

THE
CUSTOMER ACQUISITION
FORMULA

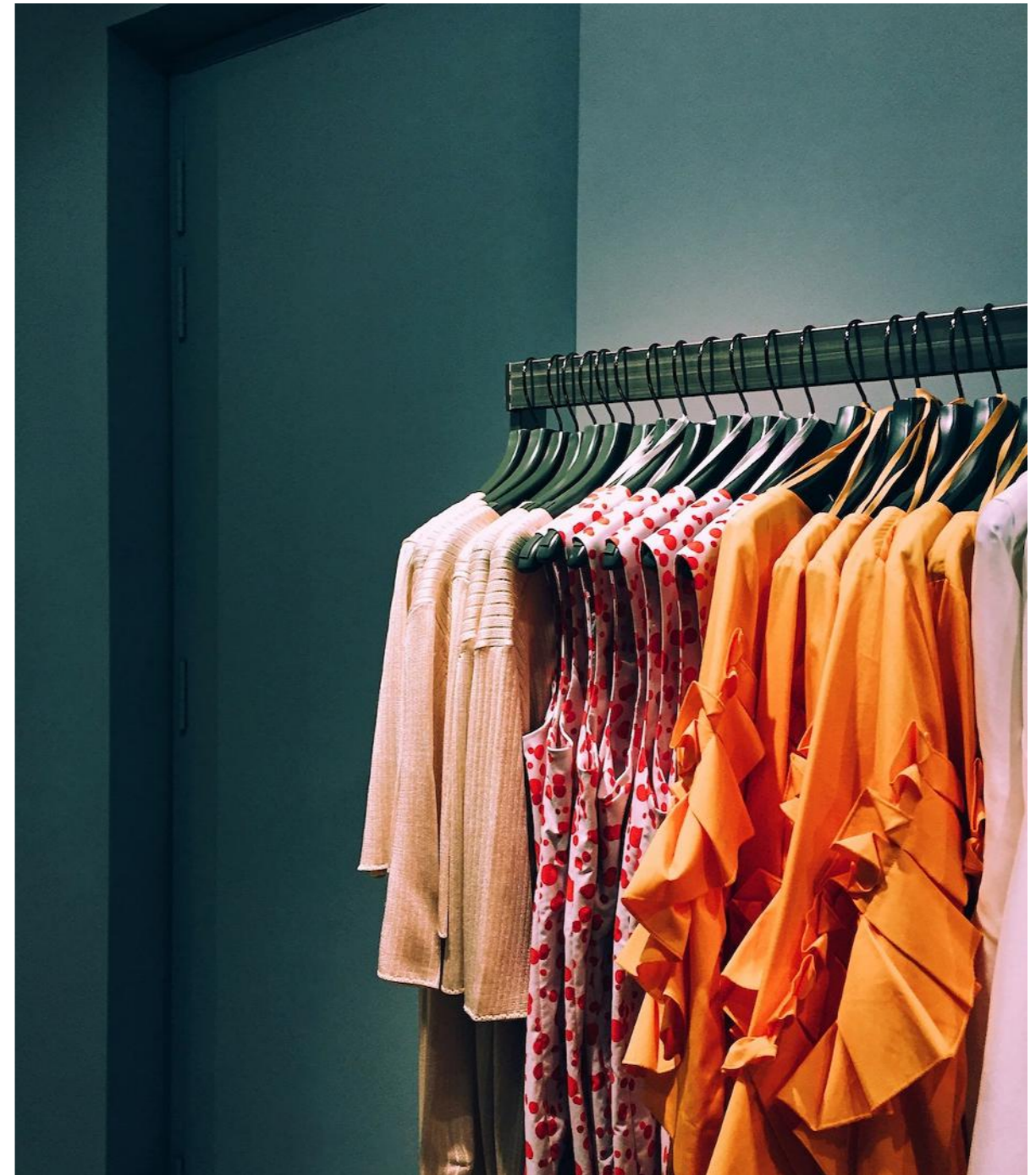
Getting new customers to your store, whether online or a physical store can be a costly exercise.

In this book, I want to help you avoid wasting thousands of dollars, like I did, in my first year of owning a retail store.

I was spending endless money on flyers, newspaper ads, Facebook ads and other digital marketing marketing, but I just didn't seem to be getting the returns (ie, cash in the bank).

So I'd like to show you where I went wrong - my biggest mistake I made when marketing, so that you won't waste thousands of dollars, like I did.

In this book, I'll show you the Customer Acquisition Formula - **how to work out the value of a customer**, and **how much you should be spending, to acquire new customers.**





Let's start by working through how much a customer is worth to you. I promise to make this as easy as possible, plus I've got a great Action Calculator you can work with included as a bonus.

We all need new customers and I'm sure you've heard that it's far cheaper to market to an existing customer, than to acquire a new customer. And, there's a reason they say that - cos it's true!

You don't just need customers when you first start out, to survive, you'll need a continuing stream of customers as the weeks, months and years go by.

All of this hinges on the customer life cycle.

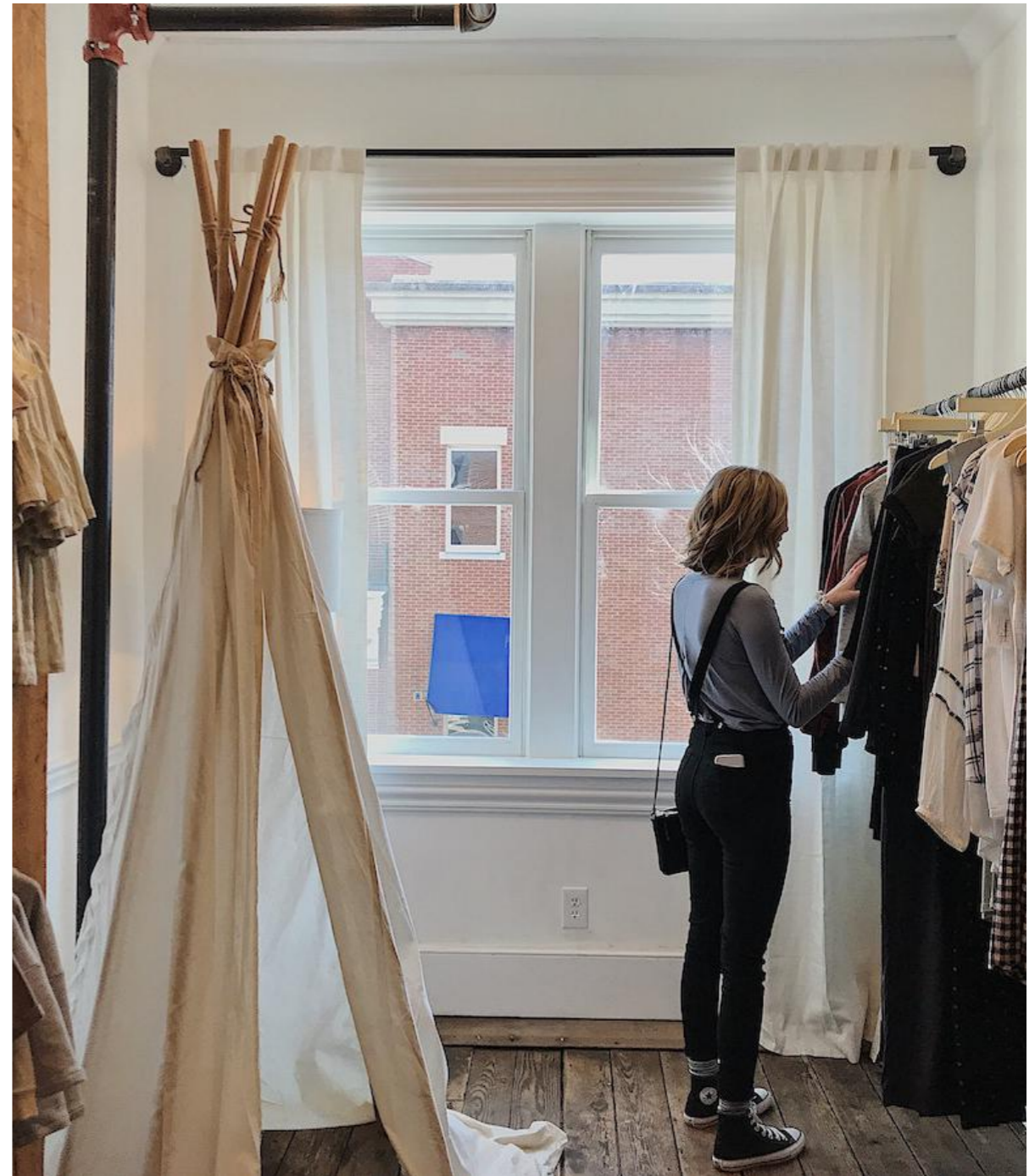
The Customer Lifecycle

A lot of retailers simply aren't aware of how the customer lifecycle impacts their entire business.

The Customer Lifetime Value dictates:

- How often you'll need new customers
- How much a new customer is going to cost you.
- How much should you spend to find a new customer, educate them and then turn them into a sale

An important metric that once mastered, will give you an edge on your competition!



In Practice



Let's say you have **1000 customers a day** to your ecommerce site and **30 sales totaling \$3000**.

Your **conversion rate is 3%** (that's middle of the road for an online store), with an **average spend of \$100**.

You estimate your customer has a **lifecycle of 1 year** and they **purchase monthly**.

With an average spend of \$100, once a month, for 12 months, **each customer is worth around \$1200** in revenue to you. This number is often referred to as the lifetime value of a customer and knowing this will provide the basis on how much you should be spending to acquire each customer.

How Much Do You Spend To Acquire A Customer

Why is it important to know what a new customer costs?

Quite simply, because it will help you work out:

- Whether a campaign is **profitable**
- If a campaign has been **successful**
- It will help you **budget** for marketing expenses and **plan** future campaigns.

BUT WHAT YOU REALLY WANT TO KNOW IS.....





HOW MUCH YOU SHOULD SPEND TO GET NEW CUSTOMERS?

Generally speaking, **around 30% of the lifetime value of the customer should be spent on acquisition**, so for our example customer, you would think, we could spend \$400 on marketing to them.

But.....

Remember right at the beginning, we talked about how many people **actually bought**, of all of the customers that came into the website/store.

So whilst you can spend \$400 on an actual customer, you need to factor in that not every person exposed to your marketing is going to buy.

And this is where so many people go wrong. They don't understand that you MUST know your marketing conversion rate in order to complete the Customer Acquisition Formula

Understanding The Metrics

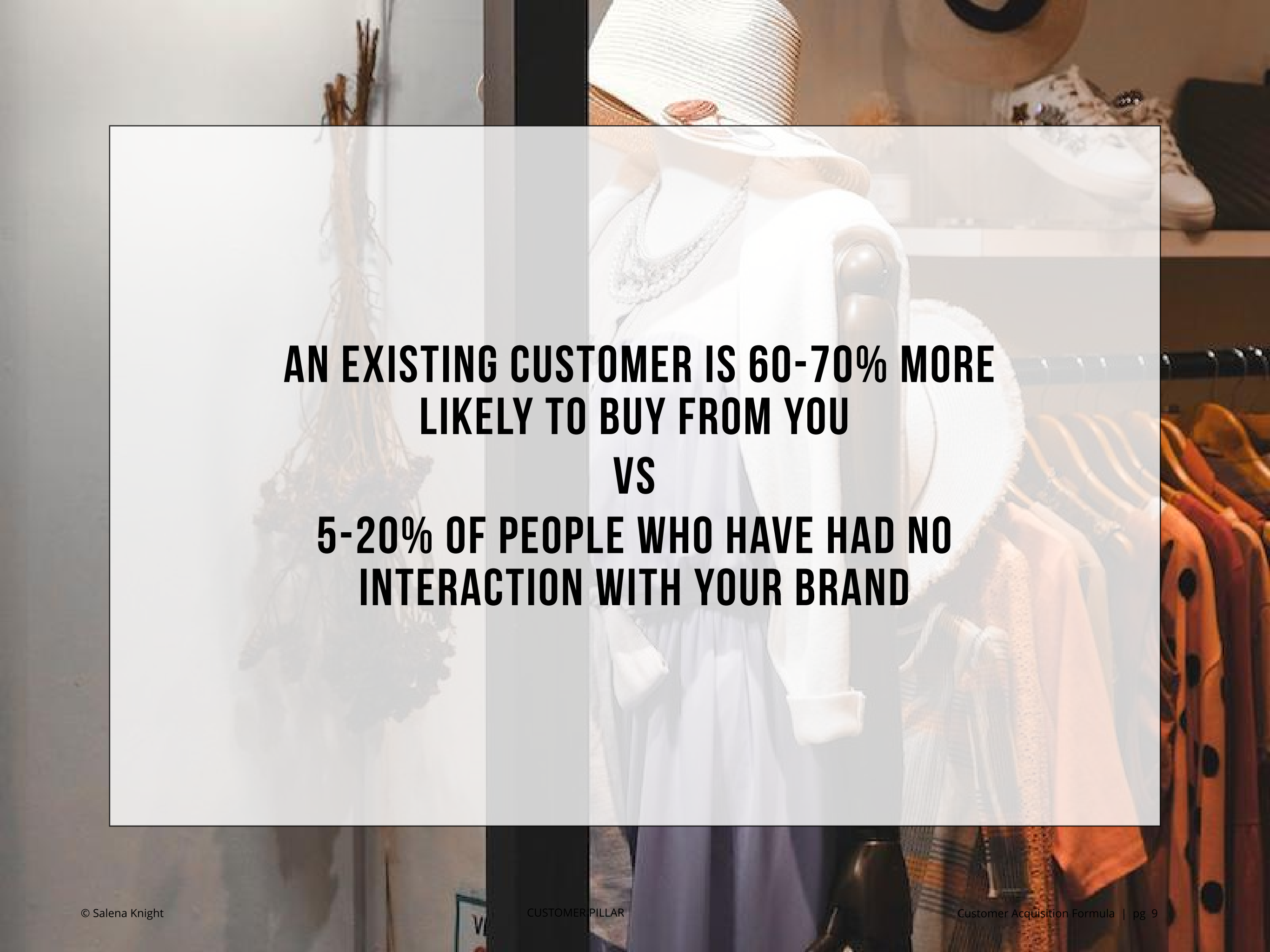


When you run any marketing campaign, you need to know what your desired outcomes are. It's easy to get caught up in the dollars – how much money did a campaign cost you, vs. how much revenue it brought in.

But you also have to factor in another side of the equation – how many **potential** customers did you get (ie how many people did you add to your customer database, that didn't buy). I point this

out, as it's important to make sure that you're **capturing customer data whenever you run a campaign** – don't just assess a campaign purely based on revenue.

Any person who has come into your store as a result of a campaign, or has signed up to a workshop, or visited your website has already indicated they are interested in what you sell. It's now up to you, to get them to purchase!



**AN EXISTING CUSTOMER IS 60-70% MORE
LIKELY TO BUY FROM YOU
VS
5-20% OF PEOPLE WHO HAVE HAD NO
INTERACTION WITH YOUR BRAND**

The Real Value of A Customer

In order to get a customer into your retail business, whether it's instore or online, there is usually a cost associated.

Customer Lifetime Value (CLV) is a long-term marketing number.

It is super important, because it's a calculation of the overall value of a customer, rather than simply focusing on single transactions. It changes your viewpoint from focusing on "cheap" customer acquisition strategies, to one that is more wholistic, where you embrace the idea of nurturing customer relationships. After all, it's so much cheaper to sell a product to an existing customer, who already loves what you do and what you sell, than it is to go out and convince someone who's never heard of you before, to come and purchase. Jump in and find out how Customer Lifetime Value can change your whole marketing strategy.



Real-life Example

FOR EXAMPLE:

You run an ad to get people to sign up to your newsletter list.

	TOTAL AD SPEND	NUMBER OF CUSTOMERS/EMAILS	COST PER ACQUISITION (CPA)
Facebook Ad	\$200	100	2
Instagram Ad	\$300	50	6
Google Ad	\$500	30	16.66

At first glance, it looks like Facebook is the clear winner when it comes to Customer Acquisition and you should be sinking all of your marketing budget into that channel.

However, that can be a short-sighted marketing view. If the Facebook generated customer only purchases once, with an order value of \$30 will net a profit of \$2800 from that marketing spend.

The Instagram ad, whilst more expensive to generate lead, brings in a more loyal customer, who returns five times over their lifecycle, spending \$30 each time, generates more than double the revenue.

The most expensive customer acquired, was the Google ad. At a whopping \$16.66 per customer, it would be easy to dismiss the platform and quietly seethe at how much money you “wasted” on that campaign.

FOR EXAMPLE:

You run an ad to get people to sign up to your newsletter list.

However, the Google acquired customer, spends \$30, loves your store to pieces and comes back 10 times, before they retire from your customer funnel. That Google ad will net you a smaller 'fan' base, but those customers are super loyal, they tell everyone they know about you, and **they generate triple the revenue of the Facebook driven customer.**

	TOTAL AD SPEND	NUMBER OF CUSTOMERS/ EMAILS	COST PER ACQUISITION (CPA)	CLV	TOTAL OVERALL REVENUE	TOTAL PROFIT
Facebook Ad	\$200	100	2	\$30	\$3000	\$2800
Instagram Ad	\$300	50	6	\$150	\$7500	\$7200
Google Ad	\$500	30	16.66	\$300	\$9000	\$8500



And it's not just financial gains.

Repeat business brings with it customer loyalty. Those customers that become raving fans, that bring their friends and share your social posts. They are actually worth a lot more than just the revenue they generate.

Use the Customer Lifetime Value Calculator on the next page to see just how your marketing strategies could change, when you focus on long term customer loyalty and building customer relationships.

The Formula

Average Customer Order Value	
Average Number of Visits Each Year	
Number of Years A Customer Is Retained For	
Total Number of Lifetime Visits	
CUSTOMER LIFETIME VALUE	

Don't let math hold you back!

The formula is actually very easy.

Grab you average customer order from your POS or website dashboard.

Then grab the average number of visits per year and the number of years you retain a customer (your system should tell you this as well, but if it doesn't, take an educated guess.)

Then simply multiply the total number of visits by the average sale, and voila! you know what a customer is worth

SHORTCUT - CLICK HERE TO ACCESS THE PLUG & PLAY CALCULATOR