

## **E-LESSON #17: The Value of One New Customer**

### GENERAL AGENDA



### *THE VALUE OF ONE NEW CUSTOMER*

*By Paul Weyland*

#### ***Enhancing the “Magic Number”***

Using the return on investment helps enlighten clients and turns what they perceive as a “crapshoot” into what appears to be a good calculated risk. If you’re not managing your client’s expectations about results on your station, you’re setting yourself and your client up for failure. If the uneducated client “perceives” that his advertising isn’t working, he’ll cancel the schedule and you both lose.

Calculate how many new customers the client needs to break even on his campaign and you’re half-way there. Now, here’s the icing on the cake. Explain the value of ONE NEW CUSTOMER that you could bring to your client’s business.

What I mean is, does your client’s average customer come back for more? And does your client’s typical satisfied customer recommend your client to his friends, family and co-workers?

What’s the value of one new customer? An independent insurance agency says they have customers that go back three generations, from when the agency was founded. Grandparents recommended the agency to their children and now grandchildren are buying policies from the same agency. An auto insurance premium for two average drivers runs \$1,200 per year. And if a customer buys an auto policy, he’s twice as likely to buy a homeowners policy from the same agency. The premium for the homeowners policy averages \$800 per year. Again, the average customer sticks with this agent for many, many years.

Automotive manufacturer Lexus said the value of one new satisfied Lexus customer is \$600,000. That is, the typical Lexus customer will probably buy a second Lexus and maybe another for a spouse. He would recommend the car to friends and co-workers. In other words, although he owns no stock in the Lexus corporation, he becomes one of their best salespeople.

#### ***Creatures of Habit***

People are creatures of habit and we become evangelists about the places we love to go. If you get used to going to a particular restaurant, you’re liable to

visit that restaurant perhaps once a week. At least once a quarter. If somebody asked you where you wanted to go eat, wouldn't you recommend your favorite place? You bet you would. We make free commercials for the businesses we love every time we try to talk a friend or a relative, or even a stranger on the street if they ask your opinion on a particular product or service. Heck, we don't even wait for people to ask. We seek out others to tell. "Oh, man...we ate at THE BEST restaurant last night. I have NEVER had a steak that good. And the dessert? MMMMMMMM! Best cheesecake I've ever tasted. You HAVE to TRY IT!" We are all evangelists for businesses that we love.

If you love the coffee house around the corner from where you work or live, you might visit them every single morning. If somebody suggests that you meet somewhere for breakfast, you would probably recommend your favorite little coffee house. What's the average sale at a coffee house? At least five dollars, if you buy something to eat as well as order a cup of coffee. So if you visited every working day, the average sale becomes twenty five dollars instead of just five dollars per week, doesn't it? What's one new very loyal customer worth to the owner of a coffee house over the course of a year? \$1,300! And that doesn't include referrals and recommendations the customer might make to other people.

### ***The Value of One New Customer could be HUGE***

Let's say that a dentist for example, operates on a forty percent gross profit margin. His average sale for just a check-up and teeth cleaning could be more than \$100 per visit. Most people go to the dentist at least twice per year. And what happens if you crack a tooth...or need a filling...or (God forbid) need a root canal or some other procedure? What happens to the value of one new customer at that point?

How long have you been going to the same dentist? One year? Two years? Longer? How often do you visit your dentist? Twice or three times per year? Do others from your family use the same dentist? If someone moved into town and asked you to recommend a dentist, would you recommend yours? The value of one new customer to your dentist could be thousands of dollars over a few short years. How big is your total weekly audience? Doesn't it seem logical that with a good spot and a logical schedule, that a percentage of your audience might be looking for a new dentist this week?

The value of one new customer to your client could be *very significant*. **Your rate**, in comparison, might look *very insignificant* based on what your station could ultimately do for that client.

## **Educate EVERY Local Direct Client**

An *uneducated client* probably has no logical basis for the amount of money he is spending. Uneducated broadcast salespeople usually don't have any logical basis for the budget they are asking for. In fact, most broadcast salespeople just pull a number out of thin air!

Always explain Return on Investment (ROI) and impress upon the client the value of **ONE NEW CUSTOMER**. It's very difficult to argue with this kind of logic AND we're doing several things in the process:

1. Eliminating rate resistance
2. Eliminating the need for "Added Value"
3. Closing a sale whether you're number one or number twenty
4. Managing the client's expectations about results on your station
5. Possibly doubling or tripling the amount of money your client is spending with you

*There is an on-line companion video provided with this lesson.*

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