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Customer Service – The Key to Increased Customer Lifetime Value

By Mike Martone

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Last month we discussed building credibility and trust at your website, so that visitors feel comfortable buying from you. That is half of the battle. The more important part is increasing the lifetime value of each customer, that is, getting your one-time buyers to be repeat customers. There are many factors that go into this: marketing; product quality; and the consumable nature of the product or service you sell. However, if you have poor (or non-existent) customer service, you can forget about repeat business.

Since none of us is running a large company (I assume) and don't have much of a budget—if any—for customer service, all of the tips and resources in this article are either free or low-cost. Customer service for small businesses is typically provided via sweat equity.

Ground Rules

First, some common sense ground rules for providing good customer service:

- 1.The more ways you have to contact you the more assured the potential and repeat buyer will feel in coming back to your site. We will look at many of these ways in this article.
- 2.Respond quickly! There is no point to having many methods of contacting you (e.g., email, chat, voice mail) and then fail to respond in a timely manner. It will just turn people off. Better to have less contact methods and be diligent in responding to issues or requests.
- 3.Be proactive. Since we want to minimize the amount of time spent with customer service (and so do our customers!), provide as many ways as possible to answer common questions and problems as possible. Obvious solutions to this are FAQs and email updates.
- 4.Ask customers how you're doing. Get feedback about your customer service from those who use it. Are the FAQs comprehensive? How hard was it to get in touch? Did you get your problem solved? This will enable you to improve your service. You may have to offer a freebie to get people to respond. There are many free sites that provide surveys and polls for your website, including:
<http://www.pollwizard.com>; <http://www.visitorpoll.com>; <http://www.pollit.com>; <http://polls.whatiz.com>

Now that we have that out of the way, let's discuss the common low-cost methods of customer service that we can use.

EMAIL

Yes, this is an obvious one, and is a minimum requirement for every website. You should have a specific email address for support requests (typically support@yourdomain.com). I have all email to this address forwarded to my MS Outlook mailbox and I use filters to color it red. This way I can take a quick glance and see if anyone is requesting help.

FAX

Some people like to use FAX, especially if they don't want to send messages from their work email. You don't need to own a FAX machine; you can get free FAX receive service that goes straight to your email. The two popular services are <http://www.efax.com>, and <http://j2.com>. You will have to pay if you want to send faxes.

USER FORUM

In the old days it was called a bulletin board system (BBS), now they are user forums or groups. This is a great way to provide support, mostly because if you can get enough people to use it, your customers will help each other out! People will request answers to problems that others may have already had, and they can respond with the answer. However—you must make an effort to participate in the group and answer questions as much as possible, at least once a day. You can also post updates and message digests to common problems in the user group as well. The best place to start a group is at <http://groups.yahoo.com>.

CHAT

Chat is very popular on the Internet, and is becoming a popular tool with customer service as well. The chat software is free and includes products from AOL, MSN, and Yahoo, as well as mIRC and ICQ. Personally, I feel that ICQ is the best product to use for a business site. You can get it at <http://icq.com>. The only drawback to chat software is that they are proprietary and can only work with users that have the same software. So if some of your customers use MSN Chat, and some use AOL Instant Messaging, then you need to have both on your computer. There are a few chat programs that are capable of working with multiple chat services including the ones I listed above. These programs are: Jabber at <http://www.jabber.com/index.shtml>, EWZY at <http://www.cactusvisionsoftware.com/ewzy.htm> (which includes an autoresponder), and my personal favorite Trillian at <http://www.cactusvisionsoftware.com/ewzy.htm>.

There are more sophisticated software and services that you can use if you have larger needs for customer service. These include advanced chat with transcriptions, video, voice chat, etc. Take a look at the following sites: <http://www.humanclick.com>, <http://www.phplivesupport.com/>, or go to http://www.ecommercetimes.com/product_guide/live_interaction/ to see a current list of live interaction services and software.

VOICE and PHONE

Another method that really gives customers a "warm fuzzy" is being able to contact you by voice, such as a voice mailbox or live phone call. You can typically rent a voice mailbox from AT&T or other provider at a low-cost. Just make sure you return people's calls! A great way to talk to customers for free (or low-cost) is to use a Voice-Over-IP software product such as Net2Phone (see <http://web.net2phone.com>). This provides you a way to call anywhere in the country for 2 cents a

minute, and great overseas rates as well. I use it for personal calls a lot. The great thing is that if others have this software, you can talk from computer-to-computer for free. So put the download link to the software on your web site.

OTHER SERVICES

If you want it all in one spot, look into ureach.com (<http://www.ureach.com>). They have A unified messaging service that includes call forwarding, voice mail, fax, email, file storage (30MB), PDA address book synchronization, pager notification, ICQ integration, all in a single interface. You can also access messages via your WAP mobile phone. Some of their features are free others are not. Their plan info can be found here:
<http://www.ureach.com/help/planinfo.htm>.

Finally, you should track your problems (outstanding and closed) for historical purposes. Most of us are able to do this using either MS-Word or Excel. If you need a more sophisticated trouble tracking software, the only one I found that looked decent and didn't cost a mortgage was Request Commander (about \$30) at <http://www.nestersoft.com/requestcommander>.

Good luck!

Mike Martone is the webmaster at <http://www.profitmonkey.com>, editor of the free newsletter Ebiz Edge, and author of the ebook '7 Days to 700% More Traffic'

Customer Lifetime Value – The Key To Maximizing Your Profits!

By Larry Lim

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

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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 .

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

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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.

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

Customer Lifetime Value – The Key To Maximizing Your Profits!

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Customer Service – A Lost Art?

Increasing Sales with Customer Interaction Points

Communicating Value

How to Gain and Retain More Customers

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