STREETSIDE SIGNS - ROI EXPECTATIONS

More than ever, signs are the key to business success, and this is in part, due to the recession. Outdoor signage remains one of the only affordable forms of advertising available to small businesses. Outdoor signs also gauge more exposure that you think they do!

But does a street-side sign make sense??!

To establish this, one must look at the value of a NEW client to a given business. Most experts estimate that any new client should be valued at 12 times the earnings of an existing client… But a more refined way to look at the value of a new client is to run an ROI calculation.

According to the Physicians Entrepreneur in the USA, there is a scientific way to compute how much any business can afford to spend on promotion to acquire a new client. Here we've simplified the math and reduced it to simple multiplication and division:

1. First, think about what services or products you offer, and the profit margin you typically earn on each one.

2. Next, come up with the typical pattern of purchases or services provided to a new client the first year, second year, etc out as far as the fifth year if you think that your typical client stays with you that long. Add up the resulting profit/cash flows to come up with the annual cash flow for each year.

3. Using their thinking, one should reduce each annual cash flow to what it's worth today using a discount rate that reflects the time value of money and a reward for the risk of putting money into something that is not a sure thing. So use 12% per year, so discount anticipated profits this way for simplicity:

    a. Count 93% of the first year's profits (12% discount rate applied to an average of 6 months)

    b. Count 81% of the second year's profits

    c. Count 69% of the third year's profits

    d. Count 57% of the fourth year's profits

    e. Count 45% of the fifth year's profits

    f. For many businesses, it may not be worth counting profits anticipated further out than 5 years.

Calculate the total of these discounted annual cash flows to come up with the present economic value of a new client.

For example, if you are a restaurant owner and an average client generates profits of $150 per year than the sum of the new client’s value would be $132 + $114 + $96 + $78 + $60 = $480

Once you know the present economic value of a new client, you know how much you can afford to spend on acquiring each new client.

Ask yourself, with the right message, now many new clients might I generate with a street-side sign each month? Even if our restaurant example generates ONLY 1 new client per month, the average sign cost of $100 is a “steal”!

A similar example using a real estate agent shows us that if even ONE new client buys or sells a house at an average commission of $2,800 each year the sign pays for itself at a cost of $1,200 per year!

A flower shop with a sign ONLY needs 3 or 4 new client s a YEAR, to pay for that sign!!

SO WHAT’S THE VALUE OF A NEW CLIENT?

The concept of client value requires a bit of guessing and new thinking. Especially for people who are running a new business, working in a financially-driven (versus a sales-driven) culture, or haven't been keeping close track of customers, estimating the lifetime value of a client may require a bit of groundwork.

But there's no better way to gain perspective on each and every client relationship, or to predict the impact of every management decision on long-term revenue goals.

There are several reasons that companies perform this calculation.

1. To ensure their long-term survival through recessionary times. Author Michael Gerber (The eMyth Revisited) uses a cautionary statistic: He asserts that 80% of all new businesses fail within the first 5 years due to a lack of a balanced, systematic philosophy towards growing their business. This "client value calculation system" may be one the best insurance policies against a young, struggling business becoming part of that casualty list.

2. To know how much to invest to acquire a customer. If you’re an You probably don’t have a budget to “Acquire” new clients. A lot of your decisions are by the seat of your pants

3. To know how much time/effort to put into retaining a customer. Most banks, for example, have customers who cost more to serve than they generate in positive revenue. These banks would often really like to drop the customer, but can't. Banks manage the discrepancies by raising fees to such "problem" clients, or putting them on endless loops of touch-tone voice-mail support.

4. To keep them focused on increasing the lifetime consumption of products and services. The first sale takes most of the time, energy, and investment and costs four times as much as selling to an existing client. Cross-selling and up-selling drive innovation and open the door to deeper, collaborative client relationships, which are a good thing.

There are 2 different viewpoints when it comes to lifetime client value. The first is the "field of dreams" perspective. People who believe in this think, "If you do good work, your clients will buy more from you and send you referrals." This is a great model for lifestyle companies and for small business owners who want to work part-time.

The second perspective is a "seasoned business builders" view. This point of view assumes that investing in marketing, branding, web sites, and professional development will design client relationship and business growth.

But today's economy has forces most small - medium businesses to adopt a business builder's strategy JUST to STAY in business. Aggressive, target focused marketing is a key part of survival, not just a choice to grow.

Ten Steps to Living According To Lifetime Client Value in 2003

1. Identify and document your ideal customer. Get very specific. What are their job functions, key frustrations, buying behavior, lifestyle, age, willingness to advise you on new offerings, and typical spending habits with your firm?

2. Keep a journal for one week detailing how much time you're spending with your ideal customer. The next week, track how much time you are spending with your "less than ideal" customer.

3. Guesstimate how much your ideal customer will buy from you during the entire buyer/seller relationship. For example, if you are a restaurant, and a typical client stays with you for 2 years, and they are paying you $25 a month, then the current lifetime direct transaction value of a client is $25 x 24 months = $240,000. But wait--there's more.

4. Guesstimate how much business each client will refer to you over the next 2 years. Let's say the typical client sends you 1 new client every 2 years at $10,000 a month. That's $240,000 in referral value.

5. Estimate the value of 1 successful sale for that new offering based on your customer's input. (For this illustration only, assume that 1 new sale equals $20,000.)

6. Add all 3 figures. The true lifetime customer value, including referrals and advisory support, is $500,000.

7. Provide your ideal clients with one free service, trial offer, or referral, just to show them how much you value the relationship. No expectations, period.

8. Create and regularly administer a low-cost survey to find out how your ideal clients define, receive, and measure value. Ask several representative current clients to tell you new ways they would be willing to extend their relationship with your company.

9. Create a Tandem Methodology in place dedicated exclusively to defining, attracting, and creating lifelong clients.

10. Create a referral network of companies, clients, and individuals. Share this with your clients and update often.

SO USE YOUR TARGETED MARKETING…!

According to the OAAA (Outdoor Advertising Association of America), outdoor signage is one of the most effective mediums of communication because it reaches a mobile, mass-audience that is perhaps working multiple jobs and spending more time commuting. But even more than that, your sign talks to everyone that lives or works within a very specific geographic area.

Outdoor signs remain, not only an affordable medium of communication, or one that gains mass exposure, but also because...

Your sign cannot be tuned out or turned off. Unlike other forms of media that can be switched off, your sign exists in the very environment your target market lives, works and plays. No matter how often your sign is seen, each encounter helps to reinforce the awareness of the good or service that you offer. The end result is that an individual may see your sign for an extended period of time, and one day determine that the good or service advertised meets a need (Tatum, 2012).

All being said… it's all about the content. A sign will be seen, but the business must communicate something meaningful to their audience. It doesn't have to be meaningful every day, just on the days when the potential client is in need of the product or service.

Say something to those you know to be in the market for your goods or services. Affirm and Re-affirm why your business is the best provider, and if you've been subtly re-affirming for a very long time, your business is embedded in the minds of the potential buyers…

Signs Do Work to communicate the business message… Just think of it…!!!

Say anything to everyone passing a given point… EVERY DAY!

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