

# **If it ain't broke don't fix it**

“A crash course in internet marketing and business development strategies”

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**If your marketing and customer revenue goals are being met, don't distract yourself with how well you are maximizing your market and profitability. But before you decide that these goals are being met, answer these questions:**

- How many potential customers know who you are but are not buying from you?
- How much does each prospect cost you?
- How many prospects do not turn into long-term customers?
- What is your long-term revenue target per customer?
- What is the expected lifecycle of a customer?
- What is the expected revenue from a customer over that lifecycle?

## **Determining if it is broken means Measuring Results**

### ***A quick market analysis quiz***

- Do you know how many qualified potential customers are being reached by your marketing investment?
- Do you have a tracking mechanism to determine the value of your marketing investment?
- Have you considered how many qualified potential customers (prospects) you are reaching with your marketing but losing in your sales process?
- Have you pondered how many sales are lost during your customer acquisition process?
- Have you wondered how many of these prospects will return to participate in your customer acquisition process again?
- Will they respond to the same marketing bait a second time?
- Do you have new marketing bait?

**Do you know how to deliver that bait to your most qualified prospects if they have fallen out of the process the first time?**

### **The distraction of fish jumping into the boat**

Often the perception of success can be distracting, it can cause you to lose focus on things like proper channel measurement and management. When customer demand overwhelms your expectations, proper evaluation of the overall value of the present opportunity is overlooked. Until an organization evaluates and interprets its actual progress using quantifiable means of measurement, sales and marketing opportunity often go significantly underutilized.

When your sales reality is exceeding your expectations, it is easy to ignore market analysis, and channel development. My first experience with this was consulting for a software company that ran an experimental marketing campaign that exceeded their expected call volume by over 10000%! Yes, by over 100 times. Their incoming sales telephone lines were so busy that they did not have time to do anything but take orders. This sounds like a good problem to have until you realized that the dollar volume was so small, that it could threaten the entire business.

Their first reaction was wrong in asking "what can we do to stop the madness". The real question; the profitable question was "How can we maximize the opportunity"?

**Why everyone realizes that they need to fix the roof in a thunderstorm, but nobody pays attention wants to when it's sunny.**

Until there is a pressing need to address an issue it is hard to have it prioritized. Measurement and Management review are often considered "a luxury of bigger companies".

Often however, the results of measurement, and market analysis activities assist a company of any size in identifying, crystallizing, and measuring their goals, results and progress.

When customer demand overwhelms expectations, there are so many alternates that demand attention, evaluation of the overall strategy and review of the entire value proposition of the existing opportunity will be undervalued or totally overlooked. However this is the moment that the harvest lies rotting in the field. During harvest season, that which we do not invest small amounts of energy to harvest will be left to rot in the field, and that opportunity will be lost forever.

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How much opportunity needs to fall on the floor before a business decided to evaluate it and focus on it? Often too much, and to make matters worse, the time that many companies most desperately need the benefits of having maximized their opportunity are the times when the least amount of distraction is desirable or affordable.

## **Your customers may know you, but do you know them?**

**If your company has done a reasonable job at marketing your core competencies to it's properly targeted audience Your Customers Know You! Sometimes they perceive that they are unable to afford you, or your services, Sometimes, your customers are trying to avoid entanglements or distraction from your sales people in the future, but often either directly or indirectly, if your business is gaining any momentum at all, your prospects know you.**

- But do they bother to introduce themselves?
- Do you make it easy to communicate with them?
- Do you know how many there are?
- Do you have a second tier follow-up that allows Qualified Leads to stay informed about your products, services and offerings?
- Do you know how your prospects find you?
- Do you know what they want from your organization?

## **How much do you know about them?**

- Can you describe your ideal customer?
- Do you understand the motivations of your customer?
- Do you understand the customers perceived needs?
- Do you understand the customers actual needs?
- Do you understand the customers perceived wants?
- Do you understand the customers actual wants?
- Do you understand how they are different?

## **And above all else**

- Are you prepared for their current needs?
- Are you prepared for their future needs?
- Are you prepared for their current wants?
- Are you prepared for their future wants?
- Are you prepared to present that information to them?
- Are you prepared for that relationship?

## **The Big Questions**

- What is that relationship with that individual customer worth to you?
- What is the total \$\$\$ value of that long term relationship?
- How is that \$\$\$ value collected over time, and what is the timeframe, how does it grow or change?

**Before You continue take a moment and reflect on the big questions, and how they will impact your decisions about your website.**

## The High Cost of a lost prospect

### Too many companies measure marketing expenses and results the wrong way.

Marketing is an identification, Acquisition, and Retention initiative. The costs and benefits need to be factored over the value of the entire relationship, and a risk of loss assessed. The first and mostly uninformative marketing approach is simply 'How many leads did I get'? The second is "how many sales did I get"? Or even worse simply "how much did I spend"?

Many companies analyze marketing and forecast sales with a method that more resembles reading tealeaves than actually nurturing their core business. Companies that actually develop a long-term successful strategy have a Life-Cycle Plan for a customer. Those companies know the Long-Term value of a customer, and have a unmistakable clarity the cost of acquisition of a customer, and an indication of the conversion rate to acquiring a customer from a prospect, and the life-cycle expense of letting a qualified prospect escape.

A finely tuned sales organization specializes at converting prospects into Life-Cycle Customers. A finely tuned marketing organization specializes at delivering qualified prospects to the sales organization. A finely tuned management team works with sales, product development and marketing to define products and assess opportunities that are viable for customers, and developing the value of that customer over their life-cycle, and to determine the value of those customers.

## The long term value of a prospect

The life-cycle value of a customer comes from the value of the overall relationship. Companies that properly amortize this value are willing to go to great lengths to acquire new customers. The reason that such a large amount of effort is spent in this area is because the cost justification of those lengths are returned over the duration of the entire customer relationship.

For example if a potential customer contributes \$100 of initial income, but as a direct result of that initial purchase that customer provides a recurring revenue stream that is valued at an average of \$6.00 per month over an average period of 42 months then the total value of that customer relationship is  $(\$6.00 \times 42 \text{ months}) + \$100 - (\text{cost of acquisition}) - (\text{cost of maintenance of relationship})$  or \$352 collected over the lifecycle of the customer  $[(\$252 \text{ over } 42 \text{ months}) + \text{initial fees of } (\$100)]$  less the expenses for acquiring and maintaining the relationship.

Now assuming that for each 100 prospects we acquire they result in 3 new customers with a lifecycle value of \$352. For simplicity sake, let's also assume that our cost of maintenance of that relationship over the 42 months is exactly \$52.00 leaving a net balance of \$300 per new customer. For each new 100 prospects that we acquire we have a reasonable expectation of \$900 in revenue or a expected value of \$9.00 per newly acquired prospect.

## The High value of a relationship

The life-cycle value of a customer comes from the direct value that this customer contributes to your organization, but this is seldom the only value that they generate.

Your good customers, your trusted customers also become the word on the street, the influencers of other new prospects. Every new prospect that comes into your organization as a direct referral is a valued worth a minimum of \$9.00 in our previous example, but that is only the beginning. The conversion ratios of these prospects into customers is often much, much higher. Assuming that the value of every personally referred prospect is worth 4 acquired through your standard marketing mechanisms then the basic value of a referred prospect is  $(4 \times \$9)$  giving them an overall value of (\$36.00).

If your good and trusted customers direct an average of 4 new prospects to you over their lifespan then their relationship value then goes up by at least the (\$36.00).

It is commonly understood that your happy customer is your best marketing. So based on the numbers above it is worth an extra \$36.00 per customer on average to keep them very happy above that cash flow that they are contributing on a predictable bases. The more customers you make happy customers, then the greater the marketing benefits, and direct impact to your bottom line.

## The unknown channel and the lost customer relationship

Lost customers have an opportunity cost. Their opportunity cost is much harder to measure. Most people ask why that is, but are confused by the response. Because of things like fixed overhead, as the number of customers increase, the fixed overhead associated with a customer must either go down or change in some way.

For the segment of those costs that are fixed, every additional customer reduces the percentage of the fixed overhead for every other customer.

But that is only the beginning. These additional customers have the potential to increase the marketing power of your existing marketing campaigns, increasing your purchasing power in media buying. Your marketing dollars not only go to direct influencing of potential prospects, but become a reinforcing mechanism for your referral business.

So for each prospect that never becomes a customer, and is never reported as a prospect in your marketing projections, there is an almost incalculable loss of current and future revenue, and a clear understanding of the impact and value of your marketing spend.

## What is the value of your brand

Your customers and prospects recognize your company based on the brand image you invest in. The combination of "Your Marketing Message" and "your customers market experiences" all contribute to your brand image. Your brand image is the sum total of all messages and customer experiences with your company and thus represents your customers' perception of your company. The value of a brand is often hard to measure in finite terms, but describes how a customer perceives your product line, benefits and responsiveness. A brand is like an umbrella that describes the solution space into which you deliver and the perception of the manner under which your customers are served. It also encompasses the manner in which your products and services are perceived as meeting customer expectations and your reputation for ability and reliability in meeting those needs in the future.

As Products and services are changed your Brand changes in width and depth. Depth of brand is the comprehensive variety of the products that a customer needs. Width describes the base of products and services. Increasing the coverage of your brand by expansion of your product line allow for the expansion of the value of a customer and the increased potential value of a prospect.

## Capitalizing on the value of your brand

As your customer base grows, and your brand becomes more recognized your brand image increases the opportunities to leverage your channel (access to potential or existing customers through direct and indirect customer relationships and distribution supply lines). This channel is derived from a trust relationship between your company, your customers, and your distribution partners. In an ideal scenario, the value of this brand will continue to increase and begin to create an unstoppable image in the minds of your customers, competitors, and prospects. This perception of unstoppable domination tends to become a self-fulfilling prophecy if managed correctly. When your customers believe not only in your current ability to meet their needs, but in the assurance that you will be meeting their needs for a long time to come.

This perception also increases the value of each of your prospects at the same time, because over time, as your brand image begins dominate their mindshare. Once the perception of brand as the safe, reliable, trustworthy supplier becomes the standard the momentum increased the rate at which your prospects become customers. Accelerate this brand perception through expansion of image and product range coverage.

## Capitalizing on the value of your one-to-one relationships

Growing the value of your brand is a multi-stage process. For your brand to have any value, it must be associated with characteristics that your target customer base finds appealing and attractive. IBM's strategy for brand image included concepts like Reliability, Stability, Integrity, Strength, and Value. Nowhere in that list was the consideration of price. IBM's value proposition was direct and explicit "When it is critical, cost is not a factor, value is". IBM managed to get that one concept to stick in the minds of generations of managers and decision makers "Nobody ever got fired for buying IBM". That market permeating trust allowed price to become the removed from the value proposition in IBM relationships. Competitors to IBM needed to overcome more than pricing objections, they needed to overcome TRUST. For a competitor to gain a significant foothold with a customer they needed to unseat an entire Trust based Relationship.

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IBM was able to use those relationships to introduce new product offerings that were considered useful and effective before they had ever left the drawing board stage. Why? Because the power of those relationships meant that if IBM was offering it, it was worthy of their consideration because of a long history. Those relationships are what feed long-term growth and sustainability for a company. How do you build long term relationships with your customers?

## Gaining access with your Brand

Leveraging your brand identity for profit in new and interesting ways is the business challenge for the 21<sup>st</sup> century. Successful companies develop not only a reliable brand image, but also an ongoing relationship with their customers. These companies nurture every available mechanism to increase the value of their customer relationships. Increasing their communication and access allow them to better understand and meet the ever changing and demanding needs, wants and desires of their customers.

Successfully increasing this communications mechanism with customers and prospects can be accomplished by exchanging something of value for direct access to both customers and prospects. Developing this type of immediate direct access communications channel with both your customers and prospects allows for increased success and lower costs in new product launches and brand expansion initiatives. It can also be a very effective mechanism for turning "product tourists" (unidentified prospects) into identified and known prospects, and over the longer-term customers.

A direct access relationship mechanism can be significantly less expensive, and significantly more effective than many other types of channel building. These mechanisms also benefit from generally being faster, more targeted, and reliable.

## Your market on autopilot

As your direct access relationship mechanism develops and takes on a life of its own, the effort to nurture and maintain it does not grow significantly, but its impact has the potential to grow at a predictable almost organic rate. This marketing phenomenon has become known as "Viral Marketing", you can't buy it, you can seldom influence it, but you can feed it, nurture it, encourage it, and help to sustain it.

When your unidentified prospects join your direct access relationship mechanism they evolve into something different. These formerly unidentified individuals become more than highly valued prospects and customers. They become the valuable spokespeople for your brand.

These individuals will contribute to the accomplishing the coveted status of "highly trusted brand" through the most effective form of advertising known to man, "word of mouth" while reducing the cost of customer acquisition.

When there is sufficient exchange of symbiotic benefit and value from the relationship, these individuals will assist you in establishing even more of these direct access relationships with an ever-increasing number of formerly unidentified prospects.

These valuable spokespeople are also your next generation customers for however you choose to expand the value of your brand.

## Cross Pollination of your market

Increasing the value proposition to the members of your direct access relationship mechanism requires that you contribute substantial value to them. Note the difference between perceived value and expense here. This value need not necessarily come at great expense to You. Most of the value that you will attempt to generate will cost you very little if anything, in-fact your goal is to make it create value.

One way to create value is to create a repository of knowledge and information that will attract you potential customers like bears to honey.

There are others that will want to leverage your direct access channel, and this can often be done through methods that are valuable to the members of your direct access relationship mechanism.

## Questions to ponder....

- How do you get them to introduce themselves?

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- How are your long term one-to-one relationships with your customers are like maintaining a well manicured vineyard?
- How can Great companies thrive in lousy industries by tapping their own insights
- Why does saying no to conventional wisdom and management gurus get such good results?

## **Final Thought**

**“Simple logic suggests that if you do exactly what everyone else does, you get pretty much the same results. But great successes – and spectacular failures, to be sure – come from daring to be different. And there’s the second part of the answer: Being different often means coming up with the obvious insights that turn industries upside down, and create competitive edge that others toil for decades trying to copy”.**

**Dare to Be Different – Business 2.0 Sept 2004 pg 58**