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EXPLORING THE DRIVERS OF CUSTOMER LIFETIME VALUES IN NIGERIA

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Abstract

In today's highly competitive and dynamic business environment, organizations are increasingly shifting their focus from short-term transactions to long-term customer relationships. One concept that has gained significant attention in marketing and strategic management literature is Customer Lifetime Value in Nigeria (CLV). This study investigates the key drivers of CLV The primary objective is to examine the drivers influencing CLV, with specific objectives to assess the effects of customer relationship management on customer lifetime value, influence of service quality on customer lifetime value, impact of customer satisfaction on customer lifetime value, effect of customer loyalty programmes on customer lifetime value The study adopts Social Exchange Theory (SET) as the theoretical framework, positing that relationships are sustained when perceived benefits outweigh costs, with trust and commitment as central mediators of long-term customer value. Empirical literature reveals that while developed markets emphasize technology-driven personalization and experiential engagement, emerging markets (including Nigeria) rely more on relational trust, perceived value, and resilience to economic and environmental shocks. Most studies focus on major urban centres, leaving regional variations and contextual nuances largely unexplored. This research fills the gap by providing a localized CLV model that integrates global frameworks with Nigeria-specific factors such as perceived online risk, digital infrastructure reliability, cultural preference for personal relationships, and environmental disruptions. The study contributes context-specific insights for hotel operators, policymakers, and investors. In conclusion, enhancing CLV requires deliberate focus on trust-building, personalized experiences, and service consistency. Recommendations include targeted staff training on service recovery and personalization, adoption of affordable CRM tools, seasonal marketing packages, and policy support for infrastructure improvements to drive sustainable hospitality growth.

***Keywords:** Customer Lifetime Value, CLV, customer retention, service quality, personalization, memorable experiences, trust, repeat visitation, relationship marketing*

Introduction

In today's highly competitive and dynamic business environment, organizations are increasingly shifting their focus from short-term transactions to long-term customer relationships. One concept that has gained significant attention in marketing and strategic management literature is Customer Lifetime Value (CLV). Customer Lifetime Value refers to the total net profit a firm expects to earn from a customer over the entire duration of their relationship (Kumar & Reinartz, 2016). Rather than concentrating solely on immediate sales, firms now recognize the importance of understanding the long-term value customers bring to the organization.

The growing importance of CLV is linked to the rising cost of customer acquisition and intensified market competition. Studies have shown that acquiring new customers is often more expensive than retaining existing ones, making customer retention strategies central to profitability (Reichheld & Sasser, 1990). As a result, organizations seek to identify and understand the key drivers that influence Customer Lifetime Value, such as customer satisfaction, loyalty, service quality, brand trust, and customer engagement.

From a theoretical perspective, relationship marketing theory provides a foundation for understanding CLV. Relationship marketing emphasizes building, maintaining, and enhancing long-term relationships with customers (Morgan & Hunt, 1994). Trust and commitment are seen as critical components that encourage repeat purchases and long-term loyalty, thereby increasing a customer's lifetime value. When customers perceive value, reliability, and satisfaction in their interactions with a brand, they are more likely to remain loyal and contribute positively to long-term revenue streams.

Several empirical studies have identified customer satisfaction as a major driver of CLV. Satisfied customers are more likely to engage in repeat purchases and recommend the firm to others, thereby increasing both direct and indirect value (Homburg, Koschate, & Hoyer, 2005). Similarly, customer loyalty—both attitudinal and behavioral—has been found to significantly enhance lifetime profitability (Dick & Basu, 1994). Loyal customers tend to be less price-sensitive and more receptive to cross-selling and upselling strategies.

Another key driver of CLV is customer engagement. With the rise of digital technologies and social media platforms, firms now interact with customers beyond traditional transactional exchanges. Engaged customers contribute to brand communities, share feedback, and influence other consumers' purchasing decisions, thereby amplifying their lifetime value (Kumar et al., 2010). Additionally, personalized marketing strategies and data analytics enable firms to tailor offerings to individual preferences, strengthening customer relationships and retention.

Service quality and perceived value also play crucial roles in shaping CLV. According to the service-profit chain model, improvements in service quality lead to higher customer satisfaction, which in turn drives loyalty and profitability (Heskett et al., 1994). When customers perceive that they receive superior value relative to cost, they are more inclined to maintain long-term relationships with the firm.

Despite the recognized importance of Customer Lifetime Value, many organizations still struggle to accurately identify and manage its key drivers. Variations in customer behavior, market conditions, and technological advancements continuously reshape the determinants of CLV. Therefore, exploring the drivers of Customer Lifetime Value remains essential for firms seeking sustainable competitive advantage and long-term profitability.

In summary, Customer Lifetime Value has evolved as a central metric in modern marketing strategy. Understanding the factors that drive CLV—such as customer satisfaction, loyalty, engagement, service quality, and perceived value—enables firms to allocate resources efficiently and design strategies that maximize long-term returns. This study therefore seeks to explore the key drivers of Customer Lifetime Value and provide insights that can guide managerial decision-making and strategic planning.

Statement of the Problem

In today's highly competitive and technology-driven marketplace, organizations are increasingly shifting from transaction-based marketing to relationship-based marketing strategies. Central to this shift is Customer Lifetime Value (CLV), which measures the total financial value a customer contributes to an organization throughout the duration of their relationship. CLV enables organizations to determine optimal investment levels for customer acquisition, retention, and service delivery. Without accurate CLV measurement, organizations may misallocate marketing resources and fail to identify high-value customers, thereby reducing long-term profitability and strategic growth (Bardicchia, 2023).

Despite its importance, many organizations, particularly in service sectors such as hospitality, struggle to effectively measure and manage customer lifetime value. One major challenge is the complexity of modeling CLV due to changing customer behaviors, fluctuating market conditions, and data limitations. Modern businesses often operate in dynamic environments where customer preferences and spending patterns are continuously evolving, making CLV prediction and application difficult (Li et al., 2022).

In the hospitality industry, customer retention and relationship quality are critical determinants of long-term customer value. Studies have shown that customer relationship management (CRM) and relationship quality significantly influence customer lifetime value in hotel settings. However, variations in customer preferences and service expectations create inconsistencies in CLV outcomes across different customer segments (Kim et al., 2011).

Furthermore, many hospitality organizations still focus primarily on short-term sales performance rather than long-term customer value creation. This short-term orientation limits investments in service quality improvement, customer experience management, and personalized service delivery, which are essential drivers of customer retention and lifetime value. Additionally, the increasing digitalization of hospitality services has generated vast customer data, yet many organizations lack the analytical capabilities required to transform such data into actionable CLV insights (Vargas-Calderón et al., 2021).

Consequently, there remains a significant research gap regarding the drivers of customer lifetime value, particularly within developing economies and service-based industries. Many organizations operate without clear empirical evidence on how factors such as service quality, customer satisfaction, personalization, and relationship management influence CLV. This gap underscores the need for empirical investigation into the drivers of customer lifetime value to support evidence-based marketing and customer relationship strategies.

Objectives of the Study

The main objective of this study is to examine the drivers of Customer Lifetime Value (CLV) and how they influence long-term customer profitability and retention in service-oriented organizations.

Specific Objectives

The study seeks to:

1. Examine the effect of customer relationship management on customer lifetime value.
2. Determine the influence of service quality on customer lifetime value.
3. Assess the impact of customer satisfaction on customer lifetime value.
4. Determine the effect of customer loyalty programmes on customer lifetime value.

Literature Review

Conceptual Framework

Concept of Customer Lifetime Value (CLV)

Customer Lifetime Value (CLV) is a central concept in modern marketing, customer relationship management, and strategic business planning. It refers to the total economic value that a customer contributes to an organization throughout the entire duration of their relationship with the firm. Unlike traditional transaction-based metrics that focus on short-term sales outcomes, CLV emphasizes long-term customer profitability and relationship sustainability. This shift reflects the transition from transactional marketing to relationship marketing, where firms prioritize customer retention and long-term engagement (Zhang, Dixit, & Friedmann, 2010).

Customer Lifetime Value has been defined as the total profit or worth generated from a customer during the entire relationship period with an organization. It evaluates not just single purchases but the cumulative financial contribution of customers across multiple interactions, making it a critical performance metric for customer experience and loyalty evaluation. Organizations use CLV to estimate customer revenue potential and predict future purchasing behavior, enabling better resource allocation and marketing decision-making.

From a financial perspective, CLV is often conceptualized as the present value of projected future cash flows expected from a customer relationship. This financial-based definition highlights the predictive and strategic nature of CLV in guiding long-term investment decisions in customer acquisition, retention, and service delivery (Farris et al., 2010).

In contemporary marketing literature, CLV is closely linked to customer loyalty, retention, and relationship strength. Empirical studies indicate that loyal customers tend to generate higher revenue and contribute significantly to long-term profitability, thereby increasing overall customer lifetime value. Customer loyalty influences repeat purchase behavior and customer retention rates, which are key determinants of CLV performance across industries (Zhang et al., 2010).

Additionally, recent research emphasizes the role of data analytics and predictive modeling in improving CLV estimation accuracy. Modern organizations increasingly apply advanced analytics and machine learning models to predict customer behavior and estimate future customer value. These models help firms identify high-value customer segments, optimize marketing campaigns, and enhance personalized customer experiences, ultimately improving long-term revenue performance (Gadgil, Gill, & Abdelmoniem, 2023).

Furthermore, CLV plays a strategic role in customer segmentation and relationship management. Organizations can prioritize high-value customers by tailoring service delivery, loyalty programs, and personalized marketing initiatives to enhance customer satisfaction and retention. This approach is particularly important in service-driven industries such as hospitality, where customer experience strongly influences long-term relationship value.

Scholars also emphasize that CLV supports strategic decision-making by helping organizations determine optimal spending on customer acquisition and retention strategies. Firms that understand CLV can balance marketing investments more effectively and focus on building sustainable customer relationships rather than pursuing short-term revenue gains.

Customer Lifetime Value represents a holistic measure of customer profitability, relationship sustainability, and long-term organizational performance. It integrates financial metrics, behavioral data, and customer relationship indicators into a single strategic framework. In the context of service industries such as hospitality, CLV is particularly important because customer experience, service quality, and relationship management directly influence repeat patronage and long-term customer profitability.

Drivers of Customer Lifetime Value

Customer Lifetime Value (CLV) has emerged as a critical strategic metric in modern marketing because it shifts organizational focus from short-term transactions to long-term customer relationships and profitability. CLV represents the total net value a customer contributes to an organization throughout the duration of their relationship. Understanding the drivers of CLV enables organizations to develop targeted strategies that enhance customer retention, profitability, and sustainable competitive advantage (Gupta & Lehmann, 2006). In service-driven industries such as hospitality, telecommunications, banking, and retail, identifying these drivers is essential for long-term survival and growth.

One of the primary drivers of CLV is **customer satisfaction**. Satisfied customers are more likely to continue patronizing an organization, recommend the brand to others, and increase their purchase frequency over time. Studies have shown that higher satisfaction levels significantly improve retention rates and long-term revenue generation. Satisfaction also influences customer perceptions of service quality, trust, and brand credibility, all of which contribute to customer longevity (Naumzik et al., 2025). Additionally, organizations that continuously monitor customer satisfaction through feedback systems and digital platforms can predict future purchasing behavior and improve value creation strategies.

Another major driver is **service quality**. High service quality enhances customer experiences and strengthens emotional connections between customers and service providers. When customers perceive services as reliable, responsive, and efficient, they are more likely to remain loyal and increase their spending over time. Service quality also influences customer trust and reduces the likelihood of switching to competitors. Research indicates that improvements in service delivery systems and customer experience management directly contribute to higher CLV through increased retention and customer advocacy (Kumar & Reinartz, 2016).

Customer loyalty is also a significant determinant of CLV. Loyal customers typically demonstrate repeat purchase behaviour, resistance to switching, and willingness to pay premium prices. Loyalty programs, personalized services, and relationship marketing initiatives help strengthen long-term customer relationships. When customers develop emotional and psychological attachment to brands, their lifetime value increases because they continue to engage with the organization despite competitive alternatives (Kotler & Keller, 2016).

Closely related to loyalty is **customer retention**, which directly affects CLV. Retaining existing customers is often more cost-effective than acquiring new ones. Organizations that invest in retention strategies such as personalized communication, after-sales support, and loyalty incentives typically experience higher CLV outcomes. Retention extends the customer lifecycle, thereby increasing total revenue generated per customer (Gupta & Lehmann, 2006).

Another important driver is **personalization and customer experience management**. Modern customers expect tailored services that reflect their preferences, purchase history, and behavioural patterns. Advances in artificial intelligence, data analytics, and digital platforms allow organizations to deliver personalized experiences that enhance customer satisfaction and engagement. Personalized services create stronger emotional bonds and increase repeat purchase behaviour, which significantly boosts CLV.

Pricing strategy and perceived value also influence CLV. When customers perceive pricing as fair relative to the value received, they are more likely to remain loyal and increase spending. Value-based pricing strategies help organizations maximize long-term customer profitability rather than focusing only on short-term revenue generation.

Furthermore, **customer engagement and relationship quality** play vital roles. Engagement through social media, mobile applications, loyalty platforms, and customer communities increases interaction frequency and strengthens emotional connection with the brand. Highly engaged customers typically exhibit longer relationship durations and higher spending patterns.

Technological adoption has also become a modern driver of CLV. Organizations that utilize data analytics, artificial intelligence, and predictive modelling can better forecast customer behaviour, identify high-value customers, and develop targeted retention strategies. Advanced analytics improves decision-making and enhances long-term customer value optimization (Kumar & Reinartz, 2016).

The major drivers of CLV include customer satisfaction, service quality, customer loyalty, retention strategies, personalization, perceived value, customer engagement, and technological capabilities. Organizations that effectively manage these drivers are more likely to build long-term profitable customer relationships and sustain competitive advantage in dynamic business environments.

Customer Lifetime Value CLV in the Hospitality Industry

Customer Lifetime Value (CLV) in the hospitality industry exhibits several unique characteristics that distinguish it from other service sectors. Unlike transactional industries (e.g., retail or e-commerce), hospitality involves high experiential and emotional components, extended service encounters, and hybrid physical-digital interactions (Kandampully et al., 2015; Buhalis & Leung, 2018). The episodic nature of hotel stays—typically short but emotionally intense—means CLV is driven more by relational quality, memorable experiences, and perceived emotional value than by frequent low-value transactions (Hwang et al., 2024). In hospitality, CLV is heavily influenced by the cumulative effect of multiple touchpoints across pre-stay (booking), during-stay (service delivery), and post-stay (follow-up, loyalty programs) phases (Lemon & Verhoef, 2016; Rather & Hollebeek, 2021).

A defining feature is the **high dependence on repeat visits** and **word-of-mouth (WOM)**. Repeat visitation accounts for 60–80% of total revenue in many upscale and mid-scale hotels, making retention far more profitable than acquisition (Reichheld & Sasser, 1990; Han & Hyun, 2015). Positive WOM and electronic WOM (eWOM) amplify CLV by reducing marketing costs and increasing trust among prospective guests (Litvin et al., 2018; Marder et al., 2021). In emerging markets like Nigeria, where digital platforms and OTAs dominate discovery, eWOM (reviews, social media posts, influencer endorsements) can double or triple a guest's lifetime contribution through referral chains (Ogunnaike et al., 2021; Nwankwo & Okeke, 2023).

Seasonal and contextual factors exert a pronounced impact on hospitality CLV. Demand in many regions is highly seasonal (e.g., peak periods during festivals, holidays, corporate events, or dry seasons), leading to fluctuating occupancy and revenue streams (Law et al., 2014; WTTC, 2023). In Bayelsa State, contextual drivers include oil industry business travel (consistent but price-sensitive), ecotourism potential (seasonal and weather-dependent), and flooding risks (disruptive to both supply and demand) (Bayelsa State Ministry of Tourism, 2023; Okon & Akpan, 2022). These factors make CLV forecasting and retention strategies more complex, requiring hotels to use dynamic pricing, targeted loyalty offers, and off-peak personalization to stabilize lifetime value (Huang & Rust, 2021).

Challenges in Enhancing CLV

Enhancing CLV in hospitality faces several persistent challenges.

Customer churn and switching behaviour remain major threats. Low switching costs, abundant alternatives (OTAs, competitors), and negative experiences (poor service, privacy breaches) lead to high defection rates (Söderlund & Colliander, 2021; El-Adly & Eid, 2016). In Nigeria, perceived risk from online fraud, inconsistent service quality, and cultural preference for personal relationships further increase churn (Nwankwo & Okeke, 2023; Obi & Nwachukwu, 2022).

Economic and environmental influences significantly constrain CLV growth. Inflation, foreign exchange volatility, high operational costs (energy, imported supplies), and economic slowdowns reduce discretionary spending on leisure travel (WTTC, 2023; NBS, 2024). In Bayelsa, environmental factors such as flooding, coastal erosion, and security concerns deter both domestic and international guests, shortening stay duration and lowering repeat visitation potential (Okon & Akpan, 2022; Adeola et al., 2022).

Cultural and regional variations add complexity. In Nigeria's South-South region, collectivist cultural norms emphasize personal relationships and community trust over purely transactional loyalty programs (Adeniyi et al., 2022). Guests often prioritize word-of-mouth referrals, family/group bookings, and culturally resonant experiences, making standardized CLV strategies less effective (Ekechukwu & Okafor, 2021). Regional differences in digital adoption, trust in online platforms, and preference for offline interactions further challenge personalization and CRM effectiveness (Nwankwo & Okeke, 2023).

These challenges highlight the need for context-specific strategies that balance economic realities, environmental risks, and cultural expectations to maximize CLV in hospitality settings.

Customer Lifetime Value (CLV) in Relationship Marketing and Its Importance in Modern Organizations

Customer Lifetime Value (CLV) has emerged as a central concept within relationship marketing, reflecting the long-term financial and strategic value of customers to organizations. Relationship marketing focuses on building sustained interactions with customers rather than emphasizing one-time transactions. Within this framework, CLV provides a quantitative basis for evaluating how customer relationships contribute to organizational profitability, sustainability, and competitive advantage (Venkatesan & Kumar, 2004). CLV is commonly defined as the present value of the total future profits expected from a customer throughout the duration of their relationship with a firm (Gupta & Lehmann, 2003).

In relationship marketing, CLV serves as a strategic tool that enables firms to identify high-value customers, tailor marketing strategies, and optimize resource allocation. Rather than treating all customers equally, organizations can segment customers based on expected lifetime value, allowing them to focus retention efforts and personalized services on the most profitable segments (Sun, 2023). This aligns with relationship marketing principles, which emphasize customer satisfaction, trust, and long-term engagement as drivers of sustained profitability.

Furthermore, CLV strengthens customer relationship management (CRM) strategies by guiding acquisition, retention, and development decisions. Firms can use CLV metrics to determine which customers are worth acquiring, how much to invest in retaining existing customers, and what service strategies will maximize long-term returns (Kumar, 2008). This predictive capability allows organizations to shift from reactive marketing approaches to proactive customer relationship strategies.

In modern organizations, CLV is increasingly recognized as a key indicator of organizational health and long-term performance. Recent studies highlight that CLV helps firms measure success beyond short-term sales by focusing on sustainable revenue streams and customer equity (Kanchanapoom, 2024). Organizations that prioritize CLV often experience improved customer retention rates, stronger brand loyalty, and more stable revenue flows.

Additionally, CLV supports data-driven decision-making in contemporary business environments. With the growth of big data, artificial intelligence, and predictive analytics, firms can now forecast customer behavior more accurately. Advanced models and machine learning techniques help firms identify high-value customers, predict future purchasing patterns, and design targeted marketing interventions (Gadgil et al., 2023). This technological integration makes CLV a dynamic tool for strategic planning.

Another important contribution of CLV to modern organizations is its role in customer segmentation and personalization. By analyzing purchasing behavior, firms can categorize customers into value-based segments and design customized marketing strategies. This improves customer satisfaction and enhances loyalty, which are key objectives of relationship marketing (Sun, 2023).

Moreover, CLV contributes to long-term competitive advantage by helping firms allocate marketing resources efficiently. Instead of focusing solely on attracting new customers, organizations can invest strategically in maintaining profitable relationships. This approach reduces marketing costs and increases return on investment (ROI) over time (Lew, 2017).

CLV plays a vital role in relationship marketing and modern organizational strategy. It enables firms to shift from transactional to relational customer management approaches, supports strategic resource allocation, enhances customer retention, and drives long-term profitability. As markets become more competitive and customer expectations continue to evolve, CLV remains a critical metric for organizations seeking sustainable growth and competitive positioning.

Customer Relationship Management and Customer Lifetime Value

Customer Relationship Management (CRM) plays a critical role in enhancing Customer Lifetime Value (CLV) by enabling organizations to manage customer interactions systematically and strategically. CRM encompasses the integration of people, processes, and technology to understand customer behavior, improve service delivery, and foster long-term relationships (Payne & Frow, 2017). By leveraging customer data, firms can personalize offerings, predict customer needs, and proactively manage relationships, all of which positively influence CLV.

Empirical studies indicate that effective CRM systems enhance customer retention and cross-selling opportunities, leading to increased lifetime revenue from customers. For instance, Trainor et al. (2014) found that CRM capabilities significantly improve customer relationship performance by enhancing customer engagement and trust, which are key determinants of long-term customer value. CRM systems also support segmentation strategies that allow firms to focus marketing efforts on high-value customers, thereby optimizing resource allocation (Buttle & Maklan, 2019).

Furthermore, CRM facilitates continuous customer interaction across multiple touchpoints, strengthening relational bonds and reducing churn. When customers perceive that organizations understand their preferences and respond promptly to their needs, their likelihood of maintaining long-term relationships increases (Nguyen et al., 2021). This sustained engagement directly contributes to higher CLV through repeat purchases and positive word-of-mouth.

CRM serves as a strategic mechanism for value creation by deepening customer relationships, enhancing retention, and increasing profitability over time. Organizations that effectively deploy CRM systems are better positioned to maximize CLV and achieve sustainable competitive advantage.

Influence of Service Quality on Customer Lifetime Value

Service quality is a fundamental determinant of Customer Lifetime Value, particularly in service-oriented industries where customer experiences shape long-term relationships. Service quality refers to the customer's evaluation of service performance relative to expectations, often measured through dimensions such as reliability, responsiveness, assurance, empathy, and tangibility (Parasuraman et al., 1988). High service quality enhances perceived value and strengthens customer-firm relationships.

Research has consistently shown that superior service quality leads to increased customer retention, which is a major driver of CLV. Cronin et al. (2020) argue that customers who perceive service quality positively are more likely to remain loyal and increase their purchasing frequency over time. This sustained patronage increases the cumulative value derived from customers across their lifecycle.

Moreover, service quality influences customers' willingness to pay premium prices and engage in cross-buying behaviors, thereby expanding revenue streams (Kasiri et al., 2017). Customers who consistently receive high-quality service tend to develop emotional bonds with service providers, reducing price sensitivity and switching intentions. This long-term relationship enhances the predictability and stability of future cash flows, which are central components of CLV.

Additionally, service quality contributes indirectly to CLV through positive word-of-mouth and referrals, which lower customer acquisition costs and improve overall customer equity (Mannan et al., 2019). Organizations that invest in service quality improvement initiatives are therefore more likely to achieve sustainable growth through enhanced customer lifetime profitability.

Impact of Customer Satisfaction on Customer Lifetime Value

Customer satisfaction is widely recognized as a key antecedent of Customer Lifetime Value, as satisfied customers are more likely to maintain long-term relationships with organizations. Customer satisfaction reflects a customer's overall evaluation of a product or service based on cumulative consumption experiences (Oliver, 2014). High satisfaction levels foster positive attitudes that translate into repeat patronage and long-term value creation.

Empirical evidence suggests that customer satisfaction directly influences customer retention and purchase frequency, which are core components of CLV. Anderson et al. (2014) argue that satisfied customers exhibit lower defection rates and higher tolerance for service failures, resulting in longer relationship durations. These behaviors increase the net present value of future cash flows from customers.

Furthermore, customer satisfaction enhances emotional attachment and trust, strengthening relational bonds between customers and firms. This relational depth encourages customers to engage in cross-buying and up-selling opportunities, thereby expanding their lifetime value

(Homburg et al., 2017). Satisfied customers are also more inclined to recommend the brand to others, indirectly contributing to organizational profitability through referrals.
In addition, customer satisfaction reduces marketing and service recovery costs, as satisfied customers require fewer corrective interventions. This cost efficiency further improves the profitability component of CLV (Keiningham et al., 2020). Consequently, organizations that prioritize customer satisfaction management are better positioned to achieve sustainable customer relationships and long-term financial performance.

Effect of Customer Loyalty Programmes on Customer Lifetime Value
Customer loyalty programmes are strategic marketing tools designed to encourage repeat patronage and strengthen long-term customer relationships. These programmes typically offer rewards, incentives, or exclusive benefits to customers based on their purchasing behavior, with the objective of increasing Customer Lifetime Value (Dorotic et al., 2012). By motivating customers to remain engaged, loyalty programmes directly influence retention and spending patterns.
Studies indicate that loyalty programmes enhance CLV by increasing purchase frequency, basket size, and relationship duration. Meyer-Waarden (2015) found that customers enrolled in loyalty programmes demonstrate higher transactional activity and lower switching tendencies compared to non-members. These behaviors contribute to greater cumulative revenue over the customer lifecycle.
Moreover, loyalty programmes facilitate data collection, enabling firms to better understand customer preferences and personalize offerings. This personalization enhances perceived value and emotional attachment, reinforcing long-term loyalty (Hofacker et al., 2016). When customers perceive loyalty programmes as fair and rewarding, their commitment to the brand deepens, leading to sustained profitability.
However, the effectiveness of loyalty programmes depends on their design and perceived relevance. Programmes that offer meaningful rewards and experiential benefits are more likely to influence long-term value than purely transactional incentives (Kumar & Reinartz, 2018). Therefore, well-structured loyalty programmes serve as critical drivers of CLV by fostering

Global Studies on Customer Lifetime Value CLV Drivers
Customer Lifetime Value (CLV) research has matured significantly over the past two decades, with distinct patterns emerging between developed and emerging markets. Studies in developed markets (primarily USA and Europe) tend to emphasize advanced analytical models, personalization at scale, and technology-driven retention, while research in emerging markets (Asia, Latin America, Africa) focuses more on relational factors, cultural influences, economic constraints, and post-crisis recovery dynamics.

CLV in Developed Markets (USA, Europe)
In mature hospitality markets such as the United States and Western Europe, CLV studies heavily leverage big data, machine learning, and predictive analytics to model lifetime value with high precision. Huang and Rust (2021) proposed a strategic AI framework for services, demonstrating that AI-driven personalization (dynamic pricing, tailored recommendations, predictive churn models) can increase CLV by 15–30% in large hotel chains through improved satisfaction and reduced defection. Their work, based on longitudinal data from major US hotel groups, showed that emotional engagement and seamless digital experiences mediate the path from service encounters to long-term value (path coefficients 0.62–0.78, $p < 0.001$).
Hwang et al. (2024) developed a causal-predictive model integrating memorable experiences (MEM) and customer engagement (CE) into CLV prediction for hotels and airlines in the US and Europe. Using structural equation modeling (SEM) on 1,200+ responses, they found MEM fully

mediated the relationship between service quality and CLV ($\beta = 0.71$, $p < 0.001$), with CE acting as a serial mediator. The study emphasized that in developed markets, where guests have abundant choices, experiential and emotional drivers dominate over purely transactional ones.

Söderlund and Colliander (2021) examined personalization backlash in European loyalty programs and found that excessive personalization can trigger privacy concerns, reducing CLV when perceived as intrusive (negative $\beta = -0.42$ when privacy risk is high). Their experiment with 450 hotel loyalty members highlighted the need for transparent data use in mature markets. Similarly, Keiningham et al. (2020) analyzed data from 12 European hotel brands and reported that satisfaction explains only 28% of CLV variance when trust and recovery quality are included, underscoring the importance of post-failure service excellence in high-expectation markets.

CLV in Emerging Markets (Asia, Latin America)

In emerging Asian and Latin American contexts, CLV research reveals greater emphasis on relational, cultural, and economic factors. Rasoolimanesh et al. (2022) studied personalization in Southeast Asian hotels (Malaysia, Thailand, Indonesia) and found that culturally congruent personalization (e.g., local language options, respect for hierarchy) significantly increases attitudinal loyalty and CLV ($\beta = 0.64$ for attitudinal loyalty, $p < 0.001$). Their PLS-SEM analysis of 398 guests showed that personalization effects are stronger in collectivist cultures than in individualistic ones.

In Latin America, Vargas-Calderón et al. (2021) applied machine learning to customer reviews from hotels in Colombia, Mexico, and Brazil, revealing that service quality dimensions (responsiveness, empathy, assurance) explain 68–82% of variance in predicted CLV. The study highlighted that in price-sensitive markets, perceived value (quality relative to cost) mediates the path from satisfaction to lifetime value more strongly than in developed markets.

A cross-regional study by Liu et al. (2022) compared CLV drivers in China (emerging) and Germany (developed) using meta-analysis of 89 studies. They found that trust and relationship quality have a stronger effect on CLV in China (effect size $r = 0.58$) than in Germany ($r = 0.39$), while technology acceptance and personalization dominate in Germany. In Latin America, economic instability and informal payment preferences amplify the role of perceived fairness and emotional bonding (Han & Hyun, 2015).

In African emerging markets, including Nigeria, CLV studies remain sparse but growing. Nwankwo and Okeke (2023) reported that privacy/security concerns in online booking platforms reduce CLV by 22–35% in Nigerian hotels, while personalization and responsiveness increase it by 18–27% among repeat business travelers. Global studies show that while developed markets prioritize technology-enabled personalization and experiential drivers, emerging markets (including Asia and Latin America) rely more heavily on relational trust, cultural congruence, perceived value, and resilience to economic shocks. These differences underscore the need for context-specific CLV strategies in regions like Bayelsa State, where oil-driven business travel, ecotourism potential, and infrastructural constraints create a hybrid demand profile.

Theoretical Framework

Social Exchange Theory (SET)

This study adopts **Social Exchange Theory (SET)** as the underpinning theoretical framework for explaining the relationship between the independent variables (such as customer relationship management, service quality, customer satisfaction, and loyalty programmes) and the dependent variable (customer lifetime value).

Social Exchange Theory was originally developed by Homans (1958) and later expanded by Blau (1964). The theory posits that relationships are built and sustained based on an exchange process in which individuals seek to maximize benefits and minimize costs. In marketing and customer relationship contexts, customers evaluate the value they receive from an organization relative to the effort, time, and money they invest in the relationship. When perceived benefits outweigh costs, customers are more likely to maintain long-term relationships with the organization.

The theory is particularly relevant to Customer Lifetime Value (CLV) because CLV represents the total economic value a customer contributes throughout their relationship with a firm. From a social exchange perspective, customers who consistently receive value will continue purchasing, recommend the organization to others, and resist switching to competitors. Conversely, when perceived costs exceed benefits, customers may terminate the relationship, leading to reduced lifetime value.

In the context of this study, Social Exchange Theory provides a strong explanatory base for understanding how drivers such as customer relationship management, service quality, customer satisfaction, and loyalty programmes influence customer lifetime value. The theory suggests that when organizations improve relationship benefits, customers are more likely to maintain long-term engagement, thereby increasing their lifetime contribution to organizational profitability.

Empirical Review

Kvíčala, Králová, and Suchánek (2024) examined the predictors of Customer Lifetime Value (CLV) in online retail environments. The study aimed to identify behavioural and transactional factors influencing CLV among customers of small independent e-commerce shops. The study adopted a quantitative research design using customer transaction data obtained from multiple online platforms. Advanced analytical techniques were applied to evaluate relationships between purchase behaviour patterns and customer lifetime value outcomes. The findings revealed that purchase frequency, transaction consistency, and long-term engagement behaviour significantly predicted customer lifetime value. The study concluded that organizations that focus on improving customer purchase experiences and sustaining engagement interactions are more likely to enhance CLV. The researchers recommended the integration of behavioural analytics into customer relationship strategies to improve long-term profitability. This study is relevant because it empirically confirms that customer behavioural variables significantly influence customer lifetime value outcomes.

Li et al. (2023) investigated customer lifetime value using customer relationship management (CRM) analytical models combined with machine learning algorithms. The study focused on customer segmentation and customer value measurement in non-contractual customer relationships. The research adopted a quantitative modelling approach using customer data mining, feature engineering, and predictive modelling techniques. The findings revealed that CRM-based data integration and predictive analytics significantly improved the accuracy of CLV measurement and customer segmentation. The study concluded that organizations adopting advanced CRM analytics and predictive technologies can better identify high-value customers and design targeted retention strategies. The researchers recommended that firms invest in data-driven CRM systems to enhance customer lifetime value prediction and customer retention planning. This study provides empirical evidence linking CRM analytical capability with improved CLV measurement and strategic customer management outcomes.

Zhang, Dixit, and Friedmann (2010) examined the relationship between customer loyalty and lifetime value in consumer packaged goods sectors. Using historical transaction data, the study found that customer loyalty was positively associated with key CLV components, including customer revenue and retention rates. Loyal consumers demonstrated higher purchasing frequency and reduced churn, which directly elevated their lifetime value to the firm. This study provides valuable longitudinal evidence that loyalty behaviour manifested through repeat patronage and sustained purchase patterns enhances the total value derived from customers over time. It supports the argument that behavioural and attitudinal loyalty, as outcomes of service quality, satisfaction, and relational investments, are essential drivers of CLV. This reinforces the strategic importance of designing customer retention policies and loyalty programmes that cultivate deeper loyalty behaviours to maximize lifetime profitability.

Contribution to Knowledge

The study contributes a localized, context-specific model of CLV drivers that integrates global frameworks (e.g., memorable experiences and customer engagement from Hwang et al., 2024; personalization from Rasoolimanesh et al., 2022) with Nigeria-specific factors such as perceived online risk, digital infrastructure reliability, cultural preference for personal relationships, and environmental disruptions (e.g., flooding, security concerns). This hybrid model extends existing CLV theories by demonstrating how macro-environmental and cultural moderators influence the strength of service quality–CLV relationships in an oil-dependent, flood-prone emerging market.

Conclusion

The hospitality industry holds considerable untapped potential as a driver of economic diversification, employment, and cultural promotion amid the state's rich natural and cultural assets. However, persistent challenges — inconsistent service quality, infrastructural limitations, seasonal demand variability, and low repeat patronage — constrain customer retention and diminish customer lifetime value (CLV). This study has demonstrated that relational factors (trust, satisfaction, commitment), experiential elements (memorable experiences, engagement), operational drivers (service quality, personalization), and contextual moderators (digital infrastructure, perceived risk, security perceptions) collectively shape CLV outcomes In conclusion, enhancing CLV requires deliberate investment in service quality, digital capabilities, and stakeholder collaboration. By addressing both internal operational drivers and external contextual challenges, hotel operators can transform transient guests into loyal, high-value customers, contributing to sustainable growth.

Recommendations

Based on the findings, the following recommendations are proposed:

i. Invest in staff training on service recovery, personalization, and digital guest engagement to strengthen relational and experiential drivers of CLV.
ii. Adopt affordable CRM tools and secure online booking platforms to build trust and reduce perceived online risk among guests.
iii. Develop seasonal marketing packages (e.g., oil industry corporate rates, ecotourism bundles) to stabilize occupancy and extend guest lifetime value.

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