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BUSINESS COACH BRAD SUGARS

Seeing a lifetime's value in a customer

REPEAT BUSINESS equals profit! Repeat business equals profit!

No, that's not a typo and I didn't stammer! I wanted to use a bit of repetition to drive home one of the biggest keys I've found to consistent business growth.

The least expensive way to get more customers is to increase the value of the customers you've already got. Look at them in terms of "Lifetime Value" – or the dollar amount they will generate over the long-term, rather than just a one-off transaction.

Part of this mindset starts with looking at your business as a total marketing entity, rather than just a production, service or retail entity. This it allows you to see all marketing expenses as investments – investments that generate a return, or ROI.

It will also help you accept the reality that when you buy your customers – that purchase will always be your biggest expense. It will also be your most profitable.

So what do I mean by 'buying' your customers? Exactly that. Instead of 'selling' to your customers, 'buying' your customers opens up a world of possibilities. Instead of guessing how much to spend on sales and marketing, 'buying' your customers means you know exactly how much to spend on your marketing in order to generate revenue.

First off, you need to determine the 'Acquisition Cost' of your current customer. If you've put \$1000 into advertising and had 100 phone calls, you're paying \$10 for each lead. If only five of those leads makes a purchase, you're paying \$50 to capture each sale.

Say you could create a marketing plan that could buy a customer for \$50. On average, each customer would spend \$500 with you, and \$100 of that would be profit. How often would you invest \$50 into marketing?

I think we know the answer to that – time and time again!

Once you know how much it costs to buy a customer, you can start thinking about the consequences of a customer's 'Lifetime Value'. Knowing this value – which is simply

the amount of money your average customer will spend with you over a buying lifetime – will help you make better decisions about the overall direction of your business.

Years ago, I owned a dog food business. My average customer would spend \$800 a year on their dogs, and the average dog lived about 10 years. I presumed a customer would stay with me half that time, meaning the 'Lifetime Value' of my dog food customer would be \$4000.

Imagine if I created a program that both produced and rewarded referrals. Say that single customer now had incentive to refer two new customers to me. Suddenly, that customer is worth \$12,000. What if those new referrals sent more referrals? How much value is that initial contact worth now? More importantly, what would I be willing to do to keep that customer?

This long-term view of customer value is essential. Only when you realise a customer's 'Lifetime Value' do you see the importance of developing great relationships with your customers. That way, you'll do whatever it takes to keep them for a very long time.

How do you get your customers to be loyal to your business? You start with your existing base of customers. Start tapping into your database. Begin to develop rapport with your customers. Start sending them letters, brochures, catalogues, or newsletters. Develop a loyalty club. Or just pick up the phone and thank your customers for their past business.

Whatever you do, make sure it's consistent. Also, make sure you make it easy for people to buy from you. Finally, develop and introduce a 'WOW' factor – where your customer's expectations are surpassed each and every time. Every day you need to get better. And you need a plan that goes further than just providing great customer service.

What should that plan look like? Let's outline seven key action points:

1. Identify your ideal customers. Find out who they are. More importantly, find out what they would regard as 'excellent' customer service.
2. Create your customers' 'Customer Service Vision' – based on the feedback you received directly from your customers.
3. Decide what you can promise your customers. Make sure it is something you can deliver consistently each and every time. The basic rule is to 'under promise and over deliver.'
4. Make sure your entire team is involved. Share the 'Customer Service Vision' with everyone in your company and ask for input on how to consistently deliver it. Then work with your team to make sure you actually deliver.
5. Check up constantly to make certain you are delivering what you promise.
6. Keep improving. As your level of service gets better, move the goalposts. Challenge your business and your team to go the extra mile.
7. Finally, always smile. People (and after all, that's what your customers are!) love to feel special.

Remember, people are always willing to pay for service – when it's the service they desire. If service continues to exceed expectations, customers will continue to stay with you. You'll develop a great competitive advantage, and they'll continue to say great things about you and your company to their friends and associates. ●

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