

# Managing Customer Relationships While Providing for Customer Wellbeing

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Cite as:

Leszkiewicz Agata, Kumar V., Herbst Angeliki (2022), Managing Customer Relationships While Providing for Customer Wellbeing. *Proceedings of the European Marketing Academy*, 51st, (107540)

Paper from the 51st Annual EMAC Conference, Budapest, May 24-27, 2022



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## **Abstract**

Physical activity contributes to overall health and wellbeing. Despite the growth of this industry, customer retention is a concern for fitness clubs. What creates challenges for churn prediction, is the fact that customer-firm relationships can be contractual or noncontractual. Using a dataset containing customer's purchases and attendance at the fitness club, we show that customer wellbeing and revenues are interrelated. We examine the dynamics of customer-firm relationships, assuming that customer latent commitment states are manifested through customer purchases, as well as usage levels. To this end, we estimate a hidden Markov model incorporating the dependency between the revenues and usage.

**Keywords:** *Customer Relationship Management; Customer Wellbeing; Contractual and Noncontractual Relationships*

**Track:** Relationship Marketing