

Customer Lifetime Value – The Key To Maximizing Your Profits!

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By Larry Lim

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The greatest asset to your business is your Customer, specifically, your Customer Lifetime Value.

In my many years in Sales and Marketing, I've met many CEOs and business owners who don't have much clue as to what Customer Lifetime Value is, much less its importance and the impact it has on their bottomline. To most of them, what matters most is to increase revenue by continuously acquiring new one-shot customers.

This is one of the fatal mistakes that many business owners make; it's a sad scenario, but it's also the reality. Let me tell you something: it'll cost you 5 times more to attract a new customer than it is to bring one of your past customers back to you.

I don't know you personally, but if you're a smart business owner, you'll understand that every cent you invest in advertising is going towards acquiring new customers. You'll also realise that once you've acquired the customers, you just can't afford to let them go.

So what's Customer Lifetime Value?

Customer Lifetime Value is defined as the total value, in monetary terms, of your average customers spanning the entire period that these customers are likely to do business with you. It's the potential contribution of your customers to your business over a period of time.

Here's how to calculate your Customer Lifetime Value:

1). Let's say you've 2,000 steady customers and these customers remain with you for an average of two years; for the past two years, your net profit was \$700,000.

The Customer Lifetime Value can be calculated as: $\$700,000/2,000 = \350 .

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What this means is that over an average customer lifespan of two years, each new customer you could acquire and keep is worth \$350 to you in profits.

2). If you do not have the actual figures, you'll have to estimate. As the Customer Lifetime Value will have a significant impact on your bottomline, my advice is that you be prudent and conservative in your estimation.

Why is it so important to you and your business?

Lifetime Customer Value is important to you and your business for the following reasons:

1). Knowing the Lifetime Value of your customers is crucial to you and your business as it serves as a benchmark without which you'll be groping in the dark.

When you know the Lifetime Value of your customers, you can determine how much time, effort and money you can afford to invest to acquire that customer in the first instance.

In other words, you can invest more today to reap a much larger profits later down the road as long as your cashflow is healthy and can support it.

Every marketing campaign that you undertake costs you money as well as reaping you benefits such as increased sales, enhanced corporate image, etc. But how can you be sure that the benefits would outweigh the costs or investments? This is where knowing the Customer Lifetime Value is so powerful – it helps you to determine this even before you launch your marketing campaign.

2). When you realize that customers are actually an ongoing stream of revenue as opposed to a one-shot sale, you can re-focus your marketing efforts.

Instead of constantly struggling to acquire more and more new customers, you can now begin to focus on keeping your existing customers longer and selling to them repeatedly, in other words, repeat sales.

You may spend more like making stronger and more attractive offers than your competition in acquiring new customers now who will be your money spinners tomorrow.

This makes sense because you now know that on average you'll more than make it back over the years that the customers are with you and therefore you could afford to break even or even lose money now in acquiring the new customers.

Start shifting your focus to Customer Lifetime Value and maximise your profits today.

Start to have a proper understanding of Customer Lifetime Value because it's key to the success of your business. It'll allow you to acquire more customers than your competition through better and more attractive offers; it'll dramatically increase your bottomline through more repeat sales and shoot your profits through the roof.

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Larry Lim is a practising marketing strategist and tactician who dishes out effective marketing strategies and tactics that will enable you to successfully start and grow your business on the Internet.

Check out his website –

– that is jam-packed with secret marketing

information that will skyrocket your sales, and shoot your profits through the roof. Copyright Larry Lim, MarketingSphere

More Profits in Your Website Hosting Business

By Raynay Valles

If you run a website hosting business, you already know the challenges in the business. Thousands of competitors are just a click away, ready to undercut your price.

Potential customers see hosting as a commodity and shop by price. Several directories like Hostreview, Acehosts and Hostindex make it easy to comparison shop.

How can you get more profits from your business under these conditions?

FIRST, GET THE CUSTOMER

Calculate the lifetime value of your customer. For example, let's say the average customer stays with you for 15 months and pays 16.95 a month. That means their lifetime value to your company is \$254.25. So every customer you acquire makes your business (on average) \$254.25.

If a visitor comes to your website, then leaves to comparison shop, you have more than likely lost that sale. Have you invested in sales copy that compels your visitors to buy from you? Does your website help him to see that you are the best choice for his situation? Showcase your credibility, guarantee services and offer incentives to try your service. Make it easy to buy from you.

NEXT, KEEP THE CUSTOMER

Because each customer is hard-won and the value of the customer is so high, you'll want to make sure you have the support services that keep your customers happy.

Once a customer leaves you for another website host, he's gone forever. You probably already make customer service a priority, with email answered in a timely fashion and well-trained technical support. Go the extra mile. Don't wait for customers to contact you. Ask your customer how you're doing.

THEN, SELL MORE TO THE CUSTOMER

The customer has already bought from you. There is familiarity and trust. You can easily offer

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complimentary items to your current customer list.

The major concern of your customer is how to succeed online. It's easy to offer online marketing tools, ebooks and additional services. It can be as simple as joining an affiliate program for an item your customer may need, then making him aware of the item.

Focus on these 3 areas, getting the customer, keeping the customer and selling more to him. You'll enjoy higher profits in your website hosting business.

Resource: Raynay Valles is a Marketing Specialist and author of Profitable Website Hosting. Find out how to get the report at

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