

Lifetime Value Pays Small Business Dividends

If you are one of those business owners who are constantly lookout for new clients, stop for a minute and think about your existing clients? The answer to your revenue prayers may be right in front of your nose.

Our existing clients are pure gold because they are the people who are most likely to buy from you at any given time. Have you ever stopped to think what your clients are worth to your business over their lifetime? Do you know how long you keep your clients for?

Most of us never give it a thought; is it six months, two years, five years or even fifteen years? Check your records and you may be in for a surprise.

To work out the lifetime value of a client you also need to know the average client spend and how many times a year the average client purchases from you. You now have all the data you need to work out a lifetime value. Simply multiply lifetime by average spend by number of visits to work out the value of your client.

Here's an example:

Let's say you keep your clients for five years and the average spend in your business is \$300 and customers use your services three times a year. That makes the lifetime value of your client \$4,500. So why do we need to know that? Well for a starter, next time Mrs Bloggs calls you up and waffles on as she always does ... don't think of her as Mrs Bloggs who is a pain in the proverbial ... think of her with a little sign on her forehead that says "I am worth \$4,500", it makes smiling and being nice a hell of a lot easier.

It also helps you focus on where to spend your time, energy and dollars when it comes to customer service and marketing. Let me ask a question.

Are you loyal to your hairdresser? How often do you visit, every three weeks, every four weeks, every 6 weeks? And what would you spend there every visit \$100, \$200, \$300? How long have you been visiting that hairdresser, a year, two years, five years, ten years? Do the math ... If you are spending \$200 every month that's \$2,400 per year and if you've been going there for 10 years, your lifetime value is \$24,000! Now, when was the last time your hairdresser told you they loved you? When was the last time they rewarded you for being a valuable client?

So, when was the last time **you** did something special for your long term customers? It's easy to take them for granted but they are a solid source of revenue, so it makes sense to allocate some of your marketing budget to keep them loyal and keep them spending.

For many years I drove a Mazda MX5 and back then they were a great example of understanding the lifetime value of your customer. Mazda know that buyers of their sports and performance vehicles like MX5's tend to be very loyal and often upgrade to new models every 2 - 3 years. That means over ten years a client could be worth over \$150,000.

Mazda developed a program to acknowledge and reward this group of customers. A few months after I bought my first MX5 I received a surprise invitation to a Mazda Driver Day at a capital city motor racing circuit. They had a specialised team of driving experts who travelled around Australia conducting the drive days which are fun defensive driver training courses where you get to push your new car in safe conditions. During the day you tried slaloms, braking and cornering exercises and got plenty of personal driving tips and defensive driving information. The day included lunch and even a "goodie bag" with sunscreen, caps and Mazda merchandise. If you were to buy an off the rack defensive driving course you would have to pay at least \$350.

Can you imagine the loyalty this created with this reward for their customers? The cost of the day is tiny when compared to the lifetime value of their clients ... plus they got 20 – 30 Mazda fans in one place all raving about their cars and of course the company that sold them!!

So, how can you acknowledge the lifetime value of your clients?

- If you are retailer, you could invite your special clients to a pre season launch where one of your suppliers, industry guru or designers can give a demonstration
- If you are a consultant, you could take your top ten clients to a seminar or presentation on a relevant topic, buy them lunch and feel the client "love" in the room.
 - Buy them a relevant business eBook or gift them an extra hour of your time.
- For service businesses it could be as simple as an unexpected gift with their next purchase, an extra month's subscription, a credit they can use later in the year or perhaps a free session.
- You could invite your special clients to a VIP party or event to celebrate their contribution to your business.
- Or you could simply reward them with a bunch of flowers and a heartfelt thank you.

So next time you put together a marketing program to find new clients don't forget the lifetime value of your existing clients and spend your marketing resources to keep those great clients you already have.