteristic of relationship marketing. The overview of customer value measurement methods provided in the paper does not purport for detailed research, which requires a profound study on the subject.

***Key words:** relationship marketing, customer evaluation methods, FRAC, RFM, CLV, knowledge economy*

Introduction

The knowledge society, as a new social model of society, has raised new requirements for the formation of the management paradigm through the increase of the roles in creating knowledge and learning environments, vertical transformation of hierarchic management structures and the vanishing of boundaries between different fields of activity and science under the influence of the principle of complexity. The knowledge economy paradigm accelerates development of new management theories and new ways of their use, which directly impact the alternation of marketing models. This leads to the conclusion that issues pertaining to new marketing models and

methods are important and relevant under current post-modern economy conditions. This is of particular relevance for Lithuania, because its national long-term development strategy approved by the Seimas of the Republic of Lithuania in 2002 pinpoints workforce, capital, knowledge and entrepreneurship as factors for economy growth. Knowledge-based economy is becoming Lithuania's priority objective, and the country hopes to reach the EU level in this field before 2015. Therefore the analysis of new management and marketing theories and their principles is relevant and significant not only on the local but also on the global scale, considering that both Lithuania and other EU countries have established in their national long-term development strategies the objective to implement all forms of the knowledge society as soon as possible and to ensure their efficient use in the managerial fields of the public and private sectors.

Every marketing initiative is based on the management of profitable customer relationships which ensure the cost-efficiency of not only marketing activities, but also of overall corporate business. When companies engage in business under the conditions of natural competition, there is a natural risk of developing mass products and of applying the principles of mass marketing; none of this creates competitive advantage on the market with a direct negative impact on the financial resources of the marketing activity. An efficient and effective marketing management is feasible upon identifying a direct dependency of the company's products on customer needs and on value added.

The genesis of communicational processes has transformed the elements of the marketing activity by drawing the latter closer to each market actor. The relationship marketing paradigm is aimed at the formation and retention of long-term profitable relationships with all market actors in pursuit of their loyalty, which leads to every core business goal of every company: long-term financial benefits during each iteration with the customer. Profitable relationships can be achieved when the costs of each iteration with the customer are known and the return on investment is estimated. In the context of relationship management, the customer valuation paradigm becomes the crucial technique of implementing the buyer/seller relationships. According to Gronroos, the function of relationship marketing is not trying to retain all customers, but rather attempting to make each iteration with the customer profitable (Gronroos, 1994). This kind of approach to the marketing activity calls for the examination of traditional customer valuation models and for reviewing the opportunities for their use and their impact in the relationship marketing paradigm.

1. Relevance of customer valuation in the relationship marketing paradigm

The determination of customer value is a method to assess each customer of the company and to assign him / her to a certain group according to the value created by him / her for the company. The perception of the value obtained from goods / services acquired is individual; however, seeking the long-term prospect of communication with the customer, companies must determine whether it is financially capable of satisfying the needs of a particular customer or group of customers when developing new products / services, or whether it should attempt at providing more universal products / services. Relationships between the buyer and the seller must be profitable; therefore customers must first be assessed according to the value created by them for the company, and only later other marketing instruments can be applied for the deepening of their "knowledge" – to determine the trends of

their customer behaviour and needs for the goods / services provided (Gronroos, 1997). The major factors that lead to a shift in the approach to traditional RFM, FRAC and CLV customer valuation methods are listed below.

The first factor is that the evolution of customer lifestyle, influenced by social, economic and political changes, has replaced the traditional concepts of the science of marketing with those which are more focused on permanent relationships between the buyer and the supplier (Brown, 1993). These changes are attributable to the post-modernist marketing concept which highlights the value of human beings, their individuality and preferences, which call for a review of the methods and processes that previously were successfully applied in marketing (Pranulis, 2000). The marketing concepts that have prevailed in the recent decades, such as *interactive marketing*, *database marketing*, *direct marketing* and *knowledge marketing*, can be defined as actions oriented towards long-term and profitable relationships with customers, partners, suppliers and other market actors (Gummesson, 2004; Moller et al., 2000).

The other factor is a connection between relationship marketing and information and communication technologies. The paradigm of relationship marketing generalises the elements of marketing concepts and allows for the adjustment to the changing social environment and to the increasing variety and dynamics of lifestyles and consumption styles, i.e. growth in individualised customer preferences, transformation of consumption models, restructuring of the work activity and multicultural factors (Augustinaitis, 2002). The relationship marketing paradigm is directly attributable to the post-modernist approach to marketing, because it highlights the value and individuality of individuals, their wants and needs and ethical values, which, in turn, have encouraged the development of alternative marketing theories and sub-theories such as relationship marketing (Pranulis, 2000; Virvilaite, 2000).

These factors induce the conceptual and technological transformation of marketing models not only to preserve the individualised approach to marketing processes in complex knowledge environments, but also to ensure long-term, stable and profitable relationships between the buyer and the seller (Augustinaitis, 2002).

The function of relationship marketing is, instead of seeking to retain all customers, making every relationship with the customer profitable (Gronroos 1994). This kind of approach to the marketing activity substantiates the conceptual and technological transformation of techniques used to measure customer value, opportunities for their use as well as their influence on the marketing and corporate management activity in convinced environments and global contexts.

The techniques of measuring consumer-added value, which are quantified in the theoretical and practical discourse of relationship management, are based on traditional RFM, FRAC and CLV models in which changes in methodological aspects are only at slight variance with the direct marketing concept and with the practical use of its elements. Those techniques, applied more than thirty years ago, have also been successfully adapted to the relationship marketing paradigm and to the practical application of its principles. The necessity to apply the RFM, FRAC and CLV techniques and their importance in the context of relationship marketing is conditioned by the possibilities of using information technologies for the marketing activity and by individual changes in lifestyles, which call for the need to differentiate consumers according to not only traditional socio-demographic, geographic and psychographic criteria, but also according to the value they create for the company.

Apologists of the relationship marketing paradigm (Gronroos, Gummesson, Sheth, Parvatiyar, etc.) in their works underpin the importance and influence of customer value in the marketing paradigm as one of the principal criteria that enable the development of long-term profitable customer relationships (Gronroos, 1997; Gummesson, 2004; Sheth, Parvatiyar, 1995; Sheth et al., 2000; Ravald, Gronroos, 1996). Evaluation of traditional techniques of measuring consumer value and provision of their critical insights in the relationship marketing paradigm contribute to the review of the criteria and methodologies of measuring consumer value as well as to the increase in the efficiency and effectiveness of their practical use. The main arguments determining the relevance of the issues related to the determination and management of customer value are as follows:

- the possibility to differentiate customers according to the value created by them;
- to determine customers to whom proactive marketing actions should be applied and customers to whom reactive marketing actions should be applied;
- to assess the performance of the company and to take actions to improve it.

The differentiation of customers according to their value enables applying different marketing tactics and allows identifying the customers with whom the relationship must be developed in a particularly responsible way and encouraged without large investments. The determination and management of customer value enables to ensure the main objectives of the company in the marketing activity, namely to reduce operating costs, to increase profit and to make economically feasible decisions. The issues of determination and management of customer value are particularly relevant when markets are distinguished by the following features:

- market penetration increases when the main goal is not the attraction of new customers but the retention of the existing ones. Companies experience costs due to customer retention programmes; therefore, their conditions cannot be the same for all customers despite the value created by them and without having calculated return on investments into retention actions;
- the number of customers increases when it becomes harder and harder to determine what factors have an impact on customers' purchasing, what features distinguish one group of clients from another, which customers are most loyal and must be given a special attention;
- customers become more educated when assessing goods / services and their quality. This enables to search for new methods of selling goods / services and new communication channels, to provide target proposals to selected groups of customers according to the benefit perceived by them and need for goods / services. These factors have an impact on additional investments, thus, the individualisation of communication channels is possible only for customers having the greatest value.

Financially grounded marketing actions may be applied only to the market differentiated according to clear criteria, on the basis of which it would be possible to estimate return on marketing iterations. In the context of relationship marketing, a different approach must be applied to the evaluation of the efficiency of marketing companies: the size of the market and income received from customers are not the main criteria used for assessing marketing companies, based on which it is possible to determine their expediency and efficiency. The assessment of indices of customer satisfaction, loyalty, etc. beco-

mes one of the most important criteria (Doyle, 1995). The concept of loyalty becomes particularly relevant in the context of relationship marketing, as customer loyalty ensures the stability of relationship between the supplier and the buyer, which may be estimated according to and expressed in quantitative indicators (Christy, Oliver, Penn 1996). Figure 1 presents the example of assessment of customer loyalty in the market of mobile telecommunications, which shows the strength of customer attachment to mobile operators (Mobiliojo..., 2005). Based on the data of the research carried out by TNS Gallup company in June 2005, it is possible not only to compare the strength of customer attachment in different countries, but also to assess customer loyalty among different operators in the same country. All this enables to make preconditions regarding the relative value created by customers, assessing it according to their loyalty to the company.

Generalisation of the information provided in the scheme leads to the statement that customer loyalty indices in the private sector vary in different countries, and this allows to presume that the relative value created by customers is different as well where the relative value created by customers in the countries having a higher loyalty index is larger than in the countries having a lower loyalty index due to the reasons described above, where customer loyalty is directly related to the value created by them for the company.

These statements allow formulating the main conclusion that seeking to implement long-term relationships with customers, when ensuring their loyalty it is necessary to establish the financial capacity of the company, as the creation of relationships is first of all related to the company's aim to guarantee steady and long-term profit. This may be achieved by calculating the value created by customers for the company and providing for different investments for their retention to be realised through instruments of marketing campaigns.

The objective of relationship marketing, like of each expedient activity, is to co-ordinate the company's potential with end customers' needs
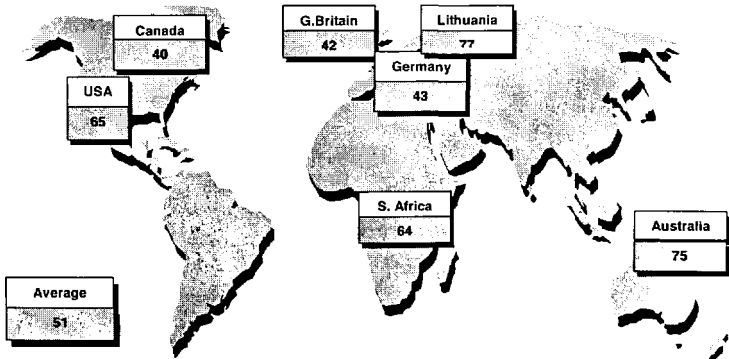

Fig. 1. *Private customer loyalty indices in mobile telecommunications markets*

and their value. If this objective is achieved, the higher customer value is ensured through the maximally individualised satisfaction of their needs.

2. Critical insights into traditional methods of determination of customer value

The value created by customers for the company may be expressed in both quantitative and qualitative criteria. The present article is not aimed at discussing all possible methods for the determination of customer value and their management; it seeks to survey the most typical quantitative methods – RFM, FRAC and CLV, the application of which in the assessment of the value created by customers in the relationship marketing paradigm is limited due to their approach to the concept of value.

On the basis of the deductive method of research, the main critical insights into the RFM, FRAC and CLV models are presented below. These methods have been known in the marketing science for more than 30 years and, according to Hughes, can still be used in modern marketing due to their simple and universal nature (Hughes, 2005).

On the basis of the deductive method, the main critical insights into the RFM, FRAC and CLV models are presented below.

2.1. Limitations of the RFM method

The principles of the RFM method are defined by the first letters of the names of variables comprising it: R – recency, F – frequency and M – monetary value.

Recency. The index shows the most recent transaction of purchasing the goods / using the services by the customer (Gamble et al., 1999, Hughes 1996, Novo 2004). The author of the current paper assumes that the recency index can-

not show the quality of the relationship between the customer and the company. Even if the most recent purchases of the customer were relatively new in respect of the assessed period and purchase of other customers, this fact does not yet prove the customer's advantage in respect of other customers. The recency variable shows that the customer was affected by the marketing campaign realised at a particular moment and confirmed the effectiveness of this campaign by his / her purchase. The recency index is suitable only when we want to determine which marketing campaigns are expedient, what number of customers takes advantage of them, how often the same customer reacts to the target proposal, etc. Based on the above statements, the recency index is limited in the determination of customer value due to the following reasons:

- it is intended only for the evaluation of direct marketing campaigns;
- it does not provide grounds as to why the customer acquired the goods / services at this particular moment of time – interpretations are too big for the formulation of potential conclusions;
- the concept of recency may not be associated with loyalty, as the customer who has acquired the goods / services relatively recently in respect of others may be only a beginner-level customer of goods / services of this company.

In terms of its sense, the recency index could be best applied for the analysis of customer behaviour but not for the assessment of customer value in the relationship marketing paradigm.

Frequency. This index shows the number of transactions of goods / services acquired by the customer over a set period of time (Gamble et al., 1999; Hughes 1996; Novo, 2004). This index is closer to the concept of customer value, as it shows how many times the customer realised

his / her needs over a set period of time by acquiring goods / services. When analysing the customer's purchasing habits, this expression of the customer's behaviour is significant but, in the author's opinion, its use for the determination of the value is limited for the following reasons:

1. Frequency does not prove the strength of the relationship between the customer and supplier, but it only shows the customer's desire to realise his / her needs at a particular moment of time by acquiring the goods / services.
2. The frequency index is directly related to the number of transactions.
3. In the context of relationship marketing, it would be limited to assess the customer by using indices of purchase transactions as this variable may be expressed by the index of relationships – contacts – information exchange volume.
4. Frequency may have a negative impact on the economy and effectiveness of the company's marketing or other fields of activities due to increased costs when serving the customer, when he / she acquires new products / services, without being aware of the planned return on investments. Only after having established the profit margin of the product / service being acquired and having associated it with the frequency of purchasing, it may be determined whether or not the purchase–sale process is profitable for the company. The frequency index should be assessed together with the profitability of the goods / services so that it would substantiate the sense of this variable when determining the value created by the customer.

By its meaning, the frequency variable in the relationship marketing is closer than the recency index when assessing customer value; however, its limitation manifests itself when frequency is unambiguously perceived as transactions of purchasing goods / services over a set period of time.

Monetary value. The index shows how much money has been received from the customer over a set period of time, using marketing instruments (Gamble et al., 1999; Hughes, 1996; Novo, 2004). This index is measured by money received from the customer as historically the RFM method has been used earlier than the determination of customer profitability, which allows for financial evaluation of the effectiveness of each iteration with the customer. When assessing this index in a traditional sense, in the author's opinion, it is limited due to the following reasons:

1. Income received from the customer does not fully reflect the value created by him / her for the company, as the profit margin of certain goods / services may be different or event negative in certain business sectors (for instance, telecommunications). Two different customers using different services for the same price would have a different value due to a different profit margin of these services.
2. When assessing this index, account should be taken of whether actual income received from the customer, i.e. the paid invoice, or whether planned income, i.e. income on the basis of the issued invoice, irrespectively of whether it has been paid for or not, is assessed. Different approaches to this index may cause different results; in one case, it will show the actual customer value in a financial aspect and in another case the apparent customer value.
3. When evaluating only income, the costs experienced by the company due to advertising and marketing campaigns, customer service, discounts or subsidies offered are not assessed. This leads to the formation of an incorrect approach to the customer's financial re-

turn when assessing only received or planned income but not profit.

It should be noted that the variable of income received from the customer is one of the keys that may be used for the determination of the value of the relationship with the customer; however, it reflects only the financial expression of the value of the relationship between the buyer and the seller. This index enables to evaluate relationship marketing programmes by assessing how the customer, who allocated his / her money for the acquisition of goods / services, evaluates the extent to which campaigns have been implemented, attention that has been shown to the customer, and satisfaction of his / her anticipations and needs.

When carrying out the calculations of the RFM method, each indicator must be grouped into five equal parts (quantiles) after they have been grouped according to the relative proportion (Hughes, 1996). On the basis of this method, 125 different customer value groups (three indicators at the fifth degree) were calculated. The management of this number of groups will be uneconomical and ineffective, and it will require large human, technical and organisational resources for the development and realisation of marketing tactics. This once again proves the limitation of this model and the complexity of its practical use in relationship marketing, despite the fact that it was successfully applied in other marketing paradigms.

2.2. Limitations of the FRAC method

In the logical sense, the FRAC method is similar to the RFM method, as all components (F, R, A, except for C) are analogous to the indices of the RFM method – frequency, recency and the amount of money. The limitations of the FRAC method is analogous to those of the RFM method, except for the additional index C (category of product) used in this value determination model.

Category of product. The variable determines the "category" of the product / service acquired by the customer. The concept of this index is not clearly and precisely defined in the literature, therefore, in the author's opinion, it would be most expedient to set the profit margin of each product / service provided by the company and, based on these data, to assign all products / services to different groups. Such grouping of products / services would allow determining how profitable the product acquired by the customer was and enable to indirectly assess the customer's profitability. However, the assessment of profitability of the product / service requires large resources of the company in order to precisely identify the value a product creates for the company; for this purpose, the method of activity based costs (ABC) should be used.

The limitations of the FRAC method is proved by the same indices as in the RFM model, except for the variable of product / service category. The principles of this method are similar to those of the RFM method, where quantiles are used for the grouping of indices, starting with the largest value and ending with the smallest one. Four indices are used in the FRAC method, therefore, the number of potential variants (groups) will be even 256, which may be hardly implemented practically due to the main problem – groups will not differ among themselves, or they will differ only slightly. In the segmentation theory, such number of groups means errors and incorrectly selected variables.

2.3. Limitations of the CLV method

The CLV (customer lifetime value) method was started to be used in marketing at the same time as the RFM or FRAC methods. The essence of this method: on evaluating the historical finan-

cial indices of the customer (income) to calculate his / her potential value (Gamble et al., 1999; Hughes, 1996). This method is based on the main criterion – the income received from the customer during the whole of his / her time as a customer of the company's goods / services. The limitations of the method in the relationship marketing are determined by the following arguments:

1. Customer lifetime value is defined in the literature in different ways: "it is net income generated by the customer during the time when he/she is the client of the company" (Sargeant 2001; Libai et al., 2002); "it is net profit earned from the customer as of the moment of calculation". These definitions illustrate the approach to the CLV method as to the way to assess financial indices.

2. Financial indices alone do not show the strength of relationships or loyalty of the customer. This concluion is based on the fact that natural competition triggers off the reduction of profit margins of products / services, which has an impact on the end price for the customer. It consequently follows that the customer, having acquired the same product / service several years ago and having paid the amount that is higher by a few per cent than that paid by the customer who has acquired the same product at the present moment and paid less is more valuable for the company. In the context of the CLV method, this customer would have a greater financial value; however, it does not mean that it has to be valued more than the customer who has acquired the same product but under different market conditions.

The main critical insights into the CLV method presented above show why this method cannot be unambiguously applied to the determination of customer value in relationship marketing, when not only financial, but also other quantitative indices of the customer (length of the relationship, customer's satisfaction, etc.) become important criteria. The CLV method is effective when evaluating only the customer's financial benefit for the company but not while assessing other variables relevant to relationship marketing.

The above methods cannot be effectively used in relationship marketing due to the limitation of concepts of variables or assessment principles used in them, in order to determine the value created by customers, which, first of all, is related to customer loyalty and the strength of the relationship between the supplier and the seller. The analysis of the variables of the above-mentioned methods and their limitations necessitates the search for new methods to determine customer value, which would maximally conform to the principles of the relationship marketing paradigm and could be adapted to different business sectors.

Conclusions

The customer value measurement and management methods are not an innovation induced by the development of new marketing theories and concepts. The measurement of customer-added value in the marketing paradigm cannot be limited to the analysis of financial or transaction-related indicators. While the influence of these variables is obvious within the transactional or traditional marketing paradigms, it is not so evident in relationship marketing or other post-modern marketing activities. Analysis of the RFM, FRAC and CLV customer valuation methods allows to compare the possibilities of their use and efficiency in developing and introducing customer-oriented marketing strategies / policies, evaluating the creation of value added and differentiating customers according to their value to the company.

The analysis of traditional customer-added value measurement models in the context of re-

lationship marketing leads to the following conclusions and findings:

1. The techniques of measuring and managing consumer value are not an innovation influenced merely by the relationship marketing concept. Their scientific examination and practical application can be observed also in other marketing concepts. The goals of the relationship marketing paradigm are different from those of the transaction marketing or direct marketing concept, therefore the criteria and variables of consumer value measurement techniques must be replaced with the features characteristic of relationship marketing principles, such as loyalty and customer satisfaction ratios, etc., which provide conditions for achieving the key quantitative goals of relationship marketing, i.e. profitable and mutual long-term relationships.

2. Measurement and management of consumer value as well as identification, understanding and adjustment of the features that influence this value lead to the fundamental goal of the relationship marketing: striving to ensure that the consumer is profitable throughout his / her entire relationship with the company, instead of seeking to "obtain" most benefit from the profitable / valuable customer.

3. The economy, management, etc. models used under the knowledge society conditions are short-term, because permanent change as one of the key principles of the knowledge society, and assimilation and redistribution of knowledge require new approaches to the applied methods and development of new more efficient result-oriented theoretical and practical models to meet the current needs. New marketing philosophies are attributable to the knowledge society paradigm due to their major imperative, customer awareness, which se-

cures one of the major principles of the knowledge society: personalisation of customers and application of their individual preferences.

4. The changing customer's behaviour influenced by economic, social and psychological developments in the knowledge society has altered traditional marketing views on the features that identify the habits and behaviours of customers with different value. These assumptions in the marketing science raise new theoretical imperatives which condition supplementation of traditional models with new adapted contemporary features which, in turn, determine the conceptual transformation of traditional customer valuation models in order not only to retain an individualised approach to customers, but also to ensure long-term, stable and mutually beneficial relationships.

5. The survival of each sales company depends on the profitability of its business: the higher the profitability, the greater competitive advantage the company gains over other market players. The times when the only thing that mattered was the number of customers without measuring their added value for the company have come to an end. Now every company, no matter how strongly it declares its loyalty to customers and develops different customer retention strategies, first of all seeks its established goals: retention and increase of current profits. These goals have to be implemented in a purposeful manner: awareness of customer value can help identify the customers who can be offered new products / services and those who can be offered a replacement product within the same category, which is more profitable for the company.

6. Traditional RFM, FRAC and CLV customer value measurement techniques are limited, be-

cause their key parameters relate to the analysis of purchase transactions for goods/services; these techniques are characteristic of the traditional transaction marketing paradigm.

7. Management of the outcomes from the RFM and FRAC techniques is complicated since, depending on the variables used, one can identify 125 to 256 different customer groups, which are subject to different marketing and customer care actions, and the formed customer groups should be different.

8. The ultimate indicator of customer value should be calculated as the levelled average of the values of all constituting indicators with the total of five customer groups whose management is likely to be cost-oriented.

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KRITINĖS VARTOTOJŲ VERTĖS NUSTATYMO METODŲ ĮŽVALGOS SANTYKIŲ RINKODAROS PARADIGMOJE

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Santrauka

Straipsnyje pateikiamos pagrindinės kritinės įžvalgos tradiciniams vartotojų vertės nustatymo metodams – RFM, FRAC ir CLV santykių rinkodaros kontekste.

Santykių marketingo teoriniame ir praktiniame diskursuose kiekybiškai įvertinami vartotojų sukuriamos vertės metodai remiasi tradiciniais RFM, FRAC ir CLV modeliais, kurių metodologinių aspektų pokyčiai yra nežymūs nuo tiesioginės rinkodaros koncepcijos paplitimo ir praktinio jos elementų panaudojimo. Šie metodai, taikyti daugiau nei prieš 30 metų, sėkmingai pritaikyti ir santykių rinkodyros paradigmoje bei praktinėje jos elementų taikymo srityje. RFM, FRAC ir CLV metodų taikymo būtinybė ir reikšmė santykių rinkodaros kontekste pasireiškia dėl informacinių technologijų panaudojimo galimybių rinkodaros veikloje bei individų gyvenimo stiliaus pokyčių, kurie sukelia būtinybę diferencijuoti vartotojus ne tik pagal tradicinius sociodemografinius, geografinius, psichografinius kriterijus, bet ir pagal jų sukuriamą vertę įmonei.

Analizuoti RFM, FRAC ir CLV vartotojų vertės nustatymo metodų rodikliai, dedukciniu metodu išskirti esminiai jų kritiniai bruožai, interpretacijos sudaro prielaidas kritiniam požiūriui į taikomų metodų efektyvumą ir panaudojimą santykių rinkodaros procese.

CRITICAL INSIGHTS OF CUSTOMER VALUATION METHODS IN THE RELATIONSHIP MARKETING PARADIGM

Tomas Rytel

Summary

This paper is aimed at providing the key critical insights into the traditional customer RFM, FRAC and CLV valuation models in the context of relationship marketing.

The techniques of measuring consumer-added value, which are quantified in the theoretical and practical discourse of relationship management, are based on the traditional RFM, FRAC and CLV models, where changes in methodological aspects are only at slight variance with the direct prevalence of the marketing concept and with the practical use of its elements. These traditional techniques, introduced more than thirty years ago, have also been successfully adapted to the relationship marketing paradigm and to the practical application of its principles. The necessity to apply the RFM, FRAC and CLV techniques and their importance in the context of relationship marketing is conditioned by the possibilities of using information technologies for marketing activity and by individual changes in lifestyles, which call for the need to differentiate consumers according to not only traditional socio-demographic, geographic and psychographic criteria, but also to the value they create for the company.

The analysed criteria of the RFM, FRAC and CLV methods are used to measure the consumers' value, their critical features distinguished using the deduction technique to elucidate the key critical aspects of customer value measurement methods, its efficiency and application in the relationship marketing paradigm.