

Customer Strategy Report

CUSTOMER ACQUISITION



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By Terry Sullivan

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www.6ToFix.com

Introduction

Businesses Need New Customers to Grow

Customers are essential to growth and value for every company with significant human and financial resources expended every year. Getting new customers is always a high priority, but a closed sales does not always equate to the "right" customer.

Key Take-Aways in this e-book

This e-book was designed to be a quick read with the following key take-aways:

- Why "strategy" is essential in today's digital environment

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- How Customer Lifetime Value (CLV) can shape your efforts
- The impact of Customer Acquisition Cost (CAC) on customer recruitment

Customer Acquisition typically accounts for the majority of time, money, and effort spent from both Sales and Marketing—effectiveness and efficiency matter.

To learn more about Customer Strategy and the 6 To Fix Marketing Strategy Framework for your small business, please visit www.strategicglue.com or email info@strategicglue.com.

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1. Customer Acquisition

Businesses Need New Customers to Grow

Considering the importance of new customers to most business, it makes sense that Customer Acquisition is a top priority comprising strategy and execution. Recruiting new customers has never been more difficult. Today's business environment is fraught with competition across town, across the country, and across the country. What's more, there are so many messages, screens, and platforms, that while there are more mediums with which to communicate, it has never been more difficult to reach prospects.

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Strategy is needed to convert leads into prospects, and prospects into customers, which typically integrates Sales *and* Marketing. But a lot of stars must align before a prospect becomes a lead: you need to reach the right prospect with the right message at the right time through the right medium. That doesn't "just happen."

Sticky Thought: Customer Acquisition Means Smart Marketing

2. Customer Strategy

Customer Acquisition Requires Strategic Thinking

Most business goals and expectations are predicated on hitting a sales number, yet so many goals and expectations are inconsistent with the strategy and execution to gain new customers. Digital is different—but it's not magic.

It has been widely reported that prospects are much further down the funnel than they have been in the past. Why? Because self-education and research have become the de-facto methods of learning about a product or service. More than 70% of all website visits begin with a search. The sales rep is no longer the gatekeeper to

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pertinent information and hasn't been for a long time. If prospects want to self-inform, aren't we impeding sales and brand value if we're not assisting them through valuable, educational content on our websites and social media?

Given how people research online, it is important for management and team members to accept that the selling environment has changed dramatically. Alignment on goals and expectations is essential between all stakeholders, and developing a sound yet *actionable* strategy is critical in acquiring new customers effectively and efficiently.

Sticky Thought : Goals and Expectations Must be Managed.

3. CLV and CAC

Customer Acquisition and Knowing Your Numbers

Customer Acquisition Cost (CAC) and Customer Lifetime Value (CLV) are two sides of the same coin. Unfortunately, that coin is often overlooked like a lost penny on the street.

Strategy, Expectations, and Results

Customer Lifetime Value (CLV) sounds complicated, but it's pretty simple: CLV is how much a customer is worth to the organization over their lifetime of doing business with you. But CLV informs you about how much you could or should spend to acquire a new customer. Let's take a look.

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Profit per customer

x

of years as a customer

-

Customer Acquisition Cost (CAC, Sales and Marketing)

= CLV

Now, let's assume the following for each of those customers:

Profit per customer is \$200

x

The average customer stays with the company five years (5 x
\$200 = \$1,000)

-

CAC (\$250)

= CLV (\$750)

Customer Acquisition Cost (CAC) is how much you should spend on a new customer. CAC is typically determined by

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adding-up your sales and marketing costs for a given period (i.e. one year) and dividing by how many new customers were acquired in that period.

Example: \$50,000 sales and marketing spend/100 new customers = \$500 CAC

If CAC is higher than CLV, that would likely result in a non-profitable customer relationship or long break-even period. Conversely, if CLV is a lot more than CAC, the company may consider investing more money in customer acquisition to accelerate growth or increase market share.

Most companies expect to break-even on customer acquisition costs within a year, but every business is different. Not every sale is good; CLV and CAC inform companies on how much should be spent on new customers versus how much value customers bring to the business.

Sticky Thought: Know Your Customer Numbers.

4. Marketing and Sales

Two Fingers on the Same Hand

Marketing and Sales should be two fingers on the same hand but are often pointing fingers at each other. Marketing says Sales doesn't follow-up on leads, and Sales says the leads aren't qualified.

Marketing and Sales Alignment

According to TeleNet, it takes 8 attempts to reach a prospect, yet Sirius Decisions states the average sales rep only makes 2 attempts. Google serves 5 billion searches every day. Corporate Executive Board says 57% of the

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“buyer’s journey” is completed before the buyer ever talks to a sales rep. Why? Because prospects are doing their own research via websites, social media, videos, and podcasts.

Customer acquisition entails building relationships with people who are immersed in digital technology. Their behaviors, actions, thoughts, and feelings are informed and transformed by the digital environment. People have changed. Shouldn’t our customer acquisition efforts? And shouldn’t our sales and marketing be *integrated*?

Companies with aligned sales and marketing generated 208% more revenue from marketing.
-MarketingProfs

Sticky Thought: Sales and Marketing Integration is Smart Sales and Marketing.

5. Inbound Marketing

Would you rather be pushed or pulled?

Inbound Marketing and Content Marketing are “marketing” terms, but probably mean little to those outside of marketing. They might be more aptly named something like, “The way people purchase has fundamentally changed, so the way you market and sell should change, too.”

Prospects Want to Learn, Not Be Sold

More messages. More screens. More technology. More social media. More complexity. The old way of pushing

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messages out to prospects is difficult, expensive, and largely ineffective.

Inbound Marketing is about *pulling* visitors to your website, educating them into prospects, and ultimately nurturing them (along with help from Sales) into Customers. How? By producing content that can be found, consumed, and acted upon by visitors who are interested in your brand or the type of product or service you provide.

Easy? No. Effective? Yes. Inbound Marketing requires substantial strategy and execution. Content helps position your brand's leadership and authority, and creates loyalty among prospects whom you educate into Customers.

Do you want to control the messaging your prospects hear or allow your competition to be their voice of credibility and authority?

Sticky Thought: Value is a Two-Way Street.

6. Account Based Marketing

Deep focus versus wide focus.

Account Based Marketing isn't new, but when integrated with Inbound Marketing and Sales methodologies, ABM can produce results that are indeed, new and improved.

Leads are generated. Accounts are earned.

Specific accounts are the focus in Accounts Based Marketing. Rather than targeting a segment or detailed persona, ABM targets accounts in ways that are more strategic, focused, and personalized - like a target market of one.

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Narrow Your Focus

A primary challenge in B2B sales is navigating decision influencers as well as the ultimate decision maker(s). Even in small companies, there are often multiple decision makers and/or several influencers. The premise of ABM is to build relationships throughout an organization and provide personalized marketing to facilitate deeper engagement resulting in opportunities to earn sales that are more probable, profitable, and strategic to your company's growth goals.

Sticky Thought: Less is Always More.

7. Data and Analytics

Manage what you measure.

Integrated Marketing and Sales is still part science and part art, but it is more data and technology than ever. And it requires significant strategy and planning, not to mention pre-planned and sometimes unplanned, execution.

Data and Analytics = New Sales and Marketing

Sales and Marketing have long been about metrics, but activity was often difficult if not impossible to measure based on data availability.

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Marketing Automation, Customer Relationship Management (CRM), and Analytics have enabled smarter as well as more effective and efficient customer acquisition and customer retention.

However, new challenges exist such as determining which data to collect; review and analysis; and acting on insights. Tools like Salesforce and HubSpot offer myriad reports, but human input is essential to make informed decisions consistent with goals and expectations.

Sticky Thought: Data Requires Time and Resources.

What Are Your Challenges?

Most businesses face similar challenges. The 6 To Fix Marketing Strategy Framework focuses on six key strategy areas that marketing can and should affect to foster small business growth and value creation.

Let's talk about your business challenges!

Visit strategicglue.com or email info@strategicglue.com.

About the Author



Terry Sullivan is the owner of Strategic Glue, a marketing consultancy that focuses on helping small and mid-size companies with marketing strategy that fosters business growth and value creation.

With 30 years of marketing experience as an entrepreneur, consultant, and corporate executive, Terry has started several small businesses (including the successful sale of his first company), worked for a variety of small and large

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companies, and consulted with a vast array of clients in numerous industries.

An Adjunct Professor in the School of Communications and the School of Business at Webster University in St. Louis, Missouri, Terry develops and teaches a wide variety of marketing-related courses. He studied English and management as an undergrad and has a master's degree in International Business from Saint Louis University.

Terry resides in St. Louis, Missouri, and is married with two sons. He enjoys songwriting, movies, reading, exercising, and occasional skateboarding.