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Lifetime Value Online?

By Kim Wingate

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In "Big Time Banner Advertising," we discuss the importance of establishing an acceptable level of return for your promotional investments. This number becomes the criteria for what is deemed a success and what is deemed a failure. How you determine this number is not only critical to the success of your advertising efforts, it's also critical to the ongoing success of your business in general.

Many dot-coms make the mistake of using a "lifetime value of a customer" calculation to determine their success criteria. They estimate how many purchases a customer may make from them over a long period of time. Then they calculate how much profit will be contained in all of these purchases. They will then use this "lifetime value" figure to determine how much they are willing to spend to acquire this customer. This is how some of these dot-coms can rationalize spending nearly \$100 in promotional dollars for every unique customer buying \$20 worth of books or CDs.

Do lifetime value calculations even make sense in an environment where "switching" is so easy? In the online business environment, it's very easy for your customers to simply click away to a better deal or a more appealing offer. Online, there are fewer opportunities for true customer lock-in. Sure, our customers have a certain level of familiarity with us that helps gain their loyalty. And, we may also offer our customers rewards or incentives to encourage their loyalty. But when compared to an offline lock-in such as the location of your nearest grocery store,

these types of online lock-in are clearly far more fragile.

Many online businesses find themselves in serious trouble when they acquire customers based on a lifetime value calculation that simply never materializes as their customers click away to the latest deal of the day.

In "Big Time Banner Advertising," it is recommended that a cost-per-order target be used instead of lifetime value. A cost-per-order or CPO target simply allows you to treat each order as a one-time event. By setting a CPO target, there is no guesswork as to what a customer may be worth to you in

the future – you know exactly what customers are worth on a per-order basis.

For example, based on your product margins and average order size, you may determine that \$5 is the most you can pay for each order while still meeting your business objectives. This number becomes the CPO target for your marketing efforts. Marketing efforts that achieve this target CPO or better are "keepers" while those that don't get killed. A banner ad that costs \$1000 and drives 250 orders is a keeper. A newsletter ad that costs \$100 and drives 5 orders doesn't get renewed.

By using CPO targets, you are relying less on "what may be" and relying more on "what is" to make your marketing and advertising efforts more efficient, effective, and profitable.

4 Alternative Ways To Gain Lifetime Customers

By Auggie Diaz

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You will always have more people that turn down your offer than actually buy. They might not have bought because of your price, payment options, or any other possible reason. You will just end up losing all these potential lifetime customers. However, there are many ways you can minimize the loss of these prospects.

One way is to accept barter offers for your product. Maybe the person can't afford to buy your product. They may have something you could use in your business or personal life. If the barter deal isn't fair

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enough, either of you could add in some cash. You may not make money but, they might buy other products you offer.

Another way is to include a negotiation offer at the end of your ad copy. Tell your reader if there is something they don't like about your offer, they could contact you and negotiate a different buying offer. They may not like your price, guarantee, shipping methods, payment options, etc. You can gain a potential lifetime customer by being flexible with your offer and negotiating instead of losing them.

A simple way to attract lifetime customers would be to give people a freebie. The freebie should be related to the other products or services you sell. You may not be getting paid for the freebie, but you will get a lot more people using one of your products because it is free. If they are impressed by your free product there is a high chance they'll buy your other products in the future.

The last way is to sell your product at the price it costs you to produce or buy it. You will usually sell more products at a lower price than your competition which equals more potential lifetime customers. You will break even in cost but you'll make your profit from the upsell and backend products you sell your lifetime customers.

This Article is Present by veteran internet entrepreneur Auggie Diaz Auggie serves as the president KAM INC a Internet based company that runs a network of internet sites that provides small and home based business opportunity information. For over 20 years Auggie ran a \$100 Million region as a sales manager . Related

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