



Advertising
Specialty
Institute®

“Understanding The Lifetime Value of Your Client®”

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Introduction & Takeaways for Today



- Understand the LTV Formula
- How this metric aids in better marketing
- How it ties back to classification & vertical markets
- Establishing a sound client base
- Increasing profitability above the norm
- Streamlining your time management
- Building a lean, exciting business



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EVERY STEP OF THE WAY™

Explanation of a Client's Lifetime Value

What is a Client's Lifetime Value

“The Lifetime Value of a Client is a statistical formulation of either historic or predictive data.”

** Simplified Definition:

“A Customer's Lifetime Value represents a customer's value to a company over a period of time.”

** Reference: Exponea.com



Studies Show

“6X\$ more costly to acquire, than to retain a client”



Mark Hunter

The Sales Hunter Podcast

“The lifetime value of a customer is not just the business can do with them over a lifetime, but ALSO, **who they can introduce you to!**”

Two Types of CLV

Customer Code	Customer Name	Vertical Market	Class	2016					2017						
				YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %
		Accounting		529.50	176.50	3	120.00	40.00	22.83%	845.65	285.21	3	230.11	110.04	24.61%
		Accounting		0.00	0.00	0	0.00	0.00	0.00%	514.24	514.24	1	209.64	209.64	40.77%
	Total Accounting			529.50	176.50	3	120.00	40.00	22.83%	1,459.89	304.91	4	439.75	134.94	36.97%
Customer Code	Customer Name	Vertical Market	Class	2016					2017						
				YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %
		Automotive		203.90	203.90	1	260.71	260.71	37.02%	0.00	0.00	0	0.00	0.00	0.00%
	Total Automotive			203.90	203.90	1	260.71	260.71	37.02%	0.00	0.00	0	0.00	0.00	0.00%
Customer Code	Customer Name	Vertical Market	Class	2016					2017						
				YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %
		Banking and F		55,316.74	1,843.89	30	18,828.15	627.41	34.04%	2,790.48	232.54	12	834.08	69.51	29.89%
		Banking and F		2,688.61	336.08	8	881.79	110.22	31.37%	1,258.84	419.61	3	399.66	66.55	15.86%
	Total Banking and Finance			58,005.35	1,540.46	38	19,669.94	517.63	33.91%	4,049.32	309.98	15	1,233.74	68.02	25.53%
Customer Code	Customer Name	Vertical Market	Class	2016					2017						
				YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %
		Construction		1,428.30	1,428.90	1	586.30	586.30	41.20%	0.00	0.00	0	0.00	0.00	0.00%
		Construction		297.60	297.60	1	74.60	74.60	25.09%	0.00	0.00	0	0.00	0.00	0.00%
	Total Construction			1,726.30	863.14	2	660.70	330.20	38.37%	0.00	0.00	0	0.00	0.00	0.00%

Historic

What you currently know about your clients, data you can analyze.

Predictive

Numbers you can project, based on relevant data and experience.



Historic It's ALL In The Numbers...

				2016					2017						
Customer Code	Customer Name	Vertical Market	Class	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %
		Accounting		529.50	176.50	3	120.90	40.30	22.83%	945.65	315.22	3	330.11	110.04	34.91%
		Accounting		0.00	0.00	0	0.00	0.00	0.00%	514.24	514.24	1	209.64	209.64	40.77%
	Total Accounting			529.50	176.50	3	120.90	40.30	22.83%	1,459.89	364.97	4	539.75	134.94	36.97%

				2016					2017						
Customer Code	Customer Name	Vertical Market	Class	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %
		Automotive		703.99	703.99	1	260.71	260.71	37.03%	0.00	0.00	0	0.00	0.00	0.00%
	Total Automotive			703.99	703.99	1	260.71	260.71	37.03%	0.00	0.00	0	0.00	0.00	0.00%

				2016					2017						
Customer Code	Customer Name	Vertical Market	Class	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %	YTD Sales	Avg. Order Size	# Orders	Profit	Avg. Profit Per Order	Avg. Gross Profit %
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	Total Construction			1,726.30	863.15	2	660.70	330.35	38.27%	0.00	0.00	0	0.00	0.00	0.00%

You can look at a projected sales and profitability number

Predictive Marketing

Original Understanding

- Know the size & scope of clients
- Anticipate behavioral similarities
- Targeted and strategic
- Tailored direct to client content
- Analyze data frequently
- Manage engagement
- Scale for better efficiency

New Program Developed and Results

“Scalability is Imperative in Marketing”

The Periodic Table of Predictive Analytics

An overview of top predictive tools for B2B organizations

Predictive analytics are increasingly important to businesses as they become more scientific in their sales processes. Most companies collect large amounts of data, and predictive tools allow sales and marketing teams to apply that historical data to future events in order to boost their efficiency, save time money, and drive more sales.

KT KnowledgeTree															KS Kenshoo	
SF Salesforce.com	TO TopOPPS													GS Gainsight	EN Enfusen	
EX Exacaster	SP SalesPredict	SW SalesWing											BA BlueNoise Analytics	NA Nanigans		
S iSense	IN Infer	CL Clari	T Terminus	ML Madison Logic											HS Hearsay Social	VH ViralHeat
LE Lattice Engines	LS LeadSpace	IS InsideSales.com	AF Affinova	MR MobileROI	AD Adobe	AL Alteryx	BI Birst	I IBM	SA SAP	FR FirstRain	PR Preact	DX DataXu				
ZI ZoomInfo	ES EverString	RD RingDNA	EC EngageClick	SF Salesfusion	EL Eloqua	AN Angoss	DO Domo	OS Opera Solutions	SS SAS	ZE Zementis	TO Totango	MS MarketShare				
IV InsideView	FT Flitpop	FI Five9	MA Marketo	SW SWRVE	TE Teralytics	AI Argus Insights	GD GoodData	PE Pentaho	TS Tableau Software	TW 24/7	MI Mintigo	RI Radius Intelligence				

- Sales & Marketing
- Predictive Scoring
- Sales Acceleration
- Targeting
- Business Analytics
- Social Media
- Customer Engagement
- Customer Success
- Marketing Optimization

KnowledgeTree uses Data Science to predict winning content that boosts sales productivity, equip reps with best practice tools that accelerate sales, and determine what content most effectively advances deals. [Learn more!](#)



Predictive Marketing

Original Understanding

- Know all client information
- Goal: Increase Membership
- Spend: \$5,000.00
- Targeting: 5,000 residents
- Deliverable: letter & brochure
- Outcome: 100 leads / 2 new members

New Program Developed and Results

“Scalability is Imperative in Marketing”



Why is a CLTV Important to Your Business



- 24 Hours, that's it.
- Work with the right clients and industries
- Prospecting to the right clients and industries
- Long-term financial affects
- Focus and target relevant marketing
- Determine your client acquisition costs
- Make overall better decisions

Critical KPI's to Uncover the CLTV



KPI – Key Performance Indicators

- (AOV) – Average Order Value
- (F) - Purchase Frequency
- (GM) – Gross Margin
- (CR) – Churn Rate
- (CAC) – Cost Acquisition Cost

Classification Levels

Evaluating Clients and Prospects

- **A** – class act
- **B** – above average
- **C** – middle tier
- **D** – lower tier
- **E** – baseline
- **F** – FAIL / Dump



Various Criteria

- ✓ Sales Volume
- ✓ Profitability
- ✓ Opportunity to Grow
- ✓ Relationship
 - ✓ Open
 - ✓ Communicates
 - ✓ Disposition
- ✓ Collectability A/R
- ✓ Refers



Lesson from my Dentist
**“Ignore Your
Teeth, and
They’ll Go Away!”**

**“Ignore Your Clients
And They Too, Will Go Away!”**

Average Order Value KPI's

KPI – Key Performance Indicator

“Average Order Value”



Sales ÷ by number of orders = Average Order Value

Methods to Improve the AOV

Suggestive Selling

Packaging ~ Kitting ~ Fulfillment

Company Stores ~ Print Management ~ Programs ~ Awards ~ Accessorizing

This can be done by client or a vertical market

Purchase Frequency KPI's

KPI – Key Performance Indicator

“Purchase Frequency”

“Number of Orders Placed by a Client over a Period of Time”



Methods to Improve the P.F.

Deep Dive Reporting

Pull reports on prior years purchases ~ Send reminders

Prototypes ~ Virtual Samples ~ Spec Samples ~ Over-run Samples

This can be done by client or a vertical market

Gross Profit Margin KPI

KPI – Key Performance Indicator

“Gross Profit Margin”

Total Sales – (COG) Cost of Goods = Gross Margin



Methods to Improve the GPM

Look At Value Added Services

Stop looking a promotion codes ~ Know your Value
Look at Accessorizing ~ Packaging ~ Kitting & Fulfillment

This can be done by client or a vertical market

Churn Rate KPI

KPI – Key Performance Indicator

“Length of time a client stays active with your company”

“Turnover Rate”



Methods to Improve the CR

Deep Dive Reporting

Pull reports on prior years purchases ~ Send reminders

Prototypes ~ Virtual Samples ~ Spec Samples

Over-run Samples – Enhance the client experience

Stay engaged, regularly and consistently

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Determining the CAC

KPI – Key Performance Indicator

“The cost of getting a client to buy your goods and/or services”

Client Acquisition Cost

CUSTOMER
ACQUISITION



Methods to Improve the CAC

Monitor ALL Marketing Activities

Manage your marketing efforts – Know the costs – Track expenditures

Don't forget you include your time – Focus on high-spend/profit accounts

Scale your marketing processes, Stop starting from scratch

KEY HERE is to Reduce These COSTS

Creating Relevant Marketing that Sticks



- Post Cards
- Pop-Up Cards
- White Papers
- BLOGS & VLOGS
- Dimensional Mailings



Ways To Improve CLTV



**Customer
loyalty**

- Invest in a “Customer Experience”
 - Interactive Website, Relevant Social Media Engagement
Client Portal, Surveys, Market Regularly, engage with Video
- Start a Loyalty Program
 - Be Mindful of Transparency, Ask the Question, Company Store with Premium Products and Reward Codes
- Recognize & Reward
 - Free Shipping or Art, Client of the Month, Donation In-Kind
- Close the Loop
 - Be Proactive, Survey, Active Listening my Experience with Roger Clarke

Studies Show

“6X more costly to acquire, than to retain a client”

Real Life Example Predictive

“PICA Marketing Group” Marketing Diner Show

Original Understanding

- Clients NEED connectivity
- Leverage technology & community
- Keeping it simplistic
- 78 **existing clients**, 78 attendees
- 5 vendors, 6 presentations
- \$275,000.00 in new business

New Program Developed and Results

“Creativity & Quality Engagement, made the difference”



Real Life Example

Predictive

“The Imprint Source, Inc.”

Original Understanding

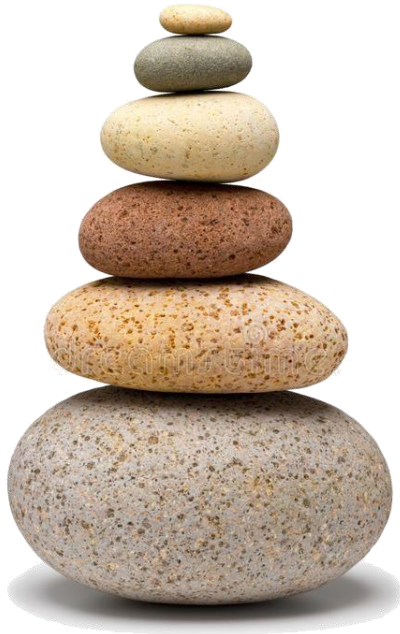
- Goal: Reactivate Dormant Accounts
- Spend: **XXX**
- Targeting: 76 - A/B level clients
- Deliverable: Box & puzzle
- Outcome:
 - 40% reactivation

New Program Developed and Results

“Identify top tier only”



Summary



- Develop a Strategy to Include
 - Have a balanced sales portfolio
 - Classification
 - Segmentation
 - Understand your CLTV
- Review your numbers regularly
- Create a balanced marketing strategy
- Make sure everything is consistent

Questions and Comments



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[SurveyMonkey.com/r/CH_22](https://www.SurveyMonkey.com/r/CH_22)

What Questions Can I Answer Today?



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