

The Magic Number

Hi, Mike Maunu here. In this video I want to talk to you about the single most important number that you as a business owner needs to know to scale and grow your business, period, end of story. Unfortunately probably 90 to 95% of you watching this and the rest of the business owners out there don't know the answer to the question. Now why should you listen? Well for the last 40 years I've been a serial entrepreneur, business owner, business executive coach. I've helped companies go from startup to nine figures per year in the direct response industry. I've been around.

I say that just to give you a baseline on how I know this number and why you need to know it. What that number is and what the question is, what's your long term customer/client value? In other words, how much is a new customer or client worth to your business, in the first order, the first 30 days, 6 months, 1 year, and in lifetime? Without knowing that number you have no idea what you can spend to acquire that customer and/or client. Without knowing that then you make bad decisions. That's the thing that causes businesses to go out of business and the high failure rate. Even in today's world of social media, just throw up a webpage, just get on Facebook, Twitter, LinkedIn and you know, get all these customers, well you're competing with every other business owner that's doing the exact same thing as you are.

Usually the only thing that most business owners know how to do to differentiate themselves is to sell based on price, because they don't have a value proposition. They don't have a USP. Those are subjects for another time and another place and another video. Let's get back to the long term customer value. Let's say that customer to you, or client ... I like to use the word client. I learned this from a mentor of mine, Jay Abraham, years and years ago, decades ago, that a client ... When you take on a client you owe a fiduciary responsibility to never sell that client less than what they need to get their outcomes they're looking for nor take advantage of them and sell them more.

I do this all the time because for the last 17 years I've had an online eCommerce company, 60% of my business are physicians and the other 40% are consumers. I always try and make sure they're getting the correct amount of whatever they need to get the results they're looking for, because I don't want people talking bad about my company, and the same thing for you. I use the term customer and client somewhat interchangeably, but you want to take that client effect.

What can you spend to acquire that client? Now let's say that you're advertising on Facebook and it's costing you a dollar to get a lead. Let's say it takes you 10 leads to get 1 client that generates you \$1,000. Great, it cost you 10 bucks. Let's say you do the same ad and you do it in the newspaper, you do it in the Yellow Pages or you do it in Google or you do it in some other form of medium that may cost you 20 or 30 or 40 or 50 or even \$100 to get that client. Well I've seen some business owners that will say, "I'm not going to spend ... That's too much money," totally forgetting about the fact that that client was worth \$1,000 to them. Each method of marketing or advertising is going to have a different cost factor, but as long as it's under the threshold of what that client's worth you should be willing to spend it.

Now, if your ad dollars are finite, you don't have enough to spread that thin to go that why, then what you need to do ... The next thing is to figure out, well, where do my best clients come from, because not all methods of advertising bring in the best results? Business owners found that out the hard way when Groupon started many years ago. Maybe you got sucked into that as well. You advertised on Groupon, you had thousands of people that came in, they took whatever the deal was but they never came back and they never spent another penny. Groupon got rich and it almost caused a lot of people ... I know some businesses, they went broke because the staff they had to maintain in order to satisfy that client, the increasing business. There are strategies that you have to use when using Groupon. That's for another time and another video, or another call.

Getting back to that, you need to take and list out your advertising, what you're advertising, what it's costing you to acquire that customer, because what the customer's worth is always going to be the same, unless you've gone a little bit further down that rabbit hole and you know that customers that come in through a newspaper ad spend three times as much and three times as more often. Then guess what? That customer's worth far more even if it costs you 10 times more money to get that customer from the newspaper ad. I see so many business owners, so many marketers, so many experts in the space, they're always spending so much time in the minutia of learning things like Facebook and LinkedIn and all these different modalities and all these different tactics, trying to save pennies, trying to save a dime.

I tell them, hey, what you need to be spending your time on is how do I get that customer when they come in to spend more and buy more often. How do I get the salesmen better trained to convert and close that customer or that lead that calls on the phone, if you're a service-based company where you go to somebody's house or you're an attorney or a CPA or whatever it happens to be. There's better things to spend your time now. I guess that comes back to, are you working in your business or on your business? So many business owners are spending 30, 40, 50 hours a week just working in their business that they don't have time for the things they want to do like family, friends, golf, sports, animals, food, travel, whatever they want to do, because they're so in their business because they want to know all this stuff. You need to know it because if you're working with somebody then you need to know what's working and what doesn't.

The other thing that knowing your long term customer value allows you to do is it allows you to know the most amount you can spend to get that client, and therefore you can outbid everybody else. So many of these online ... Whether it's Google or Facebook or LinkedIn, everything's competitive. You may be a roofer that is trying to get your ad in front of people that might want a new roof, but there may be a guy who's trying to sell a car that makes more profit than you do. They're willing to spend more money to get that ad in front of your same potential client. You're not competing just against the same people in your industry, but you're competing against others that are in other industries that your typical client is their same demographics. Well if you don't know your long term customer value then you don't know what you can spend. The guy who has more profit can spend more money and he's always going to outbid you. That's one thing these people don't think about. Why? They just don't have the experience. That's how you have to look at your business.

What I would suggest to you is to get out a piece of paper if you don't already. Use a computer. Use Excel, whatever you're good at. Start listing down all the different ways in which you

advertise your product, what it's costing you to get a lead, what it's costing you to get a customer, how many leads do you need to get a prospect in the door, or whatever your metrics are that you need to measure your business with, to find out what that customer's worth. Then what you want to do is figure out a way you can make the customer value more, because in the last video I talked about, most people focus on one thing and that's just getting more customers and more clients in the door. They never get them to buy more. They never get them to buy more often. They just forget about them. They go back to, how do I get someone new in the door?

It's so much easier to market and advertise to those who have already bought from you once, provided you've given them a quality experience. You didn't take advantage of them. You delivered results. They got just what they needed, not too little, not too much. They'll buy more often, but most people never ask them to. Even if you don't have another product to sell them, you might be able to find another product or service that's complementary to what you just sold them. I can go on and on and talk about experiences like that in my past and working with clients or in my own businesses. You need to put these things down. You need to figure them out. You need to stop this, whatever you're doing after you're watching this, and you need to figure out your numbers, figure out your metrics and how you can exponentially increase your business.

It's the fourth quarter of 2018. What you do this quarter is going to set up what you do in 2019. You better get your ducks in a row and make it happen. You owe it to yourself to know your numbers, because if you don't know your numbers, no one knows your numbers, and you don't know what you can spend. Oh, I forgot. See, when I talk I just think of new things I could talk about. Let's say you have salespeople. Maybe you can incentivize your salespeople to go out and get new leads by giving them a bigger percentage of the upfront money because you know what the long term value is on the back end. You're going to make it on the back end. If you're here staying business and it's not ... You're not here today and gone tomorrow. It's better to incentivize your salespeople instead of trying to pay them just enough to keep them from quitting. Pay them more, but then also give them the responsibility. They have to maintain whatever their normal business is, or put some qualifiers on that, or tier it.

I remember 40 years ago I got started in the sales industry on the phone and in investments. We were incentivized by how many sales we got. If we got five we got a bump on all five of them. If we got 10 we got a bump on all 10 of them. It incentivizes them to make more money. To close this off here, let me give you a little example of why long term customer value is so important. I don't know, maybe it's been 20 years ago. I live down here in the desert. Guthy-Renker's right here, the famous infomercial company. One of their best-selling infomercials is a product called Proactiv skincare. It's like 30 bucks a month. You can get the first month free and then they bill you for it at the end of the 30 days, blah, blah, blah.

Well, at this time, the last time I had checked or done anything it was four or five years ago, but the numbers were ... It cost them about 220, \$230 to acquire that customer with their free offer. Imagine going negative for 7 months until it paid off, but they knew the lifetime value of that client, customer, was another, I think it was 13 to 17 months that they would make a profit out of that, so 17 times 30 is 510 bucks, including the original 210. That 1 customer was worth \$750, but it cost them \$250 to acquire the client. Now I'm not saying that you have to go negative,

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because a lot of business owners can't afford to go negative, but if you can at least break even and you know you can make X amount past that point, you're money ahead.

Again, know your numbers. I apologize for rambling. I hope you got some value out of this. If you did, give me a like, give me a love. If you've got a question about this whole process, leave it below. You got a comment you want to make? Go ahead and make it. If you know someone who this video would help that owns a business, please share it with them. Share it on your page. I'm sure they'd appreciate it. I'd appreciate it as well, but in the meantime there's nothing to buy or do anything with. I'm just creating these videos to help my son who's now 19 and he's now in the marketing space the last few years. I thought these also might help business owners out there in today's marketplace since the economy's booming and you need to put these things in place to really take advantage of it. Thanks for watching. Have a great day or evening, whenever you're watching it. God bless.

If you'd like to book a time to discuss your business click the link or go to www.talkwithcoachmike.com.