



# HOW TO USE YOUR MAGIC NUMBER TO ASTONISH PROSPECTS AND CREATE MORE CUSTOMERS THAN YOU CAN HANDLE

## THE MAGIC NUMBER THEORY OF MARKETING

The key to winning at marketing is to understand Marketing Arithmetic. If you knew how much a customer was worth to you, you'd commit the time, energy and resources needed to pursue them with enough persuasive power to get them to transact business with you.

But what most businesses do — when they do anything at all — is try to buy a \$10,000 customer with a nickel or a dollar. And guess what? Most \$10,000 customers can't be bought so cheap. But business owners in the graphics and printing business often complain, I tried advertising. It didn't work for me!

If you are looking for the cheapest way to get new customers, maybe you're looking in the wrong end of the telescope. Maybe you should be asking yourself, What would it take to make a very strong impression — an indelible impression — on a bunch of prospects that are perfect for me?

## LET'S TAKE A LOOK AT WHAT I CALL MARKETING ARITHMETIC.

It's elementary, simple and maybe even obvious but if you are not using it then maybe it isn't so obvious after all. Answer the following questions accurately and you will come up with the Magic Number you can use to make a lot of money with your marketing activities:

1. What's my average transaction size?  
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2. How many transactions on average do I do yearly with my customers?  
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3. How many years do my customers stick with me, on average?  
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Take your answer to Question 1 and multiply it by the answer to Question #2 (Example: \$1000 average transaction size X 5 transactions a year = \$5,000). Now multiply the new number with the answer to Question 3 (\$5,000 X 4 years of patronage = \$20,000). Multiply that number by your gross profit margin. (\$20,000 X 50% = \$10,000)

Now you have your Magic Number.

Continuing with this example, would you invest 10% of that number, or \$1,000 to acquire a new customer? Most would not, but theoretically you should. Would you spend even \$200? Most business owners would gladly trade \$200 for a \$10,000 asset. But they don't know how to create a customer for any price. And they are so afraid of losing money that their only marketing efforts are attempts to buy \$10,000 assets for nickels or dollars.

Okay, so let's see if we can create a mini campaign with \$200 and acquire one \$10,000 asset.

Suppose you chose four good prospects and spent the princely sum of \$50 each getting their attention. You decide on the appropriate approach - whether by telegram, gift or invitation - with both the customer and staff in mind. Use your imagination and the results will surprise you.

And there's nothing to stop you from deciding to spend \$500 to acquire a customer. With a \$500 budget and four prospects, think how much you could do to astonish them

For most business people, the idea of spending \$50 or \$125 on one prospect is insane. But I'm here to tell you as

your marketing expert that trying to do it with a nickel or a dollar is much harder, too scattershot and not nearly as respectful. Working with your Magic Number you have a lot more control.

Now let's look through the other side of the telescope for a moment. If you went in the opposite direction and used fax broadcasting — where each message costs you a couple of cents, you might send 50,000 messages and get a couple of customers. Is it worth it?

You do the math. Personally, I have acquired customers with a lifetime value of more than \$20,000 through fax broadcasting. Am I contradicting myself? Didn't I tell you a minute ago that you should not spend the smallest amount to get a customer?

But one or another tactic is not the point. This is: if you don't know your Magic Number — the lifetime value of your customer - it's impossible to make a single intelligent marketing decision.

I suggest that you develop several ways to bring in customers and that, in every case, you decide their effectiveness or otherwise based on your Magic Number. You will have an incredible advantage over your competitors who don't know what a good customer is worth. ▲

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