7 Assessing the value of your current base

Growing your current customer base

There are three main ways to grow any business:

- get new customers
- increase the amount your existing customers spend with you
- increase the frequency with which they do business with you.

It is easier and less expensive to build on the existing base you already have than it is to develop new customer relationships.

What is the value of your current customer base?

Do you know?

To work out the average value of your current customer base all you need to do is find the following figures.

- How many customers do you have?
- What is the average amount these customers spend with you?
- How many times a year do these customers spend this amount?
- What is the average length of time your customers stay doing business with you?

Number *x* value *x* frequency = value of current customer
base *x* length of time as a customer
100 × £1,000 × 3 = £300,000 × 2 years = £600,000

Based on these figures each new customer you get is potentially worth £6,000.

Why is this important?

It is important to know what your current customer base is potentially worth to you, as it gives you a starting point, a base from which to decide how you want to grow your business.

If you use the marketing techniques detailed in this book to

- attract new customers
- get existing customers to spend more
- get existing customers to spend more often

you could potentially increase your profits by whatever figure you decide you want. There is a vast amount of untapped potential in your business right now. All you need to do is decide what you want and then get really good at marketing to make it happen.

Your existing customer base probably holds the most potential for you. These are people who are already happily doing business with you. They already spend money regularly and probably would spend more if they had a good reason to. You need to give them that reason.

Your challenge

Your challenge is to both maintain and develop the value of your existing customer base. No business can afford to stand still.

What makes a customer base valuable?

If you can answer yes to the following questions, your existing customer base has value.

- Do your existing customers spend money with you?
- Are they happy with the service you provide?
- Have you built up a relationship of trust and rapport?
- Do they come to you for the solutions to their problems?
- If asked, would they recommend or refer you to other people?
- Are they likely to have needs in the future and problems they want solving?
- Would they spend more with you if you could help them?

CUSTOMER VALUE – SPECIAL RESPONSE CHECKLIST

Get specific with your customer sales information.

▶ Create a list of your main customers.

- How many customers do you have?
- Where do they come from?
- How much does each customer spend with you every year?
- How often does each customers use you?
- What are their particular spending patterns?
- What interests does each customer have in your business?
- What potential does each customer have to spend more with you?

How to use this information

Once you know the value of your existing client base you have a starting place. Once you have specific customer information you can work out which business building strategy will be most likely to appeal to particular customer groups or individuals. If you think of each new customer having a life time value potential it makes it even more important to value them right from the start, no matter how little they start off spending with you.

Think customer = pot of gold