Are you 'nailing' the customer acquisition process?

BY STUART GORDON

Mark Twain's perspective on humanity was refreshingly blunt, never more so than when he uttered this phrase: *'To a man with a hammer everything looks like a nail.'* And so it is with a theory, be it scientific, psychological or business. The theory becomes the hammer, and every set of circumstances looks like a nail.

For the last year I have been developing a theory (my own personal hammer, as it were) and each marketing scenario I see seems to look like a nail. My premise is simple: all advertising and marketing expenditure boils down to one thing – *allowable acquisition cost.*

Both sides of the marketing coin

My theory combines two concepts. Acquisition cost (what you spend to convert a stranger to a customer) and lifetime value. Because I live in the real world, I know that lifetime value bears little resemblance to actual lifetimes anymore. These days, lifetime value is industry specific and directly proportionate to product lifespan and consumer attention span. Lifetime value is now as ethereal as the concept of sticking with a mobile phone provider once your contract expires. Examples of lifetime value that assume ongoing customer loyalty just don't make sense anymore. Today, lifetime value is one sale—that's it. If you get a second or third sale then that's a bonus, but to ensure that your acquisition costs are realistic you need to calculate your allowable costs on a *single* sale.

I *like* my theory. Not just because it's mine, but because, despite its seeming simplicity, everything fits. Mass advertising, sales processes, direct mail, permission marketing and even internet advertising all encompass the twin principles of lifetime value and acquisition cost—the two sides of the marketing coin.

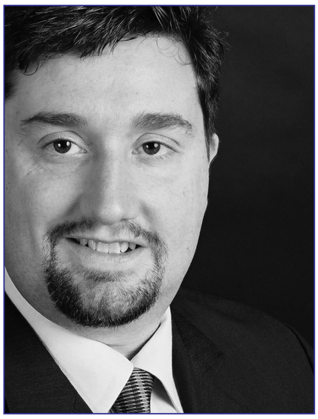
Budgeting backwards

Certainly the majority of businesspeople are aware of these two principles. What's amazing is how elusive these principles can be and how often businesses develop their marketing plans but forget to ask the most vital question: 'How much *should* we spend on this?' Even the greatest plans can come unstuck when the primary focus is on the event, or the creative or the 'face' of the campaign. Sure, these elements are important, but they create a smokescreen that obscures the view of the most critical part. The numbers.

This behaviour turns the budget upside down. Instead of asking what the budget is and seeing how much you can squeeze out of it, wouldn't it make more sense to work out what each client is worth and create new ways to spend less to acquire them? According to marketing expert, Jay Abraham, most businesspeople completely misjudge what a customer is worth and wind up over or under-spending on their acquisition. I have to agree, and what's more, I see this on a regular basis.

Going overboard

I have a client who uses a variety of advertising mediums (including radio and TV) to generate inbound leads to get prospects to attend product-specific seminars. The seminars, a combination of education and sales pitch, yielded uncertain results (some prospects bought, some didn't).



We ran through the costs of the campaign and the client was stunned (sickened, perhaps?) to discover that the cost of getting one person to just walk through the door was $1,500, and the cost of converting an attendee to a buying customer was over *$12,000*. While this sounds horrifying, it's important to look at the big picture—the lifetime value of the customer. Twelve grand sounds like a lot to convert a prospect to a sale, but in this instance it's allowable (just), because of a high-value product and the high likelihood of a repeat purchase.

But the true value of measuring the cost of the campaign is that the client now has the incentive to find new, more profitable ways of achieving the end result. Until we crunched the numbers they had no idea what their costs were; they were just doing what they'd always done, because it seemed to work. They got lucky, but now they're making their own luck by being *strategic*.

Underwhelming the marketplace

Then there are the businesses that *under*estimate allowable acquisition cost and refuse to market *enough*. I have lost count of the number of businesses I know of with thousands of dollars' worth of qualified prospects just waiting to be acquired, yet the powers that be refuse to invest in any marketing strategy at all, even something as cost-effective and simple as direct mail. It's self-sabotaging and counter-productive. To borrow another marketing guru's thoughts—the purpose of business is to *create* and *keep* a customer (thank you, Peter Drucker). This dual focus is vital for businesses to survive in a booming economic market, let alone in the tumultuous times we are currently experiencing. A strong customer acquisition strategy is imperative if your business is going to succeed and grow into the future.

Flipping the marketing coin

If you want to really 'nail' your customer acquisition process, you must ensure that the concepts don't overshadow the cost, and that the first step you take is discovering the true lifetime value of each customer you hope to create. All marketing is a gamble, but with the right information and a killer strategy you can absolutely increase your odds of winning.

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Why do some people outperform others?

BY CANDY TYMSON CSP

I was recently reminded (yet again) just how effective setting goals are. My husband Jeremy and I sat down to work out a plan of where we wanted to be and what we wanted to be doing by 2010. Within six months we had achieved more than half of it!

SMART goals have been around for many years. SMART is an acronym for S: Specific & Stretching; M: Measurable; A: Attractive; R: Realistic and T: Time-Framed (depending on which management book you are using—some of the letters may stand for slightly different things). There is no doubt that this formula is a good one for setting goals. But how do you stay motivated to achieve the goals once they have been 'smarted'? What type of goals generates the best results?

Creating Goals That Motivate

We all have goals and yet so many people give up on their goals, or fall well short of the mark, so I was interested to read research undertaken by industrial/organisational psychologist, Edwin Locke who has come up with 14 Key Findings as to what goals need in order to work.

(Locke's study was based on 40,000 subjects, ranging from children to research scientists, in eight countries, in both laboratory and field settings, more than 88 different tasks, time spans of 1 minute to several years...very credible research!)

Some Key Findings

Here are 5 of the 14 findings—some of which won't surprise you:

- Difficult goals lead to greater achievement
- Specific and difficult goals lead to higher performance
- Commitment to goals is most critical when they are specific and difficult
- High commitment to goals is attained when the individual sees it as important and obtainable
- Goal setting is most effective when there is feedback showing progress

Difficult Goals Motivate

I remember when I was the Lady Mayoress of Sydney and decided to get together a committee of some of Sydney's leading personalities to raise $250,000 for charity. Well the $250,000 was my goal—but it wasn't big enough for the group; it just didn't excite them, until one of them said: "Let's raise $1million in one night". Suddenly everyone was motivated and started brainstorming how it could be done. The more difficult goal gave us all a greater sense of challenge and we were excited by how big the goal was.

The goal was also very specific—$1 million in one night. This enabled the group to have a clear focus, and they developed a formula that everyone believed would achieve the result. Another interesting dynamic happened—everyone wanted to be part of the group that achieved this goal. Because it was difficult and specific, a high level of commitment existed in the committee to get the result.

Getting Commitment

According to Locke's findings, high commitment to goals is attained when two things occur. Firstly, the individual must be convinced that the goal is important; and secondly, they are convinced it is obtainable (or at least progress can be made towards it). In organisations, commitment can be enhanced by effective leadership where the leader provides an inspiring vision—and is seen as a role model in working towards achieving the goal.

Leadership Techniques to Obtain Commitment

- Provide & communicate an inspiring vision
- Act as a role model
- Expect outstanding performance—express genuine confidence
- Delegate responsibility for key tasks
- Enhance capabilities through training
- Ask for commitment in public

(Source: Locke & Associates 1991)

Importance of Ongoing Feedback

When we undertook to raise $1m in one night we recognised the importance of having ongoing feedback during the six month planning stage. The group met and reported progress fortnightly; members who were not meeting their commitments were supported and encouraged, and sometimes tasks were reallocated; we shared and celebrated our successes along the way; and by announcing our goal publicly we received consistent feedback from outside influences too.

Making It Manageable & Achievable

When I discovered the concept of 'chunking' (that is breaking a large project down into small, manageable pieces) my approach to goals changed dramatically. When the task is a big one, it can often be seen as overwhelming and therefore you just don't start it. A good example is when we moved house. Not only were we buying and selling properties, we also had to decide what to do with all the things we no longer needed, including the 15 cartons the kids had left behind when they moved out, and fifteen years of earnest hoarding. We approached it one drawer at a time, one box at a time, one room at a time. This was manageable and very rewarding as each chunk was a milestone in itself and we felt a sense of achievement as we completed each small task—towards the larger goal of sorting out the whole house.

SMART goals really work. In hindsight our goal to 'raise $1million dollars in one night' was very SMART—and of course, we achieve it!

CANDY TYMSON

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Networking beyond your graduation

BY ROBYN HENDERSON CSP

5 biggest mistakes graduates make when looking for employment!

Congratulations! You graduated with high grades, had a great social life whilst attending university, made lots of friends, some who will be lifelong connections. Even managed to save money juggling your part time job. But now the prospect of securing a permanent job in a tight marketplace is not looking optimistic.

Let's look at ways of increasing your chances of getting a job with your employer of choice.

1. Take a networking audit

The biggest mistake graduates make is not keeping track of their campus contacts. Smart networkers start building their connections from Day 1 of attending university, never knowing who they can help or who can help them. **They build their networks before they need them.** The bigger picture is, you have spent three or more years with a large group of people studying a variety of subjects at the same campus. Obviously some of your connections will be stronger than others; your network expands by the potential size of the campus, but only if you bother to make an effort to meet people along the way. It's not too late. Take time today to list the number of people in your network—regardless of whether you think they have contacts in the industries or professions you want to work in. Make sure your details are correct on the alumni listings.

2. Tell people what you are looking for

Be clear on what you want. BE pro-active with your job search. Don't waste people's time with a vague "I want a job!" Be specific: "I am looking for a graduate position in the banking and finance area; I know there is a freeze on hiring with some organisations, but I would like to make contact before the freeze is listed. Do you know anyone who works for XYZ or SSS (mentioning your employer of choice)?"

There are so many different ways of reaching your contacts today: *Facebook, Twitter, YouTube,* text messaging, emailing, phone calls and even the good old letter. Match your communication with the communication style preferred by your connection. Often messages go unanswered because they are in the wrong format. Obviously the above message will need to be shortened to suit the social media format, but the principle still applies: be clear on what you want.

3. Be prepared to be flexible

Have a master plan! This doesn't mean planning the next 50 years, but it does mean at least the next three to five years. Permanent full time work in some professions is a distant memory. Job share situations, 2-3 day contracts, seasonal high volume work followed by months of nothing, weekend work without penalty clauses—is potentially what the employment landscape will look like in the future. If you are adamant that you want a Monday to Friday, 9–5 role, with parking provided, high salary, low expectations, you have a long wait ahead. Getting a toe in the door of your preferred employer with a part time or project based role allows them to see how good you are. Be prepared to work at one role and build your networks within the organisation so that once you have proved your worth, you will be in a great position to apply for other roles within your master plan.

Graduates who make the mistake of rigidly stick to their inflexible career plans often spend months, even years, looking for work. Yes, you will hear the phrase, "you are way too qualified for this role", so prepare a response that you believe will be acceptable to your potential employer.

4. Ask for help before you need it...

Possibly this article has been forwarded to you by someone who knows you will be looking for work in the future—fantastic—you won't make the mistakes. However, if you are spending hours online looking for work and not getting anywhere, make a list of people you respect and whom you consider to be industry experts. These may include your lecturers, campus staff members, current students active in alumni activity, social or special interest groups—people who you believe know about the industries where you are seeking work. Allocate a few days when you could meet with them or set up a time for a phone call with them. Don't make the mistake of being unprepared for this call. Email the 2–3 questions that you would like answers to. Their time is valuable; don't waste it.

5. Find work for someone else

The Universal Law of Reciprocity is one of three laws forming the basis of networking; what you give out comes back tenfold. If you want a job find a job for someone else. When you are studying the current jobs available on-line keep an eye out for one for another graduate mate of yours, whose needs are slightly different. If you miss out on a job, tell a mate about it. You might not be the ideal candidate but they might be the one.

Information is gold but only when you share it. And the best networkers are those who regularly share information, ideas, leads and help others with their needs. They know in their hearts that networking can open any door in the world for them once they are clear on what they want and make it easy for people to help them.

All the best with the job search. And when you meet current students at your campus encourage them to network BEFORE they need to.

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Forget what you sell—nobody really cares

BY IVEN FRANGI CSP

We all know that customer growth and retention is important. In the market conditions we are experiencing it's critical. A number of business commentators have pointed to a 'green shoots' recovery. That said, some businesses have skipped retention as an issue and set a course for growth.

There are two actions you can take to ensure that the downturn will be an opportunity rather than a potential downturn or disaster.

1. Invest NOW, reap the rewards for years.

The Strativity Group's 2009 Customer Experience Management Benchmark Study has some interesting and profitable outcomes for businesses that want to grow. The study was based on the responses of 869 corporate executives from North, South and Central America, Europe, Asia and Africa. 80% of executives surveyed said that customer experience strategies are a more important, and growing part, of their business agenda than they have been in the past three years, despite the economic conditions.

In the last edition I looked at how customers, you and I, are being more selective about where and how much we spend. So if you invest in your customers and how they experience your business what's the outcome?

Show me the money. The businesses that have invested 10% or more in CE have shown a significant ROI. In contrast to the businesses that spend less than 2% of revenue on CE, those that spend 10% or more have:

- Significantly lower attrition rates
- Referral rates that are at least twice as high
- Are twice as likely to have satisfaction scores of 81% or more.

One strategy with two outcomes. Less attrition and more referrals. That is a strategy that will achieve the twin goals of retaining existing customers and revenue and growing the customer base with referrals and increased revenues. This is also the best way to stay away from pricing as the big stick in the bag of marketing options.

2. Understand 'Mind Share' precedes market share!

The challenge for many businesses is that they are engaging their customers far too late in the experience cycle. Think of it this way. There are some people with whom you have higher trust levels with when you meet them because you have heard about them and how they conduct themselves from other people. The same effect is happening in the market place.

The challenge is that the product based model we have been using is now outdated. This outdated model tried to differentiate using the features and benefits explanation. The supplier told us what they wanted us to know.

Now the competition for brand and product loyalty is taking place in the mind. It's all about Mind Share. The rule now is that *Mind Share comes before market share.*

Here is an exercise I use with clients. Try it yourself. Where you would go if you had to get a new set of tyres for your car today? Got an answer? My audiences have fairly standard sets of responses. To which group do you belong? Around 80% know where they would go. The majority of this group know the name business they would choose: Jax, Bridgestone, Beaurepairs, Bob Jane or the local one like Fred's Tyres. Some don't know the name, but they do know where it is and how to get there. This group has high Mind Share. Asked about a particular product or service they don't have to look it up, Google it or check the Yellow Pages. A particular brand has taken up residence in their mind. Is this you?

The second group (around 10%), mostly women, don't know who they would use. What they do know is who they would ask, who can tell them, where they should go. Typically it's husbands, fathers or another trusted adviser. Again this group has Mind Share in operation. The only difference is that it's not their mind they are using.

The third group (around 10%) have a standard answer. "I will go where I find the best deal." These price shoppers will always chase the supplier that benefits their wallet.

If I asked customers in your market sector who they would choose what would they say? That's the challenge. To get your customers to be as clear about your business in your market as you are likely to be about tyres. It's all about Mind Share.

To generate Mind Share you must engage the customer earlier in their evaluation process—become a known entity and start the process of building trust.

Here's the key. It's about what you solve not what you sell. It's how you position yourself in that market segment. Apple competes in the mind space with 3M and Selleys for innovation in what they do. All these brands are seen as solutions and enhancers of the tasks of life. Nudie and Boost Juice compete in the same Mind Share space as Subway and Woolworths for fresh food.

Actions:

- Decide what you solve, not what you sell.
- Build and invest in a customer experience that supports it. Like the brands mentioned.
- Tell the market what you solve and Mind Share will follow.

You don't have to have a big budget. You do need a customer experience that will help your customers remember what you solve.

IVEN FRANGI

Iven is Australia's specialist on creating Magnetic Customer Xperiences. His latest presentation is titled *The Upside of a Down Economy.* Iven can help you and your teams create xperiences for your customers they can't get anywhere else. So they don't go anywhere else.
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