CUSTOMER CENTRIC MARKETING

Index

Acknowledgements:
Sources for this document are referred to as much as possible. Key resources include

- http://www.macinnismarketing.com.au
- http://www.EMyth.com
- http://www.marketingmo.com
- http://www.Ducttapemarketing.com
- http://www.smartinsights.com
- http://www.custora.com
- http://www.forrester.com
- http://www.marketculture.com

Who is this e-book for?

Are you a small business trying to make sense of the marketing landscape? Are you a marketer that is sure that marketing should be about the customer but you are measured by short term metrics that make this challenging? This book is for you. It is all about putting the customer at the center of your marketing and gives you the information about why it is the way to create a brand that your customers and you will love. It is a list of suggestions about how you can create a marketing approach that is created from some of the best and brightest marketing brains (yes I have grabbed any market intelligence I can to create this). Grab a coffee, and flip though this ebook on your tablet and focus some time on your business not in it.

About the Author

Dan MacInnis runs MacInnis Marketing a small marketing agency focused on customer centric marketing. Even as a little kid Dan had an empathy for others. Now Dan uses this empathy, customer insight and creativity to create customer centric marketing and companies. Dan has had over 20 years marketing experience with some of the World's leading brands but her enjoyment of working with small businesses like yours is where she finds her passion and drive. To learn more visit Dan's LinkedIn Profile or Blog

Why Customer Centric Marketing?

Today's empowered customer has the world at her fingertips — literally — through the multiple connections to information, products, and opinions all throughout her day. Those who follow the traditional marketing funnel miss the mark on how to gain the attention of this new, less linear consumer.

The customer life cycle provides a better model for modern marketing, as it places the customer at the center of the effort, which forces marketing to plan messages and actions based on the customer's view of the brand, not the other way around. The customer life cycle involves the entire brand experience, from messaging to product usage and ongoing interactions, and incorporates the ongoing relationship firms must have with customers, making it the marketing vision that will drive your success in the age of the customer.

Customer Relationship Pipeline & Buying Path

SIMPLE MARKETING SYSTEM- Process to attract ideal customers

UNAWARE	AWARE	ATTENTION	INFORMATION GATHERING	EXPERIENCE	SIGN UP/SALE	REFERRAL
Don't know anything about you or your company **BE CHOOSY**	Becomes familiar with you. Association referral, meet you **BE THERE**	They want more information and are ready to explore working with you **BE RELEVANT**	They want more information and are ready to explore working with you **BE PROVEN**	At this stage, they may be ready for a "taste" or an "EXPERIENCE" prior to purchase **BE HELPFUL**	The lead becomes a customer when they sign the agreement and pay. **BE FRIENDLY**	The customer is happy to refer you after experiencing great service and wants to tell your story and REFER you to their network **BE CONSISTENT**
Ideal Target Market	Build a Connection	Prospect	Lead	Qualified Lead	Customer then Client	Advocate
ITM	WHO	EMOTIONAL HOOK	PROOF	EDUCTATE	EMOTIONAL CONNECTION	PROCESS
PERSONNA	WHAT	PROBLEM YOU SOLVE	CREDIBILITY	LET THEM TRIAL		PROACTIVE
	WHY		TESTIMONIALS	SAMPLE		OCCASIONAL TOUCH
	WHEN		CASE STUDIES			
	WHERE		PR			
	HOW					

The term Customer Lifecycle is a very simple yet powerful concept: The customer lifecycle identifies milestones in a common path that most customers tend to follow over the course of their relationship with you.

There is widespread recognition that the old way of marketing — driving awareness through push advertising — has sputtered and slowed in the wake of media fragmentation and the disruptive power of digital. You need a new framework to align their marketing decisions to the customer's experiences with the brand to define customer engagement, budget allocation, and organizational skills. This playbook introduces the customer life cycle as the tool today's marketers need to create and evangelize a customer-obsessed strategy. By placing the customer at the center of marketing actions, companies will create value that explicitly links to the customer's expectations at any given interaction.

Let's start where we need to.

Values, Passion and Purpose

Aim: **Write your Value Statement**
Discover and describe what drives you
Understand the impact of your values on your business
Learn what it means to lead from the inside out

What do you want your life to look and feel like?

The questions I pose are designed to help you answer the big questions and arrive at your **Value Statement**. Ponder them, but don't over-analyze your answers. Use the questions as tools to go deeper into what is already within you.

Values, Passion and Purpose is a statement-no more than a paragraph, and in most cases the shorter the better-that describes your core values, the way you see life, and what you want out of it. It's a deeply personal statement that you might choose to share with others, or you might not. **When you're finished, you should be able to read it aloud to yourself and say,"Yes, that's me**. I have no idea what to do with that, but that's who I'd be if I brought all of who I am in my heart of hearts into my professional life." If it doesn't feel at least a little uncomfortable, if it doesn't make you feel a little timid to say it out loud — you're not there yet.

Marketers have approached it from a few different angles over the years, but it is important to relate to it is as a kind of personal **"mission statement"** that you can use as a guidepost to see whether your personal values are in alignment with the values of your company. If they aren't, you've got a problem-right? And if there's a real problem then there's always a real solution. But you can't fix it, unless you're aware of it. That's just the way it works.

We'll give you some tools in the next part of this lesson, but that's all secondary to what feels right for you in how to describe it. This is for you. Maybe you want to try a stream of consciousness version before trying the tools-that's great. Maybe it's a bit too overwhelming to just dive in and you want some more guidance first. Our only word of caution is don't try to fit yourself into our tools-what drives you is inside of you already; we're just here to help you find it and bring it out.

You'll Know It When You Feel It

You'll know you've discovered it when two things happen. First, you'll start to feel different as you walk around-a new aliveness in your step when you connect into this "bigger picture" view of your life and where you're going. Second, you'll start noticing things in your business or in your department or job that are not in alignment with your deeper values. Don't panic — this is a natural part of the process. As you continue, we've got a complete set of tools for how to "apply" your values throughout the business. It's an incredible journey.

More You, Not Less

When a lot of people start the process, they assume that their "real values" aren't appropriate at work, that they have to shrink into another version of themselves while at work to maintain control, or present a certain image. **What if your real values are the secret sauce to your greatest success?** In my experience, usually they are. What if all of the talk about achieving work/life balance is missing the point entirely? It's about bringing more of who you are to what you do and not less?

It's an inviting idea-when people say it stops being work when you find your true calling. And almost nobody you know is living this way. It's rare in this world, but as a leader you have the opportunity to do it for yourself and to show others what's possible.

The critical element to our approach is this: When you reach the "destination" you're aiming for in this document, you will feel full-not empty. Because it won't be about the amount of money you have (though it will be more than enough), it won't be about how many employees you have (because you will have exactly the right number), it won't be about how big your market share is (because you will be attracting all of the right customers and very few of the wrong ones).

Work on Letting It Come to You

When you know what drives you, when you write it down and start to run your business or approach your work by it-you open up a whole new way of managing your company. The distance between where you are today and who you really want to be starts closing, because your business success starts happening inside of a meaningful life.

Your business (or your work) can be an incredible vehicle for expressing your passion in the world. You can make a great living, provide a space for others to do the same, and serve your customers' needs without any conflict anywhere in the system. That doesn't mean it gets easy- it just means it's going in the **right direction-because you are in the center of yourself and your business is serving your life instead of your life being consumed by the business.**

How do you want your life to feel on a day to day basis?

What don't you want?

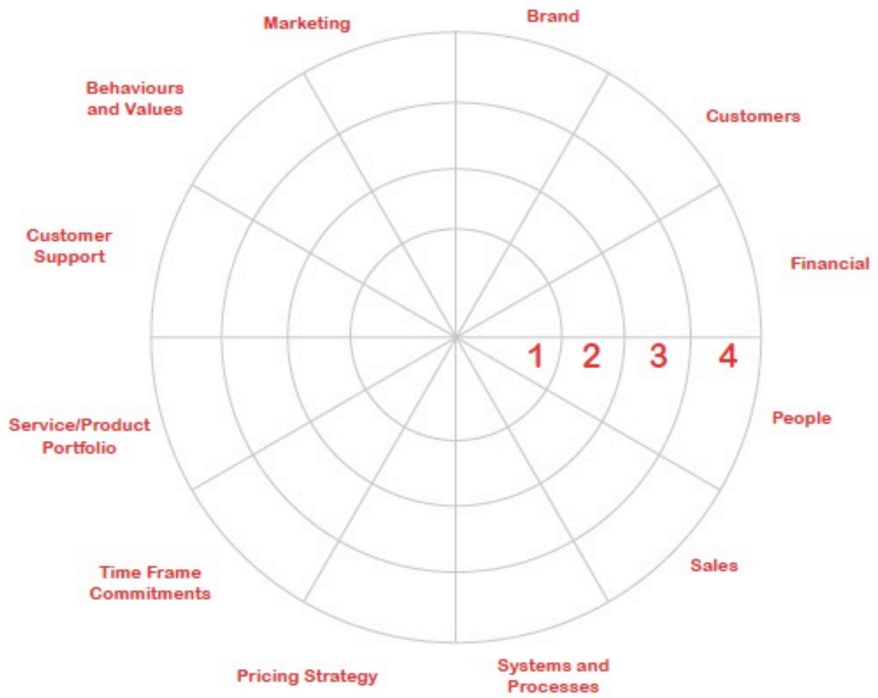
How do you want to be remembered?

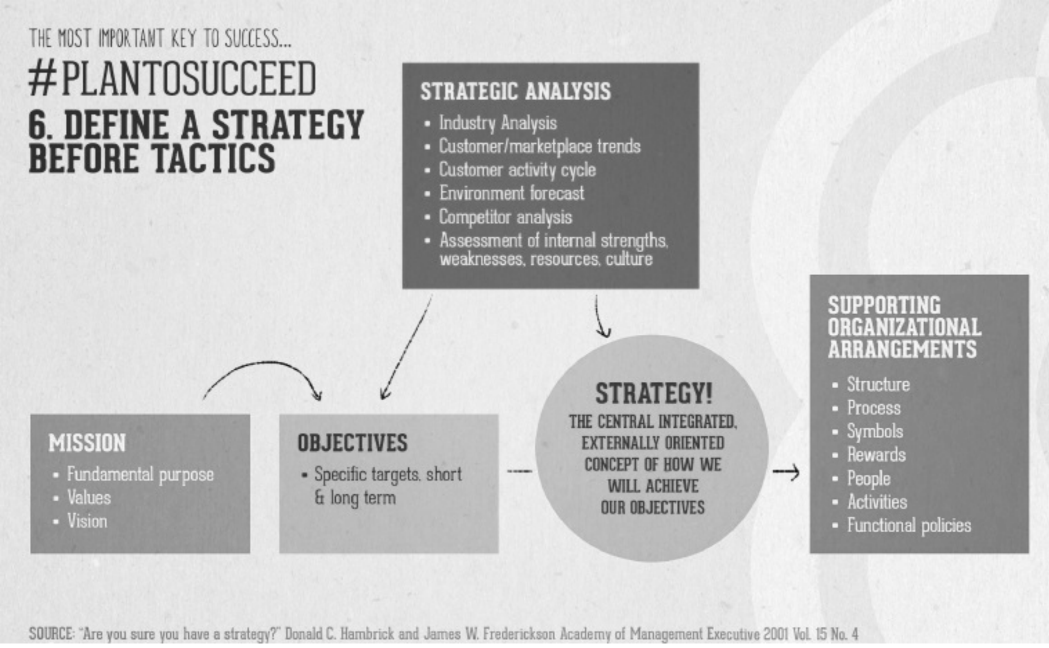
If you no longer had to work how would you spend your time?

What are your greatest strengths?

What are your greatest weaknesses?

At the end of this section we will do a business audit and see what the gap is in your marketing and sales system.





Your Vision

As you got to know yourself better through the values lesson, you surely had sparks of vision that related to your business. Now it's time to explore how you would change your business if you could untether it from the present reality and create a new company. Having a vision is essential. Letting yourself dream the possible and the impossible is of vital importance in getting it right.

It's time to intentionally describe exactly how you want your business to be when it's fully developed, when it's done according to the criteria you set. Sound daunting? It might; but you already have it within you, just like your values. **A lot of it you probably already feel, it's just learning how to describe those feelings in tangible terms.**

Of course, if you're a startup, this is your business imagined; and you have the chance to create the new company right from the beginning. But the beauty of it is, even businesses that have been around for decades can regain the fresh energy of a new business by simply reimagining themselves.

Your business, reimagined is the first concrete step towards your entrepreneurial dream becoming reality. If you haven't really seen it and fleshed out enough detail to describe your dream, this lesson is designed for you to do just that. **And if you can see it clearly, but have never written it down then you'll discover the power of having this document.**

When it is done right, you create a vision, a template, of how your company will look and act when it is fully developed. From that point onward, everything you and your employees do moves the company toward this vision.

It Works

Examples of vision abound. All successful leaders have a vision. Your decisions and strategy depend upon it, your employees and customers do too. Everyone is much more likely to follow the lead of someone who knows where they are going, rather than someone who doesn't, right? This isn't really news. You've probably known this all along; but with this lesson you will learn how to write yours down and begin communicating it.

The following example of the legendary founder of IBM, Tom Watson, highlights some important ways you will learn to use your vision to lead your company towards it.

"IBM is what it is today for three special reasons. The first reason is that, at the very beginning, I had a very clear picture of what the company would look like when it was finally done. You might say I had a model in my mind of what it would look like when the dream-my vision-was in place.

The second reason was that once I had that picture, I asked myself how a company which looked like that would have to act. I then created a picture of how IBM would act when it was finally done.

The third reason IBM has been so successful was that once I had a picture of how IBM would look when the dream was in place and how such a company would have to act, I realized that, unless we began to act that way from the very beginning, we would never get there.

From the very outset, IBM was fashioned after the template of my vision. And each and every day we attempted to model the company after that template. At the end of each day, we asked ourselves how well we did, discovered the disparity between where we were, and where we had committed ourselves to be, and, at the start of the following day, set out to make up for the difference."

The Power in the Three Reasons

Do you feel the power in Mr. Watson's statement? Let's look at each reason specifically. He had a vision for what he wanted to create. So did Walt Disney, who saw Disneyland in the orange groves of California, and Tony Hsieh, the CEO of Zappos.com, who saw opportunity in delivering happiness through online shoe sales. So must you.

Whatever it takes, dig inside yourself and find your true vision for your business, as you reimagine it. This vision becomes your blueprint for what you want to create.

With it you stay on track towards your chosen destination. Without it, you drift along and end up wherever the world takes you.

Secondly, after identifying and writing down your vision, one of the most important questions you can consistently ask is: **how do you and your company need to act every day in order to realize your vision?** Asking and answering this question is one of the most important things you will do as a CEO. Nobody else holds the vision like you do. Nobody else is charged with consistently communicating it. And nobody else can align every element in the company-employees, resources, systems-to act today like the company you will be when your vision is realized. **Do you see how important your vision is to your day-to-day operational reality?**

And thirdly, Mr. Watson describes how his team acted as if they worked at the company they wanted to create, in order to realize the vision. Do you feel the power in that possibility? Instead of being a tiny team of disconnected employees, you band together and begin acting as if you're working at the company you want to become. And you regularly review your progress.

Creating your vision, then leading your company forward in the ways described above is where we're headed. Are you ready to dig in, find your vision, craft it into words, and lead your company to greatness?

Discovery Questions

How important is it to you at this point in time to have a clearer vision for your business. Why?

We've described here why a vision is so crucial. You've read a legendary example and had its key points discussed. You've got to feel its importance to you and judge the level of urgency so that you're committed to working your vision out until you get it right

What would change if you had a written vision you could easily communicate to your employees and others?

Though simple, creating your vision statement isn't easy. It will take deep thought and many revisions to get the right stuff in there; no more than needed, but enough to paint the whole picture. Knowing the benefit it provides to others will push your progress.

Your Commitment

But having a vision is just the first step. You have to interpret it, communicate it, keep it alive in the minds of everyone in the company, and keep the company moving toward it. It's what propels the conversations you have, and fills your mental and physical work space.

If you don't feel a deep sense of commitment to your vision, a dedication to making it a reality, and an in-your-gut feeling that it is the shape of your future company, your attempts to realize it will seem tired and performed. Your employees will sense this and their efforts will be half-hearted.

So remember, when describing your vision, make certain every aspect is true for you and is something you can and will see through. This can't be faked. You don't want wording or terminology, ideas or goals that you can't stand behind 100%. This isn't a time for empty rhetoric. It's all about knowing what you want, seeing it clearly, and writing it down so you can communicate it to others and keep the company on track.

It's Already Inside of You

Your vision for your business is already inside of you. It's there, just like your values and purpose. You need only discover it.

We like to think of your business being inside of you. This means that you're far bigger than your business, far bigger than your dream even, and so you should be able to "peer in" and find it with a little time and intention.

While this may seem abstract, the more you see it as true, the bigger you will be and the easier it will become to envision what you really want out of your business. If you conceive of your business as larger than you, it will prove much more difficult and you could become lost in the details. Avoid this at all costs. This is not a time for your technician. By seeing and feeling the business within you, you are empowered to dream and conceive of the exact reality you would like to create-from the culture to the customer connection, from the brand idea to the way you want to handle your finances.

It can't be understated -if you put in the effort now, placing things in their proper perspective, you'll be able to see your Business Reimagined. You'll orchestrate the entire company to realize this vision every day.

Stay True to Your Dream

Remember, your Business Reimagined is your vision and your dream. Never lose sight of it. Keep it in view and it will keep you on track.

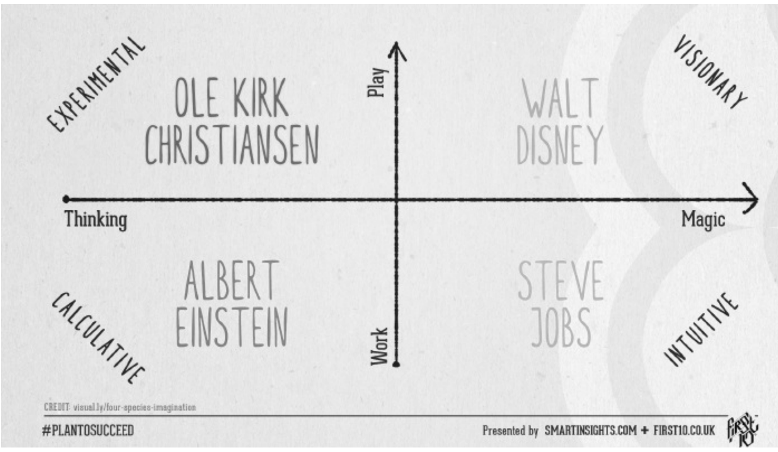
Don't make the mistake of filing away this work after you complete it. If the vision is truly inside of you, then you should refer to it frequently and integrate it into every aspect of your company.

Put It in Writing...Your Business Reimagined Vision Statement

You need a clear written statement. Writing it down does two important things: it forces you to think it through completely and provides a visionary picture that you can communicate to your employees.

The statement requires enough detail to give it depth and reality, but not so much that it's confusing. The real details come later, when you develop the company's business processes and organizational structure.

Crafting your Vision Statement is a creative task. You'll probably write and rewrite it many times until you are satisfied. Ideally, it should be no more than a page.



Flexible Yet Stable

Your Vision Statement, particularly the tangibles, should be flexible, and capable of changing if there is a shift in the economy or industry trends. The foundational pieces of culture and brand commitment provide the stability. Your plans for yearly progress can be created based on your vision.

Prework

TIME TO DREAM

You have the basic guidelines and a clear sense of the importance of reimagining every aspect of your business. Now it's time to dream. **Don't get bogged down in details. Don't worry about perfection**. This is work for your inner entrepreneur and it's best to leave the technician out and the manager too, so that you can focus on the big picture and drawing out of you what is most true and most realizable even as you dream large.

YOUR BUSINESS REIMAGINED DRAFT STATEMENT

Like most entrepreneurs you may not have thought about a lot of the questions we are going to pose below to help you better describe your vision. This is typical. You spend so many hours in the trenches, who has the time, right? Well, this is your opportunity to learn how to gain a larger perspective and really think about your business. Don't rush your answers, but also, don't over think them either. Just take each question and see what comes. You can always rethink and reimagine it before your final draft.

Answer the following questions to help you think through the elements of your Business Reimagined Vision, but don't let the questions do your thinking for you. You must do more than simply fill in the blanks. The questions are designed to stimulate your thinking and help you piece together the mental picture of your business as it will exist in the future. Only you know your business, your markets, your employees, and your opportunities. Only you can reimagine your business. It's your vision of how you want your business to be when it's completely done and in place. Feel free to add, delete, change, or ignore any question. If you have something that works better for you, use it. The questions help frame your discovery, but the vision comes from you.

General

When will your vision be realized? How will you know that you have achieved it? What do you want your company to be based upon? What idea most represents the foundation of your company? Why this idea? How can you take your idea and turn it into a story that connects with your customers, employees, and other constituents?

Culture

What values within you do you feel as most representative of the company culture you would like to see surrounding you?

- How do you see your work environment? What distinctive elements would you like to see, smell, taste, hear to make your workplace a representation of your business vision? Describe these sense impressions as clearly as you can from the inside out.
- How would you like your company to be managed? Do you conceive of particular organizational approaches that would create your ideal company? Do you have a specific management style you would like to emulate?
- Do you envision particular behaviors, attitudes, dress for your employees?
- Do you envision distinctive operations (superior efficiency, quality control, innovative methods or technology?)

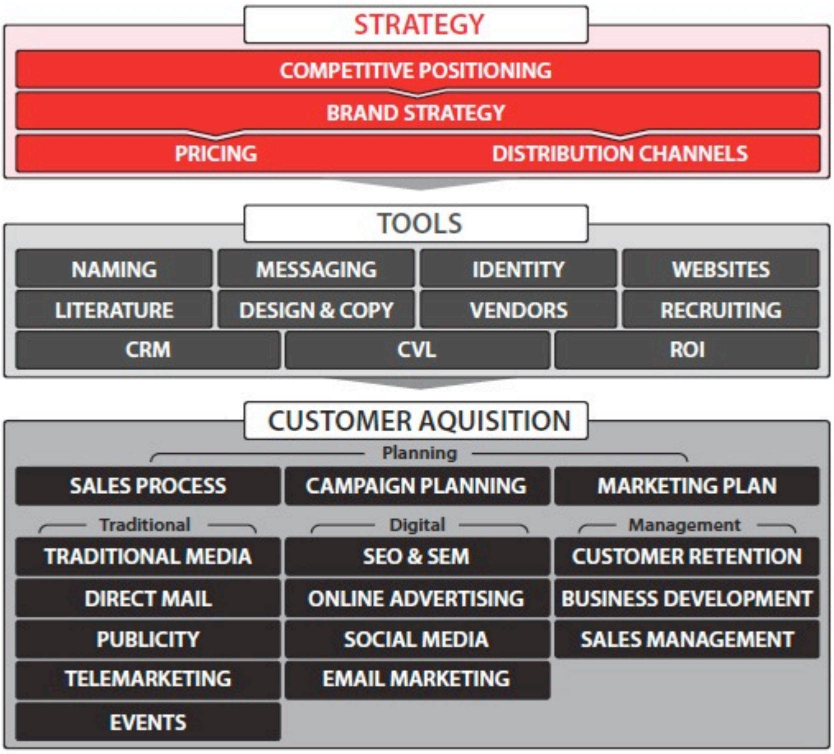
Market Position

- What fundamental idea does your business possess that clearly differentiates it from the competition?
- What do you do differently in your product, service or business that you could base your brand upon?
- How does the story you tell connect with the worldviews of your target market and draw them to your business?
- What are the distinctive elements of your product, service, business, that you feel create your competitive advantage? (Consider price, quality, convenience, customer service, advertising, sensory package, product features, responsiveness, speed of delivery, appearance, market coverage, simplicity, reliability, durability, and any other element that you feel elevates you over your competition).
- Do you have any distinctive marketing methods you feel deliver an advantage over the competition?

Five Steps for Clarifying Your Positioning

Source: http://www.marketingmo.com

The Strategic Marketing Process



Get to Know Your Market: A good positioning strategy requires a careful evaluation of market research. The first step is to evaluate the total market size and opportunity. What is currently happening in your market? Is it growing, contracting or stable? What external factors or trends are influencing your market?

Understand Your Market's Pains: Qualitative market research will help you understand the behaviors, attitudes and decision-making processes of customers and prospects in your market. By understanding how your customers and prospects think – knowing what their true problems are, how they attempt to solve them and how you fit into their solution – you'll better understand how to fulfill their needs and market to them.

Analyze Your Competition: A thorough competitive analysis will help you better understand the competitive landscape to clarify your strengths, and the challenges you'll need to overcome to beat your competition in the marketplace.

Understand Your High-Level Method for Delivering Value: A key element of any positioning strategy is how you deliver value to your market at the highest level. Are you better or faster, more complete, or cheaper? This focus should be reflected in your positioning, brand, pricing, distribution and messaging.

Put Your Stake in the Ground: After analyzing the results from steps 1-4, decide how you'll differentiate your offering and carve out a spot in the competitive landscape, putting your stake in the ground, and winning mindshare in the marketplace – being known for a certain "something." Perception often equals reality, and as marketers, part of our job is to create that perception.

Target Market

- What is the general classification of your target customers? Individuals, business, government, etc.
- What is the general description of your target customer? (Age, income, family status, occupation, education, net worth, attitudes, key behaviors).
- What are the attitudes, decision-making processes, perceptions, etc. of your target market?

Other Strategic Considerations

Other useful elements based on your experience, creativity, and inventiveness

The Tangibles of Your Vision

Create targets for yourself that you would like to direct the company towards, with the understanding that these may shift over time: annual sales, profitability, return on equity, number of employees, number of locations, overall growth rate. Use your best sense of the market opportunities and what you believe is a combination of a good stretch and a clear probability of hitting these targets. It's your choice, what tangibles to include.

TANGIBLES AND INTANGIBLES

As you can see above, there are "tangible and intangible" aspects to your statement. The tangibles should be set as targets, but this part of the vision is the most subject to change. Market conditions, innovations, the overall economy, competition, investments, can all alter these. You should seek to set these in place and adjust over time. Much of your business development work will be in seeing how each lesson feeds into the overall results expressed in your vision.

The intangibles describe what you want to realize through your basic business idea, your story, your culture and brand. These should be dreamed into being — thought out, written down and communicated as the foundation of your company. While the tangibles can change over time, the intangibles once set can provide the foundation for a company and a brand to thrive for decades.

Review and Refresh

Before going on to the next step and finalizing your vision, take some time and re-read everything you put down in the previous step. Did you strive to answer every question? Were some too difficult? Go back to those you weren't quite able to pin down, and see if a fresh look helps you discover it. Notice the answers that seem deep and defined versus the ones that you're not clear on. The ones that feel strong are most likely part of the vision and the brand. Don't get hung up, though, on what you don't know. The lessons that follow are designed to fill in any holes in your understanding and you'll soon have enough knowledge to answer every question asked here.

As discussed previously, don't get overly consumed by the details. If you notice yourself doing this and getting off track, then label it as 'technician trying to gain control,' and kick him out for the time being, so your entrepreneur can dream.

Too Much Dreaming?

A common question asked is how big to dream and how much to tether your dream to reality? Remember, this is Your Business Reimagined; it's your opportunity to reimagine it in the grandest and boldest way possible. Don't limit yourself. Dream big, particularly when it comes to your values, your culture, how you want your company to be and feel. In the same way, think creatively about building your brand and how you'll want to communicate who you are as a business to your customers.

On the other hand, you don't want to be unrealistic-particularly when it comes to the tangibles. Whatever time frame you set, find a range of possible tangibles that seem a right fit between your dream and operational realities. Create a healthy dialogue between you as and your team. Find a reasonable balance in your Vision Statement.

Other

TipsSet Aside Dreaming Time One of the first changes we have our coaching clients adopt is setting aside specific time to work on developing their business, apart from everything else they do. It's especially important with this lesson to allow yourself space to dream. Get out of the office. Go to the park. Take a walk. Find a good sitting place and let your vision come alive.

See What You Can See It's called vision for a reason. If it's already within you, then you should be able to see it. Besides answering the questions in the previous step, take some time apart to really look in and see what you can see.

Dig Deep Don't settle for anything but your best version of the vision you can manifest. This is your business to reimagine. Nobody else is going to do it for you. If you can uncover and learn to communicate a clear vision, you will be an empowered leader who will attract others to help you realize it.

Alignment Between You and Your Business Reimagined There's a simple reason that we have you begin with your values then have you write down your vision for your business. These together can form a seamless path to realizing the best for your life and your business. It's extremely important to feel they are integrated, each reinforcing the other. If you don't feel this sense of integration, see how you might imagine your business differently.

What is your biggest challenge in creating your Vision Statement? What will you do to overcome it?

Before finalizing your document think through any challenges or open aspects that you haven't looked at. Make a list of these, and address them. You're on the brink of having a foundational document that will serve you for years to come as you move towards its realization. Don't back off.

YOUR VISION STATEMENT CHECKLIST

- Line of business, products, and services offered
- Company size (annual sales, annual profits, company value, number of employees)
- Company growth (sales, profits, production)
- Geographic scope (business locations, markets)
- Market positioning, target market(s)
- Timing (years to "completion")
- Basis of competition (price, quality, service, etc.)
- Basis of Brand
- Distinguishing/Unique Characteristics
- Distinctive product/service lines
- Distinctive marketing
- Distinctive behavior of employees
- Distinctive presence (look, sound, feel)
- Distinctive culture and operations
- Other unique or distinctive characteristics

Introduction to Segmentation

Segmentation is the process of splitting up your customers into groups based on behaviors, characteristics and/or needs. Several levels of segmentation exist, including geographic, demographic, psychographic, and behavioral. For example, a segment can be "all customers who live in San Francisco", or "All customers who purchased handbags".

The Intermediate Lesson of our Segmentation course will cover demographic and behavioral segmentation and the Advanced Lesson will tie it all together by applying segmentation to common use cases.

Within each of these levels, segments describe common qualities among a group of customers that correlate with (but don't necessarily cause) certain behaviors.

Why Segment

There are a couple of reasons to segment your customers and they have to do with the two main functions of marketing: to improve customer acquisition and to improve customer retention. As we think about segmentation, keep in mind that the goal of any form of segmentation should be to have a better understanding of our customers so that we can improve acquisition and so that we can improve customer retention.

Imagine a spectrum of customer differentiation ranging from the entire customer base (no differentiation at all) to complete personalization (differentiation on the individual level). Segmentation lies somewhere in the middle of this spectrum.

Improving Acquisition

If most of the customers who come in from Facebook tend to buy certain types of products, you will want to alter the way you advertise on Facebook. Your advertising should highlight the part of your business that will resonate most with a prospective customer. Segmentation will help you identify how groups differ and how your acquisition strategy should change going forward.

Improving Retention

Segmentation allows you to tailor your retention and conversion marketing campaigns (via email, promotions, or other channels) to specific customer segments. For example, instead of blasting the same "Sale" message to all of your customers, you can send customized messages promoting "Sale on Men Shoes", "Sale on Women Shoes", and "Sale on Kids Shoes" to customers who previously bought relevant products or have otherwise expressed interest in relevant product segments.

Keeping It "REAL"

While every customer has their own story, creating segments of size one is usually impractical. Instead, we want to create segments that are "similar within and different across" while at the same time "keeping them REAL" — Relevant, Efficient, Actionable and Lasting:

Relevant: Segments should be defined on attributes that can explain differences in customer behavior. That is, there should be some plausible explanation for the uniqueness of the segment causing a behavior rather than just co-occurring with it. For example, a geographic segmentation that results in customers from Miami buying more beach towels than those from Montreal is better than a geographic segmentation that results in customers from Miami buying more yellow highlighters than those from Montreal.

Efficient: As mentioned before, creating segments that are too granular is impractical and misses out on the opportunity to identify common behaviors and preferences. While there is no "correct" number of segments, you want to have few enough so that you aren't overwhelmed by the overhead associated with treating the segments differently.

Actionable: Similarly, marketers should be able to measure and act upon the segmentation dimensions. For example, an online car rental site may have anecdotal evidence that indicates that taller-than-average customers are more likely to choose sedans with extra legroom over compact cars, but if the company doesn't know that up front and/or can't collect that information easily, then segmenting on customer height is not very useful.

Lasting: Good segmentation relies on dimensions that will remain relatively stable over time. Segmenting customers based on how they responded to a one-time promotion is useless for categorizing customers who weren't exposed to that promotion. If you want to track the performance of these segments over time and the customers in that segment are changing very quickly, any comparisons you make will be meaningless.

Where To Begin

One way to start testing for and discovering segments is to dive into the data we already have, whether that's in an Excel spreadsheet, within your Email Service Provider (commonly referred to as an ESP), or in an Oracle Database 12c Enterprise Edition database (commonly referred to as "OD12cEE", or just "Oracle database"). You can start by focusing on basic information, such as age and gender, or on more complex information such as the first product customers buy.

Another, often overlooked, way to discover segments is by actually running experiments to gather information. For example, a sock retailer might want to know which of their customers likes red socks. Maybe some of their customers have already purchased red socks, and that's a good indication, but they also want to know who else might want to buy red socks. The retailer could send out an email highlighting red socks to every customer and look at who opens the email, who clicks through, and who actually makes a purchase. This type of information lets the retailer know who else is interested in the product.

It's helpful to keep a baseline in mind when running experiments so you can judge whether the segmentation is meaningful. When running experiments on segments, set aside a control group. It's much less meaningful to say that a segment had a 10% conversion rate to an email without knowing what the segment's conversion rate in the absence of that email. In addition, when comparing a segment to the entire population, you want to remove the segment from the entire population so that its performance doesn't affect the entire population's results. In other words, you want to compare segment to non-segment, not segment to non-segment *plus segment*.

Demographic Segments

Demographic segmentation is perhaps the oldest form of segmentation. Demographics are specific and quantifiable facts about customers that can be collected. Examples of demographics include age, gender, ethnicity, location, employment status, and income.

While demographic segmentation has some limitations, it does have some advantages as well. For one, it's really easy to do, once you acquire demographic data. Ways to acquire such data are by asking customers directly through surveys, gleaning the information from transactional data (i.e., a customer's credit card billing address is more often than not where they live), or working with an external data supplier. Second, non-direct, traditional advertising is priced based on demographics, and if you want to utilize those forms of advertising, you will have to have segmented your customers based on demographics to determine whether it's worthwhile to advertise on a given channel.

However, there are some downsides to using demographic segmentation. For one, it assumes that demographics correlate with behavior. This can be true in some cases, but as mentioned in the Basic Lesson, you have to be sure to keep it relevant. For example, while it is technically possible to segment on hair color, the segments probably don't behave differently with regard to sock-buying behavior.

Behavioral Segments

Behavioral segmentation, as the name suggests, focuses on the actions users have taken. Examples of behaviors marketers may want to segment on include item/category/brand purchased and item/category/brand browsed on site.

Nothing particular about a customer's demographics causes them to buy a particular product. You might imagine two neighbors, both with the same gender, age, ethnicity, and income level, who have completely different purchasing habits and preferences. In that sense, behavioral segmentation goes a step further than demographic segmentation in that it doesn't segment on a proxy for behavior, but segments on behavior directly.

Segmenting on behavior is only possible if you've captured some sort of user behavior. As such, it is much better suited for retention than for acquisition. It can be tempting to continue to push for the same type of behavior from your segments, but behavioral segmentation lets you figure out true similarities between customers and can be used to encourage new behaviors as well.

One thing to watch out for when doing behavioral segmentation is the temptation to segment on whether a customer "has ever" done something. Segmenting on "has ever" can lead to biased results that may not be initially apparent. The root of these biases lies in the fact that a customer is more likely to have done something if they've made more purchases. For example, a customer who has made ten purchases is more likely to have bought Item X than a customer who has only made one purchase, so of course the "has ever purchased Item X" segment will have generated more revenue for you over their relationship with you than the "has never purchased Item X". A way to get around this bias is to segment on a particular behavior associated with the first purchase or with the most common purchase. This normalizes the behavior since every customer will have made a first purchase and every customer will have made only one first purchase.

The following use cases show how various types of segmentation fare in particular situations.

Driving the First "Repeat" Purchase

When we can drive Purchase #2, we get another touch point with the customer and another opportunity to forge loyalty. Once we have a list of one-purchase customers, we can segment them in various ways.

Demographic Segmentation

This is the easiest segmentation to perform, but can often be irrelevant. There are cases where certain types of products are only applicable to certain age ranges or genders, but in general customers' behaviors aren't determined by their demographics. Especially in this case, where the customer has already made a purchase, we have so much more information from which to draw to perform better segmentation.

First Product Purchased

Something as simple as "first product purchased" actually gives us a ton of information. In order to actually have a first product purchased, a customer had to come to our store, find the item, put it in their shopping cart, and give us their shipping and credit card information. The number of customers that actually complete all these steps is a small percentage of customers, but purchases are one of the most powerful things you can use for segmentation. Purchases, more than clicks, email opens, and sign ups, are the most powerful predictor of future behavior.

One issue with segmenting on purchase history is that it doesn't give you much to go on in terms of next steps. It helps you driving similar purchases, but it doesn't tell you where to go from there. For customers who first purchased a particular item, should you try cross-selling? If so, what should you cross-sell them on?

Predicted Response

Predicted response segmentation takes first product purchase segmentation a step further to the answers of the questions posed above. Suppose you run a drug store that sells three types of items: toothpaste, vitamins, and razors. You can split your customer base into those whose first purchased was in each of those categories. Then, within each of these groups, split them into thirds and send them emails featuring each of the three categories and look at the responses.

You don't only want to look at the revenue per user, but also the conversion rate. If you're going to make decisions based on this type of segmentation, it's also important to do statistical significance testing. This will inform whether the behaviors you observe are actually meaningful, or whether they are the result of random error. This will help you better target your subsequent campaigns. If toothpaste customers respond better to vitamin emails than the other two, then you will want to send them vitamin emails going forward.

Detecting "Lost" Customers

Your lost customers, whether they make particularly high-value purchases or not, are very valuable to you in terms of what you know about them.

Days Since Last Purchase

Considering a customer as "lost" if they haven't made a purchase in, say, 90 days makes it very easy to send emails to all of your lost customers. This is fine if you sell a limited number of products and your customers shop on relatively similar frequencies, but what if you have some customers who shop weekly and some who only shop around the holidays? At the 90 day mark, your weekly customers have been sitting idle for almost three months. Meanwhile, you would *expect* your holiday customers to not shop with you once every 90 days.

Recency, Frequency, Monetary Value (RFM)

RFM is a method of segmenting customers using three data points: how recently the customer purchased, how often they purchase, and how much they spend. You might create buckets for each of these attributes, and each segment is comprised of a unique combination of buckets (e.g., a segment might be "customers who last purchased within the last 90 days, who buy every two weeks and spend under $100 each time"). While this method takes into account the shortcomings of a "Days Since Last Purchase" approach, it doesn't factor in where a customer is in their lifecycle. Lifecycle transitions can have a large effect on likelihood of response. In addition, RFM doesn't try to predict behavior; it segments your customer base but doesn't make any assessment of how valuable those segments are.

Advanced Probabilistic Models

Some types of advanced probabilistic models include pattern recognition and machine learning algorithms. There are many approaches, but the general idea is that these approaches look at individual customer stories and whether their types of ordering behavior are indicative of customers who drop off the map. With these types of models, you will be able to reach the ideal where you're alerted about a customer who orders weekly not ordering for two weeks and a customer who orders monthly not ordering in the last 45 days. While these types of models may seem ideal, they are complicated and often require a lot of data science help and computational horsepower to get up and running. The trade-off between complexity and predictive power you choose to make really depends on the resources at your disposal.

If you're interested in learning more about probabilistic models and techniques, take a look at Bruce Hardie's site, and in particular, the "Forecasting Repeat Buying for New Products and Services" tutorial and associated Excel spreadsheets (Part 1, Part 2).

Winning Back "Lost" Customers

Once you've figured out a customer is lost, you're going to want to try to win them back. Given the amount of information you probably have on them, it's almost always worthwhile reaching out to them and bringing them back into the fold.

Demographic Segmentation

Again, demographic segmentation is easy to perform and gets some results, but in this case as before, treats everyone in the same demographic as the same. In the same way that two "equal" customers might have different purchasing preferences, those two customers might have completely different reasons for no longer buying from you. By treating them the same, you aren't really maximizing your chances of winning them back.

First Product Purchased

First product purchased is a powerful attribute to segment on for most of a customer's lifecycle. However, the longer a customer has been "lost", the more likely it is that their purchasing behaviors have changed (which may be why they became "lost" in the first place). By focusing on their early behaviors, we may just be reinforcing that our store is no longer relevant for that customer. If you suspect that's the case, then perhaps last product purchased may be a better attribute to segment on.

Persona Segmentation

Persona segmentation captures the full portfolio of products a customer is interested in and creates segments of customers based on the collections of things they buy. The results of this type of segmentation, for example, are that customers of Type A make 30% of their purchases on jeans and 70% on shoes; customers of Type B make 50% of their purchases on shirts and 50% on skirts; customers of Type C spend 30% on jeans, 30% on accessories, and 20% on shoes. This lets you tailor emails that highlight not just one, but a portfolio of products that a customer segment would be interested in, and the more you put in front of a customer that they are actually interested in, the greater the conversion rates and values of those customers.

Happy Segmenting

Enjoy this tasty Segmentation Cheat Sheet with some example segmentation attributes to help you get started.

Target Customers

Your brand and the feeling you want your customers to have comes from inside you, through your values and brand commitment. Knowing who you are and what your brand stands for in the minds of your customers sets the foundation for discovering as much as you can about your customers and the ideal prospective target markets for your products and services.

This lesson will help you better understand your target markets and identify your best possible customers. If you succeed in this lesson, you will have the advantage of **focusing your efforts and resources in the right places to attract the right customers, instead of scattering your marketing messages around hoping to attract anyone at all.**

Marketing has both a strategic side and a tactical side, but we can simply say marketing is ultimately about generating leads: **bringing the right people in so that you can convert them from being a lead to a prospect to a customer**.

The more strategic part of the marketing dynamic encompasses what is traditionally called market research - analysis which helps you understand how to segment your market, the demographics of your segments, and how to understand the personality, values, attitudes, interests, and lifestyles of your potential customers (psychographics).

The information gathered through research, thinking, and strategizing about your customers is used to support your choice of channels to reach them, and helps you understand how to best message them.

Once you've done the adequate research and analysis to help you choose the right channels and hone the right messages, marketing is primarily a tactical activity. You will want to systematize and schedule your marketing so that it takes place every day and every week, so that month-by-month you generate more leads that can be converted into customers.

This lesson will support you in understanding and identifying the most important market segments to focus your marketing efforts on. It will also explore how to capture demographic information so that you begin gathering data that will help you make informed channel decisions.

Get Fascinated With Your Customers

In the beginning, most business owners are just happy to have customers. Do you remember how it was? Maybe you didn't care who they were or what they really wanted, you were just happy to have them; it's likely that you worked incessantly to satisfy them so they would return and maybe tell someone about you.

Now it's time to step back so you can gain another perspective. And the first thing to do is commit to becoming utterly fascinated with your customers. We'll be introducing more formal and structured ways to understand your customers, but committing to an ongoing fascination with them and a continual pursuit to understand more and more about them will serve you well in the marketing dynamic.

Not everyone is your customer

Take a moment now to remember again what it was like when you first opened for business. Recall that first customer, and how you did everything in your power to make the whole experience just right. You went above and beyond the basics and bent over backwards to make their experience memorable — intending it to be the beginning of a beautiful, long-lasting relationship. If they asked for special handling or substitutions, you said "Of course!" You gave out free samples, discounted their final bill, gave them special attention, and they were completely charmed. Maybe you even framed and dated that first dollar.

Now, there's nothing inherently wrong with that experience. In fact, we would suggest that you want to build a business that has the ability to lavish this kind of care and attention to detail on every customer, every time, without ever having to think about it

We believe that this goal of a consistent, high-quality, wow-generating customer experience is easier to make a reality when everyone in your organisation understands and embraces your company's values and brand commitment. Then, you set out to attract a customer base that is drawn to you because they feel both the value of your message and how it addresses their needs or relevant expectations.

But for many owners, an unfortunate distortion begins early on as word spreads about your business. As more and more people start calling, finding your website, and lining up at the counter**, some expectations you may have set with this *original* customer base become increasingly more difficult to meet.** They may *all* expect free samples, or an automatic discount on their bill, and their requests for substitutions can begin to put a burden on your inventory planning and control.

The problem at this point is that you've got a market segment that you cannot support or sustain. They love you — to be sure — but they will love your business to death! And the attention they're demanding is contributing to your inability to actually grow your business the way you imagined, because these people are taking up all your time!

Finding the customers that fit your vision

As you have learned in the branding lessons, your business is defined by what you say it is: *your* vision, *your* style, *your* definition of your goods and services. And that commitment must be shared and embraced by everyone in your organization.

In the scenario above, your brand commitment is not being driven by this sustaining vision. Rather, it is at risk of being distorted and redefined by your sincere efforts to be all things to all people

Your company is being hijacked by people who you may say are your *best* customers, but probably are not your *ideal* customers. **And that's why we say: "Not everyone is your customer."**

You may *wish* that could be the case, but you simply cannot sustain a business by trying to be all things to all people. Someone else will always come along (with a strong brand commitment and focused differentiation of their own) and do some things better and more consistently than you.

The goal of this lesson is to identify what segments in the marketplace are really the best fit for your promise — to understand why they prefer you — and to use that information to focus your marketing strategies on specifically attracting their attention.

We will begin to discover the truth about your right customers with two primary tools in the next steps of the lesson:

- Your product-market grid, and
- Your demographic profiles

How comfortable are you saying "no" to requests or business opportunities that you feel are not in alignment with your brand promise? How you relate to this idea — of turning down less than ideal customers or segments that just don't work — is important to getting more comfortable with saying no

Focus, Focus, Focus

To identify the right customers, you need to focus in and find those most likely to buy, and consistently focus your marketing on them. If you had the ability to target only those who are most likely to buy — the right customers for your brand — think how successful your business could be. You could direct all your marketing efforts specifically to people who are likely to be your best customers, while minimizing your efforts and attraction to the wider spectrum of people who are not.

The first step in developing your marketing strategy is to identify your true target markets. And that's what this lesson will help you do. You're going to look at your overall market and identify its various subgroups, or *market segments*. Then you're going to rank them. You'll designate the market segment(s) which will likely produce the best results for your business as your *primary* market segment(s). Other market segments that will produce desirable results will become your *flanker* or *secondary* market segments.

This isn't to suggest that you will take one or the other for granted. On the contrary, you may discover that you have a secondary market that's been hidden from you — one that, with the proper amount of renewed or increased attention, could become a primary market segment And most likely you'll also identify segments that just aren't working profitably. Eliminating unprofitable segments that were considered primary or flanker is frequently one of the most powerful aspects of your new understanding.

After we've developed a basic picture of your market segments, we'll take a deeper look at the observable or discoverable characteristics that define and distinguish these specific customer groups.

Your Product-Market Grid

The product-market grid is a simple and wonderful way for you to start putting your thoughts and facts about your customers down on paper It gives you the opportunity to identify your actual products and services, and match them with the specific type of customer(s) that is attracted to each one.

Please don't approach this exercise by just filling in the blanks. The power is twofold: getting the information and/or data points out of your head and down on paper or a spreadsheet is one, taking the opportunity to see the whole from a new higher level perspective is the other.

This one exercise, thinking through the product-market grid, has produced many startling changes in the way our clients think about their business and how they allocate their marketing resources. Great results often arrive sooner than expected when you start focusing on the right customers and stop focusing on the wrong ones.

Product Grid	**Market 1**	**Market 2**	**Market 3**
Product/ Service 1	Sold Profit	Sold Profit	No Market Profit
Product/ Service 2	Sold Profit	Sold	Sold Profit

Shifting Your Perspective

Many business owners — especially those who started their business based on their technical expertise, the classic technician turned entrepreneur — suffer from what might be considered an inherent occupational hazard: they just know too much about the facts and technical details of their product or service to clearly see their business as their customers see it.

Up to this point, your focus has been on your business as you want it to be seen — your Brand Promise, your distinctive vision for its future, and how it will manifest the best of yourself. This is essential foundational work that you've been doing here — because it defines the path you will take from where you are to where you want to be.

But now, we are asking you to turn the lens around, and look at your business through the eyes of your customers. Your customer has a need. Something that you are providing is seen by them as fulfilling that need — but you and they may perceive it differently. The time you spend and the focus you devote to the product-market grid may help you more clearly identify what it is they see they need in what you sell.

> **How do you describe to others what your business does? When asked what you do, how do you explain it?**

> **When people contact your business for the first time, what is it that they ask? Think about those first calls or inquiries. How do they express what they need?**

Although the term is often used for convenience, there is really no such thing as the *market*. Instead, the market is a collection of smaller groups, or *segments*, each of which differs from the others in some important respect. It's not to your advantage to pursue every segment in the market, but only those which constitute your bread-and-butter customers.

When you create your marketing strategy, you'll want to get the greatest possible return from your efforts. You'll want to focus on the market segments with the highest probability of buying your products. That way you'll avoid the ineffective process of marketing to large numbers of people who don't need or want your products.

In order to identify your market segments and develop useful profiles of your best customers, you'll need to work offline to discover the best definitions to use for your product and market definitions, and then apply them in your final online documents In the next step, we'll go into each of the activities below in more detail so you can refine what you put down on the grid.

- Set up a product-market grid for your business. This market segmentation method takes into account both the customer(s) and the product(s).
- List on one axis the products or services you sell as your customers perceive them. Describe them in broad terms that differentiate them in the eyes of your customers. For example, *desktop computers* or *women's clothing*.
- List on the other axis the various types of customers you serve. You don't have to worry about precise details yet, just use descriptive phrases to identify your markets, such as "upscale households with children," "fast-food restaurants," or "women, ages 18-35."
- If you have it, fill in the information for each segment in the intersecting boxes of the grid. Usually this takes the form of revenue numbers, the unit volume of sales, and/or the profit margins generated by each segment. Use whatever statistics are most important for your company's success and profitability.
- Designate your primary target market and your flanker markets. Number the boxes from most to least valuable. Designate your most important segment as your *primary target market* If you have other important segments, designate them as *flanker*, or *secondary* markets.

Demographics — The Measurable Characteristics of Your Customers and Prospective Customers

Think for a moment about how you describe people. Though you may not realize it, you already speak the language of market segmentation. It's a language we call *demographics*. You use demographics all the time. Every time you speak of someone's address, age, income, college degree, or the size of a neighbor's family, or the recent divorce of a friend, you're speaking the language of demographics. Demographics consist of the objective, directly observable characteristics that describe people and organizations. From your viewpoint as a business owner, demographics are the tangible facts that identify, describe and differentiate your customers and prospective customers.

Demographics of people could include:

- Age
- Employment status
- Location
- Gender
- Education
- Race
- Occupation
- Marital status

- Ethnicity
- Income
- Family status
- Physical characteristics

These are some of the key demographic characteristics that may be significant. Some on this list here may have absolutely no bearing on their relationship to your business, and, of course, you may already be thinking of others that are of particular and unique importance. So, be sure to make a note of others that are important to you and include them on your own list. If in your business, your customer is another business (as opposed to an individual consumer), there are some additional demographic markers that may be important.

These could include:

- Job titles (of the people making the purchase decision)
- Department (if you sell to large organizations)
- Specific Industry
- Product line(s)
- Size of business (sales, number of employees, etc.)
- Type of business (manufacturer, distributor, retailer, etc.)
- Location (headquarters and branches/operating locations)
- Geographic scope of the business (local, regional, national, international)
- Financial status of the business (revenues, profitability, leverage, etc.)

You must keep in mind though, that a person (not a business) makes the ultimate buying decision — so, as you are directing your marketing strategy, understand that it has two components: the profile of your ideal business and a demographic profile that applies to the actual decision-maker in that organization who will be making the ultimate purchase decision.

Customer Insight

Understanding Why

Marketing has three facets: research, strategy and tactics. You gather information, obtain a better understanding, and create a strategic plan. Then it's all about executing that plan.

This lesson is designed to support your insight into the hearts and minds of your customers so you can better understand why they buy, and why they would choose you over the competition. Knowing this information makes it far easier to connect with and create ongoing relationships with your customers.

Starting from the inside, defining, refining and evolving your brand is the foundation to marketing. But to connect with your customers, you have to understand them as much as possible. To put it simply: you should seek to become fascinated with them.

Understanding your customers — what they need and expect, their desires and fears, their worldview and how they see your industry and the experience you offer them — enables you to send effective marketing messages that bring in more customers.

This lesson will help you gather information to understand the personality, values, attitudes, interests, and lifestyles of your customers and potential customers. These *psychographic* characteristics include the conscious, emotional, and unconscious aspects of your customers — and all of this information shines light on *why* they buy.

With research and evidence gathering practices, you'll be able to create a Customer Persona. With this information you can more effectively identify the best channels for you, create magnetic messages, and attract qualified leads.

When your marketing messages are honed and tuned to the ear of your best prospective customers, you can increase your ability to communicate who you are in ways that are designed to reach, touch, attract and keep them.

It's All About Emotions

The process of deciding whether or not to make a purchase occurs in a dynamic tension between the emotional, often unconscious aspect of ourselves, and our rational thinking process.

The bulk of scientific research concludes that the primary decision maker is our emotions which are often unconscious to us. We then back up this felt sense with more tangible, rational reasons to act on the already emotionally made decision.

Depending on our age, economic and cultural backgrounds, life experience, personal beliefs about ourselves and the world, values, and ideals — we are drawn to or repelled by what we experience and associate with any brand or business.

In this lesson you'll develop a Customer Persona for your main market segment. You can also use the same approach with other less important market segments going forward after you learn how to do it with your primary target market.

Building on what you come to understand about the needs, behavior and thought processes (conscious and unconscious) of your customers, we'll also introduce you to the Purchase Decision Chain. This will help clarify the different stages that your customers go through — from initial awareness to becoming a customer.

Your business, every business, has a why behind it that creates its purpose and mission. But it must bring value to customers. Without customers, even with a clear purpose and mission, you won't be in business for very long.

If you get nothing from this lesson other than a facination with your customers' perceptions and behaviors, you'll discover innovations in your marketing and customer experience that you could have never discovered otherwise.

Discovery Questions

Why do you think your customers buy from you?

Write down your best thoughts here, your gut instinct; then you can verify your assumptions as you proceed through the lesson.

What do you already know about how your customers think and feel?

Perhaps you're already fascinated by your customers and have gathered some observations, and even hard data. If it's all a big blank for you then you know you have much more work to do here.

They Are Not You

As you begin to delve into understanding the feelings, mindset, and expectations of the customers you wish to attract, there are a few things to consider.

To begin with, believing that your customers think and act as you think and act can be a real obstacle.

If you find yourself saying, "The *way* I would do it is...," or "What *I* would want is...," or "The way they *should* think is...," chances are you're not objective enough to see your customers clearly. Take a moment to consider: are you truly the kind of customer you want to attract? Often, a business owner and entrepreneur has a very different mindset from their target market. So it pays big dividends in the beginning to understand that you may be *quite different* from your customers.

In addition, if you think more about your products and their specifications (product-focused marketing), and not enough about how your customers feel, what they need, and how to communicate with them, you'll be thinking backwards. In other words, if you say "I'll create a product and then go out and sell it" followed by focusing your marketing and sales activities on the features of the product or service, you're likely to miss your customers real needs and expectations.

It's not that you can never do that. After all, who knew we couldn't live without something the size of a razor thin cell phone that could hold 10,000 songs? While in some ways it might have looked like product-focused marketing, it's more a matter of Apple having been, among other things, thinking ahead of their customers' needs.

Apple is grounded in their *why*. You could say that their brand statement is: *With everything we do, we believe in challenging the status quo. We believe in thinking differently. The way we challenge the status quo is by making our products beautifully designed, simple to use, and user friendly*. From there, they are customer-focused, working from "I'll learn what the market needs, then I'll create the product to satisfy that need."

So, solidly grounded in the fundamental values of your brand commitment, let's proceed. What follows will become the building blocks for investigating and expanding your understanding of what goes on in the minds of the buying public, so you can begin to develop a model for your best customers.

Individual Perception

Have you ever noticed that the way you perceive things frames the way you relate to them, and informs your actions and reactions to life? Generally speaking, we believe and relate to what we think we see, feel and experience, as the way things actually are. In that way, our thoughts and perceptions impact decision making — including decisions about buying things.

Sometimes you may hear marketing defined as “the art of managing customer perceptions.” Following that line of thinking is a slippery slope. Does that mean one needs to, or should, *manipulate* customer perceptions in order to make a sale? We wouldn’t recommend it. Using any method that works without regard to the customer’s welfare not only brings up the question of ethics, but can lead to a counterproductive approach to business. And in our current media savvy culture, with information so readily available, it also pushes away customers. Manipulating perceptions may have worked in the past, but in today’s environment, transparency and authenticity are what people crave.

Even something as subtle as a recent fundraising campaign for Breast Cancer Awareness can become suspect. The opportunity to like the post on a Facebook page — showing a pile of M&M’s with instructions to “find the pink M&M” before clicking — could have you spending 5 minutes staring at M&M’s. Mesmerized by the game, how many people would take notice and realize the likelihood of experiencing an urge to pick up a bag of M&M’s the next time they were in a store? Was the intention to raise funds for Breast Cancer Awareness, or to increase sales for Mars, Inc., the maker of those M&M’s?>

The buying public is increasingly informed. With social media giving anyone the ability to tell others about their experience, it’s getting easier and easier for them to turn away from anything that feels like selfishly manipulative marketing. In the end, ethical marketing is practical marketing. If your business truly serves customers’ perceived needs and preferences, the business wins. If not, it loses.

The key to successful marketing lies in providing the emotional gratification and rational reasons the customer seeks and needs to make her purchase decisions. If this happens, both parties win. So let’s talk about gratification. In FIGURE 1, you’ll find a chart that describes two aspects of your brain.

FIGURE 1 Two Aspects of Your Brain

Limbic: Feeling / Impulse

- Non-verbal
- Feeling and emotion based and motivated
- Instant gratification
- Pain avoidance
- Pleasure seeking
- Pure and straightforward
- Passion, emotion, impulsive instinct

Neo-Cortex: Rational / Reason

- Meaning inherent in perception
- Logical processing of perceptions
- Rational

Notice how the two aspects of your brain work in conjunction to give you the whole picture of how we respond to marketing messages.
Reason and impulse work together. Impulse makes the decisions for the two. Impulse controls every decision you make but reason has a lot to say about it too.

Both your conscious mind and unconscious feelings perceive through the senses — sight, sound, touch, smell, and taste.

Reason takes the meaning inherent in what it perceives and logically processes it, adding no emotion, drawing no conclusions. The result is passed along to impulse, which interprets the result in terms of expected gratification or pain, and reacts emotionally. Impulse provides the emotional response to reason's rational conclusions and judgments. Meanwhile, impulse uses sensory perceptions to make associations with past experience and brings forth the emotions they trigger.

Reason deals in information and judgment while impulse deals in associations and emotions. The more information reason can bring to judgments, the stronger that influence on a decision. The more associations and impressions impulse can make, the stronger the influence.

The Conscious and the Unconscious Mind, or Two Aspects of Your Brain

We're all familiar with the idea of the conscious and unconscious mind. In our brain, the neocortex, or conscious mind, is rational — responsible for analytic thought and language. The limbic, or unconscious, part of our brain is responsible for feeling-based human behavior and impulse, and has no capacity for language. It's important to note that this is where all decisions are made.

Existing in all of us, these two aspects of our brain provide a key to the way we think, perceive, and make decisions. They also provide an important key to understanding and communicating with your customers and prospective customers.

In order for your business, let alone your marketing, to succeed, it's important to be aware of how communication and interactions touch your customers at an emotional level. In marketing specifically, it can be useful to think in terms of how your customers feel — emotionally, and in the unconscious — and what they rationally think and believe to back up that feeling.

To use Apple as an example again, you may recall early billboard ads for the iPod. They were pure emotion. Wild silhouettes on bold colored backgrounds, they focused on the emotional gratification the product would provide. A later ad combining iPod and iTunes showed an image that communicated more about what the product did — a funnel of CD's and album covers cascaded down into the iPod. The early image spoke to emotion, the later image speaks to reason.

Emotion or feeling, and reason are both important. You'll want to avoid being one of the businesses that fall short because they communicate mostly with reason, when that's not where decisions are made.

The Importance of Considering Unconscious Associations

Association, by definition, is a relationship between two variables. It's probably not news to you that your mind makes mysterious, unpredictable, and yet important associations that rule your behavior and the way you perceive the world. What's responsible for the associations? Impulse and your unconscious mind. And with anything and everything triggering associations, they can be quite random.

For example, a woman is working in her garden and hears the rustle of fallen leaves. She perceives the sound and unconsciously associates it with the rustle of papers at an award ceremony where she was the guest of honor. It's not that she consciously remembers the award ceremony, but she smiles and momentarily feels good because the association triggered pleasant emotions.

Or consider this more dramatic example: A boy was walking home one evening eating an ice cream cone. Suddenly, a couple of dogs attacked him. Now, more than 15 years later, he doesn't like ice cream. His unconscious mind created an indelible association between ice cream and brutality, pain, and fear. While this example may seem extreme, it makes the point that unconscious associations can create very powerful responses — both positive and negative.

So why is this important? Generally speaking, advertising is designed to trigger associations at an unconscious level that links the product with a pleasant experience or impression. The question for you then is, how do you create associations favorable to your products or take advantage of existing ones?

Add to the equation that you never know exactly what associations your advertising, your product, or your look and feel are going to trigger with any specific individual. People — their experiences and perceptions — vary too much. Images of Pit Bulls, Doberman Pinschers and German Shepherds, for example, can conjure strong and widely varied reactions depending on the population segment.

That's why identifying and understanding the common experiences and perceptions of groups of similar people is valuable. As a group, most of them will experience similar associations. Aiming the messaging of your marketing and advertising at those who will experience similar associations just makes sense.

Behavioral Segmentation and Your Customer Persona

Are you beginning to see how it comes together? Understanding your target markets in depth, and considering their common experiences and lifestyle can help you identify images and messages that carry positive associations.

You then use those images and messages in your marketing as you interact with customers, and as you develop the sensory experience your customers have when they do business with your company. The more in-depth understanding you have of your customers and how they make their purchasing decisions, the more you'll be able to influence their decisions in a way that benefits everyone.

Now let's take this background information and put it into a framework that will help you understand customer decision making and enable you to establish a kind of psychological profile — a Customer Persona —for each of your target markets.

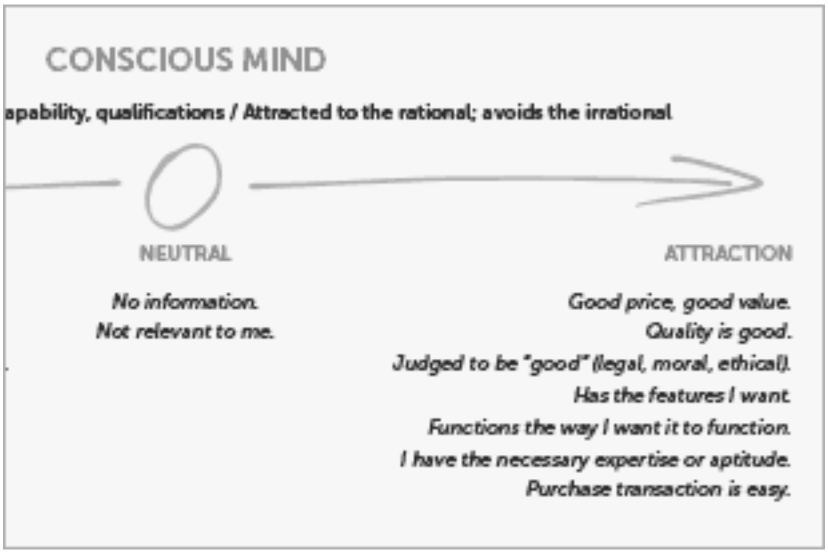
Attraction and Avoidance - the Essence of Purchase Decisions

A purchase decision, or any decision for that matter, can be viewed as a person's response to all the rational and not-so-rational activities in the conscious and unconscious mind. It may be that the unconscious mind makes decisions emotionally, but it does so with full attention to both conscious and unconscious perceptions, associations, logic, and judgments.

In some ways, it comes down to attraction and avoidance. It's all about how your product makes your customers feel. But keep in mind, it's not only what they associate with your product; it encompasses their entire experience with your business and their entire life experience. This one point, can change how you relate to your customers. Too often, a business owner fails to take into account the worldviews of their prospective customers, nor the unconscious associations they bring to bear on the purchase decision. Dig deeply and you may discover some of the disconnects that keep some part of your target market from moving ahead and deciding to buy.

You can see in FIGURE 2, how this conscious/unconscious avoidance and attraction plays out within our minds.

FIGURE 2 Conscious/Unconscious Avoidance and Attraction



Read the list above and think about your own experience. Understanding how your mind works is a great start to better understanding your customers.
To put it simply, the conscious mind feels attracted to interactions and purchases that make sense, seem rational, and have objectively desirable results. It feels repelled by purchases that are irrational and have objectively undesirable results. The unconscious mind is drawn to make purchases that result in emotional gratification. It feels attracted by pleasant associations, pleasant sensory perceptions, and the promise of good results. It avoids anything unpleasant.

Analyze your product or service offering and the marketing messages you use to attract customers. Does it provide attraction to both the conscious and the unconscious, without sending out mixed message that may result in avoidance or neutrality? Ask yourself consistently, whether your messaging speaks to both conscious and unconscious needs and adjust the copy so that you're both emotionally attracting prospective clients *and* providing the rational reinforcement to their emotional choice.

FIGURE 3 provides a good way to understand the interplay of unconscious /conscious mind and the push-pull of attraction/avoidance in the decision-making process.

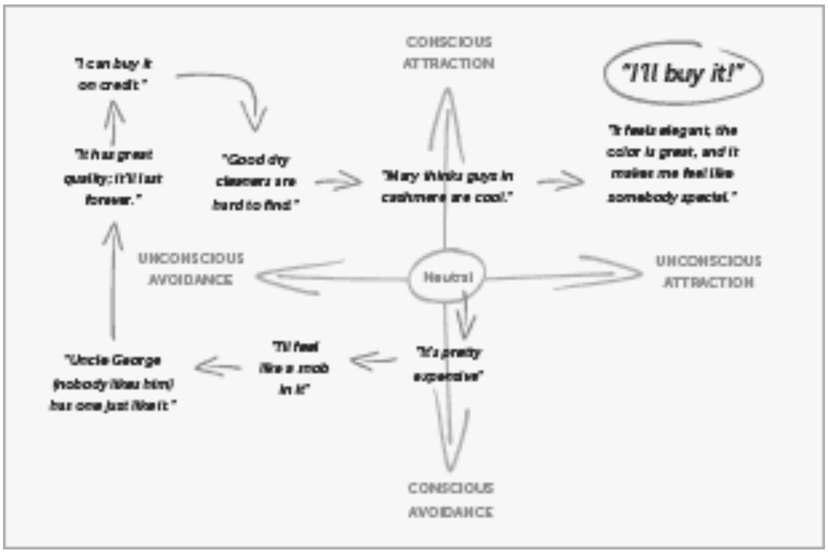
FIGURE 3 Conscious and Unconscious Mind in the Purchase Decision

It's truly this simple: line up conscious and unconscious attraction and you'll probably make the sale.
If all reactions of the conscious and unconscious mind make the purchase attractive, the customer will decide to purchase. Similarly, if both minds react with avoidance, the customer will decide not to purchase. Most of the time, however, our experiences are a complex interplay of reactions, with the purchase decision depending on the balance between attraction and avoidance.

Remember, you want to understand why they buy, so you can message to them in a way that has the highest likelihood of both attracting them to your brand and moving them along the purchase decision chain which you will learn more about in this lesson. As you take in this information, reflect on your customers and seek to find the places of the most connective attraction, as well as where you might push them away through avoidance. The more you understand about your customers and prospective customers, the better you will become at describing, in a straightforward, connective manner, exactly why they will want to engage with you and enter into a real relationship with your brand.

Consider the example in FIGURE 4 depicting the process involved in deciding to buy (or not buy) a cashmere sweater. This diagram show a person's internal thought process. You can see the interplay of conscious and unconscious thoughts or feelings and attraction-avoidance.

FIGURE 4 Deciding to Buy an Expensive Cashmere Sweater



Starting at the neutral point in the center there is a conscious avoidance; then the continued thought process moves into unconscious avoidance until a conscious attraction leads the person to a purchase decision.
Starting at the neutral point in the center there is a conscious avoidance; then the continued thought process (the green lines) moves into unconscious avoidance until a conscious attraction leads the person to a purchase decision based on their unconscious attraction.

This is an example of how individuals who may or may not become your customers, will experience conscious and unconscious attraction and avoidance towards your product. They will feel things, and they will think things.

> You are the same as consumer and customer. Get used to observing yourself in similar buying situations. Notice the combination of feelings and thoughts. The more you study yourself in this regard, the easier it will be to refocus on your product or service, with your prospective customers doing the feeling and the thinking. Mapping this process of conscious/unconscious attraction and avoidance provides a model of how they make purchase decisions. Not a perfect model, mind you, but one you can use to better align your brand throughout all the customer touchpoints and create messages that draw them in.

Psychographics and the Customer Persona

Psychographics refers to the psychological characteristics of populations, or in this case, of market segments. For marketing purposes, psychographics include the mental characteristics that typify the people in markets and market segments. Specifically, this includes their self-perceptions, drives, perceptions and expectations of the world around them, as well as their emotional associations.

Just as each market segment has a Demographic Model, or DM, each segment can be viewed as having a Customer Persona, or CP. The CP of a market segment provides a profile of the psychographic characteristics typical of people in the segment. It also, as a persona, seeks to personalize all this information, so you feel like you're communicating with a real customer when you write a marketing message, rather than some impersonal target market.

In order to better understand your customers, we're going to introduce four characteristics that you can start with to help form these personas:

- Self-perceptions
- External perceptions
- Drives
- Emotional associations

Self-perceptions

Our self-perceptions, the way we see ourselves, can be looked at in two categories. The first has to do with our *personal values* and the second with the *image* we have of ourselves. If your intended audience feels satisfied with their self-perceptions, you can use marketing messages that reinforce satisfaction to create attraction for your products and your business. If they don't feel content with their self-perceptions, messages that promise improvement will probably go further to generate a sense of emotional gratification and create attraction.

Here's some more to think about relative to these two categories of people's self-perception:

- **Personal image** answers the question "What kind of person are you?" and includes perceptions of your role in life, social status, economic class, special abilities (or inabilities), and distinguishing characteristics. People have either healthy personal images (high self-esteem) or unhealthy personal images (low self-esteem). Ideally you'd want your marketing messages to reinforce healthy personal images and promise improvement of less than healthy, or unhealthy personal images.
- **Personal values** are the answer to "What's important in life?" and consist primarily of preferences for the way you interact with others. Values can include characteristics such as integrity, honesty, thrift, sense of responsibility, loyalty, generosity, and love. Values can also include the importance you place on things such as family, friendships, career, material possessions, physical and emotional wellbeing, community, faith, and the environment.

Expressed and aligned with your brand, and based on your values, the question before you becomes, "How do your marketing messages and interactive experiences with your business, resonate with the dominant values of the market?"

External Perceptions

How do you feel about the world around you? The truth is, we perceive the world around us in different ways. For some, it's a warm, friendly place. For others it's threatening and they feel as if harm is around every corner.

For example, there are those who view a salesperson as someone who's out to take advantage, and will sell them anything to earn a commission. Others see salespeople as helpful sources of information and guidance.

Knowing your customer's external perceptions, both good and bad, can tell you a lot about their expectations. Understanding what's behind their expectations can help you position your business in their minds. It can also inform the development of more effective communications and ways of interacting with your existing customers as well as prospective buyers.

Remember, unless you are surveying them and getting their actual responses, you should make your best judgments about how life is from their perspectives. Don't just make an assumption about who they are.

Here are three more categories of external perceptions for consideration as you create your Customer Persona (CP):

- **Environmental:** Do your customers see the world as a safe place? Do they expect the best or the worst? Do good things or bad things tend to happen to them?
- **Behavioral:** Do they expect people to treat them well, with respect, in a friendly, helpful way? Do they view business people as helpful, friendly, and useful, or cold, unfriendly, and incompetent? Do they expect products and services to function as advertised, or do they expect shoddy products and shabby treatment?
- **Motivational:** Do they perceive others as out to get them or interested in their welfare? Do they expect salespeople to be after their money versus just being helpful? Are businesses motivated by a desire to help or by greed?

Drives

When you think about taking action, what compels you? Physical and emotional needs? Desires? Obligations? Fears? All of those things can serve as drivers. They can be positive (causing attraction) or negative (causing avoidance), but not neutral. To the degree that a customer's positive or negative drive has anything to do with purchasing, it's worth your attention.

We're going to talk about two categories of drivers: functional (the need or desire for something tangible), and emotional. Be prepared — it's not clear cut and simple. At their most basic level, functional drivers can serve emotional needs.

Hunger, for example. On the surface, it's quite obviously a functional driver. Hunger results from the need for food, but it can also involve a desire for the pleasure of a good meal, and is often an element in social activities. We can feel hungry, or at least want to relieve the unpleasant empty feeling in our stomach, when we're upset. Hence the term comfort food. Notice these are emotional gratifications.

All of which is to say, acknowledge functional needs and make sure your products and services satisfy them. But as important, if not more so, be sure you understand the more fundamental emotional needs, and be doubly sure to satisfy them.

- **Functional needs** speak the language of the conscious mind. Customers satisfy their functional needs with the tangible aspects of your products and services. What must your products *do* for your customers? What functions must they perform? What physical features must they have? How must they work?
- **Emotional/internal needs** drive the unconscious mind. They provide the impulse for emotional gratification (and buying!). More powerful than functional needs, emotional needs underlie every functional need.

Emotional Associations

We started to talk about associations earlier. Now it's time to think about what kinds of things trigger different emotional associations for your target market. Since you can't read minds, you'll want to consider other ways you can learn about your customers' typical histories and behaviors. From that information you can infer what communications and sensory impressions are *likely* to trigger emotional associations. As you can imagine, the idea is to focus on images likely to provide emotional gratification, avoiding those that might trigger its opposite, discomfort.

Positive associations trigger emotional gratification. They remind people of joyful events in their lives, of wonderful sensory experiences (food, music, sex, athletics, luxurious comfort, etc.), or of achieving cherished fantasies.

Negative associations trigger emotional discomfort. If you don't pay attention to communications and sensory impressions, you run the risk of inadvertently triggering negative emotional responses, creating avoidance rather than attraction for your products and your business.

All in all, when it comes to associations, you'll want to put a fair amount of thought and care into using whatever information you've gathered and/or think you've come to understand. Sometimes what one market segment finds joyful is downright unpleasant to another.

While some consider shopping for clothing a happy, stimulating activity, others consider it a tedious drag. Running a marathon brings exhilaration and joy for some, unthinkable torture for others. Holding a newborn baby can be deeply satisfying for some, uncomfortable for others. You get the idea, right?

Personality Modes and Purchase Motivations

Another angle to investigate has to do with how your customers are most comfortable getting information. Are the majority of your customers *interpersonal*? In other words, are they comfortable with, and do they like, personal interactions? Or are they *objective*, being more at ease interacting with inanimate objects or data? Are they *introverted*, feeling most at home interacting with ideas in a solitary fashion? In some cases, it can be useful to incorporate what you know about these *personality* modes as you go about creating your messaging and the ways you will interact with your customers.

Coming at it from a number of different directions, we've been discussing how we all make purchase decisions based on our unconscious-mind's expectations of emotional gratification while explaining those decisions to ourselves and others in conscious-mind, rational terms. There are also, generally speaking, three ways to group the rational reasons customers use to justify the purchases they make. We can call them purchase motivations.

People who want new, revolutionary, and innovative products and services could be considered *experimental* buyers. As it turns out, it is often the case that *interpersonal* buyers are also *experimental*.

Similarly, *objective* buyers have their attention on *performance*, and want reliability, dependability, and proven quality.

Then there are folks who are primarily looking for *value*. Whether it's the best price or the best value for their purchases, the important thing, for them, is that it's worth the money. *Introverted* buyers often base their purchases on this aspect.

While, as noted above, there can be some generalized connections made between personality modes and purchase motivations, don't jump to any quick conclusions. It's important to keep in mind that the type of product or service you offer can have a significant influence, so be prepared for exceptions outside the norms.

For example, while *interpersonal* buyers may usually be experimental buyers, what if you're selling veterinary care? Pet owners are, for the most part, interested in maintaining the health of their pet. They want assurance that the veterinarian is dependable, reliable, and well qualified. In other words, most pet owners are going to be interested in performance, no matter how experimental they might be with other products and services.

How Do You Know for Sure What Goes on in the Minds of Your Customers?

Let's face it, you never know for certain what's going on in other people's minds. Most of us aren't even that sure about what goes on in our own. The best you can do is observe what your customers do, listen to what they say, and use your common sense and knowledge of human nature to develop the insights you need. Then all your observations and insight are tested through your marketing.

Chances are you're already doing this with the customers you know. The challenge here is to extend your existing talent to consider larger groups of people — your target markets. You can also do formal market research, but do so with care.

Normally, professional market research offers the best way to obtain reliable information about markets. But when it comes to the subtleties of the mind, market researchers may not have any more insight than business people. That's because most research consists of asking conscious-level questions, when you're really concerned about your customers' unconscious minds.

Professional market research is also beyond the resources of many companies. You can do it just as well if you focus your efforts, gather information, and write down your observations that will go into your Customer Personas.

Advances in technology, particularly current technology involving analytics, can be helpful as they can provide real time feedback relative to the public's responses to, and activities on, your website. You can track what your clients are doing, how long they stay on particular pages and areas on a page. You can translate this hard data into assumptions that can be tested concerning the perceptions and behavior of your visitors.

Don't be afraid to trust your own judgment. However, be careful not to project your own way of thinking on your customers. Base your conclusions on what you see, hear, and read. You can use this lesson as a guide to identify what your customers most want from your business. Your experience with people, as well as your growing knowledge, logic and intuition will keep you close to the mark.

Discovery Questions

If you were to list the important distinguishing characteristics of your best customers, what would be on that list?

Remember, unless you are surveying them and getting their actual responses, you are making an assessment. It's your best guess at how life is for them — from their perspective. As such, notice what you are basing your assumptions on.

What emotions do you want associated with your business? What images communicate those emotions?

> Consider the benefit of tying into the brand feeling and the emotions associated with it in attracting customers.

How It All Comes Together

So far you've done a lot of in-depth thinking, observing, and possibly some research into the minds of the people in the markets you'd most like to reach, and you've begun to bring it to life through your Customer Persona. Still, you might not fully understand how it all comes together, let alone how it's going to offer any practical benefit in your business.

We'll answer part of that question as we look at the Purchase Decision Chain. The rest will become clearer as you put what you're learning to use in subsequent lessons. The better you understand your prospective customers and why they are attracted and eventually buy from you, the better you will become at crafting the right message and creating the best possible customer experience for your target market.

It's useful to think of a decision to purchase as a series of interim decisions leading to the actual payment for your product or service. The graphic in FIGURE 1 diagrams the links along what we call the Purchase Decision Chain.

FIGURE 1 The Purchase Decision Chain

Notice how each link in the chain is built on the previous one. If you don't connect with your customers at each link, the chain may surely break.
Let's review the links in the chain first. As we do, we'll see what happens in the customer's conscious and unconscious minds and what role you can play in shaping the sequence of events.

Awareness

As fast as everyone is moving these days, and given the mass of data we're increasingly bombarded with, people only want to know, in a general way, what's available to them in the marketplace. They don't want a ton of information — just a few facts such as the company's name, product names, some general impressions of what the product does, rough ideas about its quality and price, and some feeling of whether or not the product is appropriate for them.

While someone might feel satisfied *consciously* with minimal information to keep them aware, their *unconscious* minds are busy at work balancing attraction and avoidance, creating powerful expectations of gratification or discomfort. Think again about the early ads for iPods. Those pictures truly took the place of a thousand words.

The kicker is that the purchase decision is often made at this early stage. The conscious mind just doesn't know it yet. When that happens, the rest of the decision chain merely confirms and reinforces the decision, coming up with the rational advantages the conscious mind needs to justify it.

It works that way because of first impressions and *selective perception*. Selective perception refers to the fact that, once a person has formed an impression, he is more likely to pick up on information that supports it.

If prospective customers form favorable early impressions, their selective perceptions will tend to reinforce and confirm their views. That means favorable awareness greatly improves the likelihood of a sale, and conversely, unfavorable awareness makes the sale a long shot.

That's why you *must* think carefully about your marketing activities — your advertising, public relations, social media, the external appearance of your facilities, business cards, web pages, signage — everything that you do to create awareness of your brand in your market.

As you can see, you may be doing much more at this stage than creating awareness. In many cases you're actually making the sale with the customer at an unconscious level. However, you often have minutes or less to make a favorable first impression. This points to the importance of developing an insightful understanding of the psychographics of your target markets. The importance doubles as you move through the remaining links of the Purchase Decision Chain.

By the way, often less is more here, so the more you can communicate in images (remember the iPod billboards) the better.

Purchase motivation

At some point, prospective customers become motivated to purchase, or at least consider purchasing a product or service. Something triggers their drives — their functional and emotional needs — and they experience "I need," "I want," "I should," "I have to." These drives can result from events in their lives. They can evolve slowly, or arise from coming in contact with the message you're broadcasting. The point is, you can't create motivation. But you can often stimulate it and intensify it with effective marketing.

Here's an example. Our friend Ryan, happy with his new cashmere sweater, is preparing to purchase a new home. He feels excited about it, but a little worried too, because the house sits in a beautiful, upscale neighborhood that has become a target for burglars in recent months. He is developing a functional need for some kind of protection, as well as a cluster of emotional needs centered around fear and the possibility of loss. So his growing sense of need is beginning to generate the motivation to *do something*.

Before he decides on his own to look into insurance, which he eventually would have done, he receives a mail solicitation from Rock Insurance Company offering property insurance. The letter does two things: It increases his sense of need, thus intensifying his motivation to *do something*, and it provides direction by focusing his attention on a product (property insurance) and a brand (Rock Insurance Company).

Ryan already has an awareness of property insurance and has a perception that it provides the kind of protection that would be useful to him. Looking at the mailer, he also unconsciously experiences some mild, but positive emotions having to do with security and being taken care of. Perhaps he associates a rock with stability. He knows about Rock Insurance Company, having seen its advertising (although he hasn't paid much attention to it) and having heard occasional favorable comments about it. The marketing activity (the letter) from Rock Insurance Company has triggered and directed his motivation to buy.

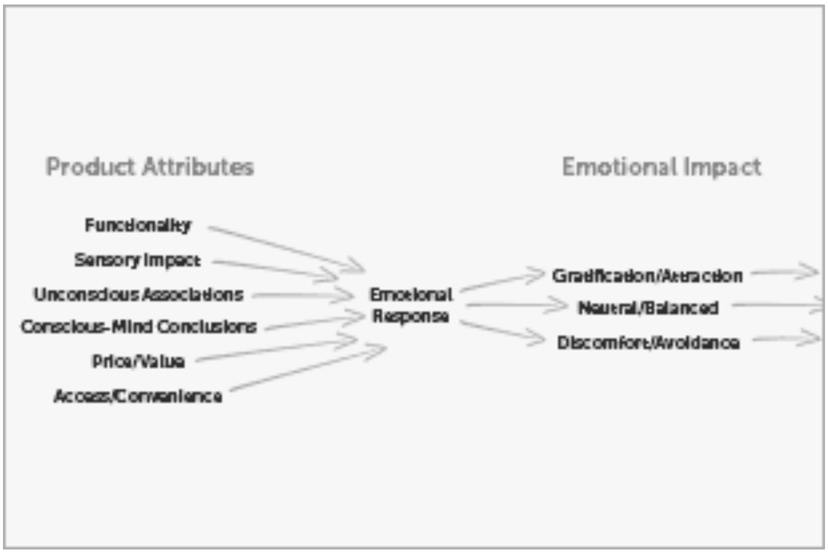
Again, the point is that nothing happens unless the customer's motivation is stimulated. But when that happens, you want your name to be the first one in the customer's mind with a favorable impression.

Product acceptance

Before customers will buy your *brand*, they have to decide on the *product* they want. Keep in mind the difference between *product* and *brand*. Product is generic; brand is specific. An automobile is a product; a Toyota Camry is a brand. Potato chips are a product; Lay's potato chips are a brand. The product/brand idea also applies to businesses. A restaurant is a product; Chez Panisse is a brand. An airline is a product; United Airlines is a brand. Business coaching is a product; EMyth is a brand. Customers first decide on the product, then the brand.

FIGURE 2 outlines six general types of product attributes — incidentally, these attributes also apply to your business as a whole. Notice that these attributes are *in the mind of the customer*, not innate properties of the product itself. FIGURE 2 also depicts the product/brand acceptance and rejection as it relates to product attributes and their emotional impact.

FIGURE 2 Product/Brand Acceptance and Rejection



Our emotional response to the product attributes creates the emotional impact that results in our accepting the brand solution, rejecting it or remaining uncertain. Given that these perceived product attributes have some meaning to the customer, these are the attributes that can mean something when it comes to your marketing strategy.

Meanwhile, back to Ryan. It turns out he was also approached by other companies selling alternative products — a fireproofing service, a security patrolling service, and a security alarm service. The alternatives didn't offer exact substitutes for each other, but they all met some aspect of Ryan's functional and emotional needs. In Ryan's case, he soon determined that property insurance was the product he needed.

Brand preference

The customer's perceptions of which competing products are more appealing — or which one promises the greatest emotional gratification — determines brand preference. From a marketing point of view, there's a difference between creating product acceptance and brand preference, as the following example illustrates.

Not long ago, Campbell's Soup launched a major advertising campaign with the slogan, "It's Amazing What Soup Can Do." In fact, putting forth that soup is good food has been part of their brand for a long time. Years ago, it helped everyone realize that soup is not just something you eat at the start of a meal but it can be a main dish or a complete replacement. Now, in the latest campaign, Campbell's is continuing the idea of establishing product acceptance first by exalting the virtues of soup as an amazing food. Then, as you accept the product and the claims made for it, you naturally buy the brand's solution — in this case, Campbell's — which for many consumers is now synonymous with soup.

Ryan, our insurance purchaser, found it more difficult to select from competing brands. All property insurance policies seemed pretty much alike, and they're hard to understand. While he tried to compare six or seven of them, he just got confused. He finally bought the Rock Insurance Company policy. When asked why, he said, "I just felt better about Rock. I don't know why."

Could it be they were the first to attract him at the product awareness stage and touched him emotionally with their solid rock imagery? You bet, and that's how the unconscious comes into play much earlier than we often anticipate, demonstrating the importance of every impression — particularly the first one.

Purchase transaction

For some businesses, the purchase transaction itself forms an important link in the chain. How easy is it for someone to actually purchase your product or service? Are there ways you can make it easier and more convenient?

Insurance, especially medical and life insurance, provides an extreme example of what might normally turn someone off from buying. Forms, medical checkups, laboratory tests, long waiting times, more forms, and finally, a complicated policy document, all serve as a strong deterrent. Who wants to go through all that? It's only because the *attraction* aspects of medical coverage (functional and emotional needs) are so strong that the *avoidance* aspects don't overwhelm the decision.

Investigate and discover how you can make the purchase transaction a right fit for your customers, in keeping with your overall brand feeling. You surely don't want to take them all the way along this path, only to have them feel like the actual transaction is off-putting.

Customer satisfaction

Even though the customer's experience with the product or service takes place *after* the purchase, we include it in the Purchase Decision Chain for two reasons.

FIGURE 3 Purchase Decision Chain Dynamics

THE PURCHASE DECISION CHAIN	THE CUSTOMER'S VIEW		THE COMPANY'S VIEW
	Conscious Mind	Unconscious Mind	
1 Awareness	Knowledge of company, product names, and very few basic facts.	General impressions and feelings about company and products. "Do I like them or not?"	Advertising and Marketing Communications
2 Purchase Motivation	Functional needs recognized. Rational case for purchase beginning to take shape.	Emotional needs create sense of "I want," "I need," and "I should."	
3 Product Acceptance	Product meets functional needs. Rational case for purchase grows, but is slower than the emotional decision.	"Feels" right. Expectation of emotional gratification. Attraction outweighs avoidance. The "real" decision is made.	Sales
4 Brand Preference	Product is better for me than alternatives. Rational case for purchase is made.	I like this one better than the alternatives, and I feel good about the way things are being done.	
5 Purchase Transaction	Purchase conditions and activities are acceptable or	Transaction is comfortable, not annoying. If it is	Customer Service

As you study the chart, consider how your prospective customers are moved along the purchase chain and what you specifically do to help them.
First, satisfaction with one purchase leads to another. It's no secret that your best prospects are your existing customers. Unless you have no need for repeat business, you'd better make sure you satisfy your customers with your products and your customer service.

Second, your customer's experience with your products and your business helps generate awareness among their friends and acquaintances. People talk, especially about the unusual — the unusually good and the unusually bad. Word-of-mouth from your customers to your prospective customers provides the most persuasive and credible kind of product and company information.

Take time to study the Purchase Decision Chain Dynamics chart in FIGURE 3. It shows how you and your marketing activities interact with your customers' conscious and unconscious minds to move smoothly through the links of the Purchase Decision Chain.

What is Customer-Centric Marketing?

Customer-centric marketing is a strategy that places the individual customer at the center of marketing design and delivery. It starts from the realization that there is no "average" customer. Customers have different behaviors and preferences – and this presents rich opportunities to move past a "one-size-fits-all" marketing approach.

Customer-centric marketing teams think of their customer base as their greatest long-term investment. A useful analogy might be a financial portfolio containing different types of assets: stocks, bonds, and money market funds. These assets are all important in delivering long-term value. But they behave in fundamentally different ways – and the overall value of the portfolio is maximized by managing these assets differently.

Similarly, your loyal weekly customer who loves engaging with your brand on social media is different from your casual holiday shopper who only buys items on steep discount. And as a customer-centric marketer, you have an opportunity to communicate to these customers in fundamentally different ways.

Customer-centric marketing stands in contrast to other common marketing approaches, including the following:

Channel-centric marketing: Optimize individual channels based on channel-specific metrics (e.g., "likes" or followers for social media, opens and click-throughs for email)

Product-centric marketing: Optimize sales of individual product categories or brands, or of the overall mix/"portfolio" of products

Event-based: Manage marketing decisions based on optimizing events of interest (e.g., on-site conversions)

The limitation of each of these approaches in isolation is that they miss out on opportunities to synthesize rich insights about individual customers. You might be trying to push a particular customer a cardigan – but what if she would respond better to a dress? You might be trying to maximize a customer's engagement with email today – but what if he would actually be likelier to respond to fewer, more targeted messages? And what if he reads and loves your emails, but always go to your site directly to make his purchases, so these purchases are not reflected in your email metrics?

Customer centricity empowers the marketing team to target the right customer with the right channel and right message – at the right time. It also helps teams align around a strategy that will drive long-term value to the business: acquiring high-value customers, and keeping them coming back.

Why Customer-Centric Marketing Matters

What are the benefits of customer-centric marketing? Customer-centric marketing is not just about building "better" relationships with your customers (although longer-term customer satisfaction is certainly a likely outcome). It's also a source of lasting competitive advantage for marketing teams.

How so? Customer-centric marketing enables marketing teams to take the LEAD with four key benefits:

Loyalty: Establish deeper, more meaningful connections with your customers by tailoring your messaging and offers to their needs – and keep them coming back long after their first purchase.

Efficiency: Invest in the acquisition channels, campaigns, and partners that will help you acquire high-value customers. Avoid costly "batch and blast" discounts by using promotions only when they're needed – for the right shoppers, and at crucial moments in the customer lifecycle.

Agility: Engage with customers at the right time, on the platform that's most relevant to them, with the message that's most likely to resonate at any given moment in time. Be able to react rapidly to changes in customers' behavior or preferences.

Differentiation: Stand out in a crowded marketplace by moving past generic offers and messaging. Capture and maintain mindshare through a personalized approach.

Applying the Customer-Centric Approach

	Non customer-centric marketing approach	Customer-centric marketing approach
Email marketing	Product- or event-focused emails (sales, new merchandise, holidays) that are not segmented; batch-and-blast promotions to drive revenue	Lifecycle marketing (read more here); targeted discounts at key moments in the lifecycle, and to select customer segments, to deepen brand relationships
Omnichannel marketing	Independent approaches across different channels and platforms. Separate metrics for in-store and online optimization, or for mobile/tablet and desktop platforms.	Single, unified view of the customer -- and seamless user experience -- across channels. Ability to tailor communication on one platform to a user's engagement on another.
Predictive analytics	Forecasting sales by product line or revenue by channel.	Predicting customer lifetime value (CLV) based on a customer's first purchased product or acquisition channel; identifying which customers

		are most likely to churn.

The components of customer-centric marketing

Customer-centric marketing is a marketing strategy that informs both customer acquisition and customer retention. In this module we present a simple four-component framework for thinking about the various elements of customer-centric marketing and how they interact with each other. In the next module (customer-centric marketing KPIs) we discuss detailed KPIs for measuring and tracking the success of a customer-centric marketing strategy and implementation.

The four components of customer-centric marketing are:

Know: Understand Your Customers

Find: Acquire Better Customers

Grow: Drive More Repeat Purchases

Retain: Reduce Customer Churn

Understand your customers

In a customer-centric marketing organization, every marketing action or program should be informed by deep knowledge of the customer. The Know stage creates this understanding by aggregating customer data from available data sources (e.g., purchase data, demographic data, marketing behavior data), and analyzing it using a variety of tools and techniques.

The result is a "single view of the customer," and a variety of customer insights into how preferences and interests vary across behavioral and demographic customer segments.

Here are some tools and metrics that are used in the Know stage:

Customer cohort analysis
Historical trend reporting (looking at metrics such as new customers acquired, revenue, profit, AOV, order frequency)
Predictive Customer Lifetime Value (CLV)
Product and Brand Affinity analysis
High-value customer drill down: Who are our best customers, and what makes them different
Micro customer segmentation
The Know stage is all about using data analysis to gain deep, meaningful insights about your customers. The following three components - Find, Grow, and Retain - are about turning these insights into actions: Using the insights to drive strategy and decision making, as well as improve acquisition and retention marketing programs.

Find: Acquire Better Customers

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One of the customer insights gained in the Know stage is the value of customers acquired from different customer acquisition channels (e.g. social media marketing, search engine marketing, affiliate marketing). In the Find stage, acquisition marketers leverage these insights both on a cross-channel (strategy) level, and on a within-channel (tactical) level.

On a cross-channel level, marketers can identify the channels that are bringing in their highest-value customers, and invest more in these channels. Similarly, they may consider cutting back on investment in channels that are bringing in lower value shoppers.

On a within-channel level, marketers can drill down into channel-level insights such as which SEM keywords and which affiliate partners bring in valuable customers, and adjust their SEM bids and affiliate commission structure accordingly.

Social Media Acquisition Optimization Using Customer Centric Insights Another example is using customer insights for paid social media acquisition campaigns. The "Know" stage gave marketers the knowledge of who their most valuable customers are, and what makes them different - in terms of demographics (like gender, age, location), product preferences, and other attributes. Armed with this knowledge, marketers can create "custom audience" campaigns in Facebook to target users similar to their best customers. For example: Imagine you discover - through the Know stage analyses - that your best customers are married women who live in the mid-west, and tend to buy kids apparel and toys on their first purchase in your store. You can then create a Facebook lookalike campaign targeting users of similar demographics, using ad creative that features kids clothes, shoes, and toys.

Next we describe in detail two use cases of optimizing customer acquisition programs using customer-centric methods - in the SEM (search engine marketing) channel and in the affiliate marketing channel.

Optimizing SEM Acquisition Programs using Customer Lifetime Value

In a customer-centric marketing organization, every marketing action or program should be informed by deep knowledge of the customer. The Know stage creates this understanding by aggregating customer data from available data sources (e.g., purchase data, demographic data, marketing behavior data), and analyzing it using a variety of tools and techniques.

Imagine that your job is to stand outside a barber shop and bring in new customers. If a businessman with shaggy hair comes walking by, you give him a big wave and a hello. If a bald man walks by, not so much.

This analogy is used by Google AdWords to describe its Enhanced cost-per-click (ECPC) feature. The feature is intended to identify auctions that are more likely to lead to conversions — and to automatically raise bids to "work harder" for those sales.

It's a powerful concept, and one that has understandably gained traction in the SEM community.

But imagine if you could take this logic a step further. Imagine that you could identify those Ad Groups (or even keywords) that are likely to attract great customers — shoppers who are likely to turn into loyal, long-term, repeat buyers and develop a relationship with your site far beyond their initial conversion.

Wouldn't you be willing to spend more to acquire those customers? Odds are, you would.

The traditional approach to SEM management has been to optimize return on a particular Ad Group or keyword by tracking the value of a conversion against the cost to acquire that conversion. We can think of this as managing for immediate payback.

Here's a simple numerical example:

Average cost-per-click (CPC): $3.00
Conversion rate: 20%
Cost/conversion (transaction): $3.00/20% = $15.00
Value/conversion (=transaction amount): $30.00
Return: $30.00/$15.00 = 2x

But let's say that the conversion in question belongs to a brand new customer. That initial purchase may capture only a fraction of their long-term value to the business. And, where a retailer may only want to pay up to $30 to get that initial conversion, that might go up to $45 or $50 when the customer's long-term value is considered.

The previous lessons in the course, as well as other Custora U courses like Customer Lifetime Value, have already taught you the importance of aligning a customer acquisition strategy around CLV. In terms of your SEM acquisition program, this means that if you're optimizing your SEM program solely on immediate payback, you're leaving money on the table. If you could identify the Ad Groups that are bringing in your highest-value customers, you could invest more, knowing that you're still driving a robust return on new customer acquisition.

Optimizing Paid Search For CLV

So, how can search marketers actually leverage CLV to boost the profitability of their acquisition marketing programs?

The key is to gain visibility into the customers that you're acquiring across campaigns, Ad Groups and keywords, and to use those insights to guide your SEM strategy. Use this step-by-step guide to implement this strategy:

Step 1: Move From Transactional Metrics To Customer-Centric Metrics

Google Analytics' e-commerce tagging lets you pull data associated with unique order IDs. Matching this data up with the order IDs in your database enables you to associate orders with customers.

So, you can move from questions like, "How much revenue did I earn from keyword x?" to questions like, "Who were the customers acquired through keyword x?" Match each customer acquired via paid search to the campaign, Ad group and keyword through which he or she was acquired.

Step 2: Identify The Lifetime Value Of Your Customers

Tools like a cohort analysis can give you visibility into the historic spend of different customer segments: for example, the average one-year spend of customers acquired from one Ad Group compared to another.

Alternately, some marketing analytics software platforms can offer predictive lifetime value scoring. This enables you to quickly and accurately identify the CLV of new customers acquired across your search program — even if you've just recently launched a particular campaign or keyword. (To learn more about Customer Lifetime Value and how to calculate it, see the Customer Lifetime Value course on Custora U.)

Step 3: Bring In Cost Per Acquisition (CPA)

Once you've identified the CLV of customers across different Ad Groups, the next step is to understand how much you're currently paying to acquire each customer.

Take your spend on campaigns, Ad Groups and keywords in a given time period (e.g., last quarter) and divide it by the total number of new customers acquired via those vehicles.

For example, if you spent $2,500 on an Ad Group last quarter and that Ad Group brought in 100 new customers, your CPA would be $25.

Step 4: Search Out Favorable Ratios

Identify Ad Groups or keywords offering a higher-than-average CLV-to-CPA ratio — that is, those Ad Groups where the lifetime value of a new customer far exceeds the cost of acquisition.

This could be because a particular Ad Group is attracting unusually high-value customers. It could also be because there's limited competition for a particular Ad Group, leading to a lower average cost-per-click, or because most of the conversions through a particular Ad Group are new customers — meaning that you're not paying as much "overhead" on returning customers to support new customer acquisition. Whatever the case, a high CLV-to-CPA ratio signals a potential opportunity to invest more of your paid search dollars.

Step 5: Identify True Opportunities

Once a group of Ad Groups have been identified with a high CLV-to-CPC ratio, confirm that investing more in them will actually move the needle. Remember, the goal is to acquire more customers from high-return campaigns, Ad Groups and keywords.

If a particular Ad Group is already in the top position 100% of the time, raising the bid won't actually help acquire more customers. (Branded search terms often come up as illusory "opportunities" for this reason.) A true opportunity is one where increasing the bid actually has the potential to bump up the average position — for example, where your average bid position is 1.5 or lower.

Step 6: Test & Learn

Start by laddering up your investment in opportunity Ad Groups incrementally, increasing the max CPA (or max CPC) by 10% at a time, and measuring the impact on average position, CPA and CLV.

The final step — of testing and measuring results — is critical to establishing the success of a CLV-driven paid search strategy. By tracking the overall ROI of your SEM spend over time, you can continue progressively refine your bidding approach, discover new opportunity Ad Groups and ensure the overall effectiveness of your strategy.

Summary

Optimizing your paid search strategy around CLV isn't a cakewalk: there aren't currently any commercially-available solutions that automatically set and manage bids based on lifetime value, out of the box (although some can accommodate up to a 30-day cookie window).

But ultimately, using CLV to guide your SEM program can boost the profitability of your customer acquisition efforts. It can make every SEM dollar work harder for you by ensuring that you're investing in the highest-return campaigns, Ad Groups and keywords — and driving long-term value to your business.

Optimizing SEM Acquisition Programs using Customer Lifetime Value

In a customer-centric marketing organization, every marketing action or program should be informed by deep knowledge of the customer. The Know stage creates this understanding by aggregating customer data from available data sources (e.g., purchase data, demographic data, marketing behavior data), and analyzing it using a variety of tools and techniques.

Affiliate marketing is a powerful customer acquisition for online retailers. Marketers that harness their affiliate networks effectively stand to gain access to pockets of valuable new customers. But it's important to treat the affiliates channel as a strategic customer acquisition vehicle — and make sure that you're focusing on the affiliates that help you acquire the best kind of customers.

As you remember, the Know stage helps you gain valuable insights into your customer base. Here are two useful customer insights in the context of affiliate marketing, as well as tips on taking action on these insights to improve the effectiveness of your affiliate marketing program.

Customer Insight #1: New Vs. Repeat Customers

In many cases, retailers will pay a single commission rate on affiliate sales, whether or not the customer in question is a first-time shopper.

But here's the thing: as a marketer, you prefer not to have your existing customers buying your products from affiliates. That's the equivalent of paying a tax (typically between 5% and 15%) on every repeat purchase. The primary reason that affiliate networks are so powerful is that they can help you expand your reach, venturing into new markets and finding customers that may not otherwise have been aware of your brand or product offerings. Wouldn't it be better if you could win back current customers through less expensive channels, like email marketing or your own social media outlets?

So, beware of affiliates primarily bringing you revenue from returning customers. At worst, these may represent reseller scams or other types of fraud or manipulation. At best, these partners are unlikely to be creating much incremental value — they may simply be skimming existing demand from customers that already know what they want, and are just doing some last-minute deal-hunting.

Customer Insight #2: Long-Term Engagement (Not Just First-Time Purchase) for Customers Acquired Across Different Publishers

The affiliate channel is interesting because, unlike other online marketing vehicles (such as paid search and display), it is almost always run on a strictly pay-for-performance model. If you're paying a 7% commission on all affiliate sales, you know exactly what ROI you're going to drive — right?

Well, it turns out that this is only the case if you're looking at ROI on individual transactions. Think instead of your customers, and the whole future value of your relationship with them, as the return on your investment. In other words - optimize for Customer Lifetime Value (CLV), not for one transaction only.

The fact is that some customers go on to make lots of repeat purchases and develop a long-term relationship with your brand. Others don't. And wouldn't you rather partner with affiliates that are helping you acquire customers that will grow your business?

So, start following the customers acquired from different publishers. You can use analytics tools like cohort analysis or predictive analytics to understand CLV and long-term trends in customer retention.

Chances are, you'll see big differences across affiliates in terms of the type of customers they help you acquire. You should be focusing your attention on the publishers that help you find those high-value customers — the kind that will keep coming back long after their first purchase.

Take Action: Structure Commissions Based on Customer Insights

Now that you have visibility into the mix of customers that each of your publishers are bringing to your site — and understand how valuable these customers tend to be to your business in the long run — you can take action on these insights.

Marketers have a tremendous degree of flexibility in negotiating commission agreements with individual affiliates. For publishers that are sourcing low-value customers, for example, consider lowering the commission rate. For publishers that report a high percentage of "existing customer" vs. "new customer" sales, consider different commission rates for new and existing customers. For affiliates who bring in mostly new, high value customers, consider developing better commission structures or running an exclusive promotion.

Grow: Drive more repeat purchases

Retention marketers are tasked with the critical mission of growing healthy, long-term relationships with customers. This includes improving brand engagement, increasing conversions, and driving repeat purchases.

The Grow stage in the customer-centric marketing framework focuses on engaging with customers to deepen their brand relationship: Convert one-time shoppers to repeat buyers, and encourage repeat customers to keep coming back.

So far, none of this is news: Retention marketers have always focused on getting customers to come back. However, the customer-centric marketing lens offers unique and powerful tools to aid the retention marketers in their mission.

The combination of lifecycle marketing and customer insights gleaned in the Know stage provide marketers with the ability to segment and differentiate: Employ different strategies, tactics, offers, and messaging to different customer segments, at different points in the lifecycle. The key idea is "The right message to the right customer at the right time".

A simple example: Instead of blasting the same "Sale" message to all of your customers, you can send customized messages promoting "Sale on Men Shoes", "Sale on Women Shoes", and "Sale on Kids Shoes" to customers who previously bought relevant products or have otherwise expressed interest in relevant product segments.

Email marketing is the online marketing channel that lends itself best to customer segmentation and lifecycle marketing. Our Segmentation and Lifecycle Marketing courses are an excellent starting point (if we may say so ourselves) to implementing a customer-centric guided retention marketing.

Retain: Reduce customer churn

A successful retention marketer not only focuses on growing relationships with new customers, but also on making sure existing valuable customers continue their strong relationship with the store.

In the natural lifecycle of some customers, sad as it may be, there comes a stage of reducing purchase frequency and ceasing purchasing altogether: The customer might go for a longer-than-typical stretch without making a purchase, and at some point the retailer might begin to conclude that the relationship had reached its natural end.

The goals of the Retain stage are to minimize customer churn and win back lapsed customers, or those who show first signs of lapsing. The Know stage provides valuable customer insights that help in identifying which customers are showing signs of lapsing. These insights also help in segmenting lapsed customers and crafting tailored messages to each lapsed customer segment.

Here's an example: A retailer utilizing promotional offers as a tactic for winning back lapsed customers might want to send a 10% promotion code only to its most valuable customers who are at risk of churning, while sending a simple "we miss you" email with no discounts to less valuable lapsed customers.

Executive Level KPIs

Customer Lifetime Value (CLV) Customer Lifetime Value (CLV) measures how much a customer is worth over his or her lifetime (in other words, how much this customer is going to spend in the store throughout his or her relationship with it). It is the single most important metric for any customer-centric organization. For organizations that think of customers as their primary strategic investment, accurately measuring the value of this investment over time is an essential dashboard metric.

You can read more about CLV here, including historical and predictive approaches to measuring CLV.

A company that sees the CLV of its customers increasing would want to understand why. Is it because the company is acquiring more valuable customers, or because its retention strategy is effectively increasing the value of each new customer? Similarly, a company that sees its CLV decreasing might want to explore strategies to acquire customers from a different mix of channels or put a cultivation and retention strategy in place to boost the value of its customers.

But at the highest level, CLV is a "weather vane" that indicates whether all that the marketing team is doing -- investing across different acquisition channels, putting retention strategies in place to keep customers coming back -- is resulting in more meaningful, profitable long-term customer relationships.

Customer Equity Customer Equity is the total value of all of the new customer relationships created in a given period. It's equal to the number of new customers acquired in a given period, multiplied by the CLV of those customers.

Side-by-side with CLV, customer-centric marketing organizations care deeply about Customer Equity.

Here's the intuition: Companies often face a tradeoff between the number of customers acquired, and the lifetime value of those customers. A marketing organization could focus on a broad strategy that brings lots of new shoppers through the door -- but many of those customers might have a low level of brand awareness and attachment, and might be less valuable in the long run. Conversely, a company could focus on a narrow or targeted strategy that brings in a smaller number of more valuable customers.

Which strategy is better? If the goal is to maximize the total amount of customer value, the answer is: it depends. We need to take into account both the number of customers acquired and the CLV of those customers.

While CLV alone offers visibility into the value of new customers acquired, Customer Equity provides a broad view of how much customer value the company is creating -- and whether it is striking the optimal balance between quantity and quality of new customers acquired.

Changes in CLV are easy to measure and track over time, specifically with predictive approaches. And they shed light on how effectively the team's marketing efforts are acquiring and retaining high-value customers.

But the single CLV metric doesn't offer a lot of insight into why changes are taking place. Did CLV increase last month because of the team's acquisition tactics (e.g., investing more in high-value channels) or because it made enhancements to its retention efforts?

In order to understand changes in CLV -- and take action on opportunities from the data -- we need to drill into specific acquisition and retention KPIs, which we present in the next lesson as Managerial Level metrics.

Customer-Centric Managerial Level KPIs

Acquisition: CLV by Channel *What it is:* A view of the CLV of customers acquired across different acquisition channels *Why it matters:* As many channel managers have observed, the behavior of customers can vary quite a bit depending on their acquisition channel or source. Perhaps your Facebook customers stick around and place lots of repeat purchases over time, while your paid search shoppers tend to be "one and done" customers who don't often come back. Empirically, the CLV of customers tends to vary by 15% or more based on acquisition channel -- so changing your marketing mix can have a big impact on your overall CLV. In order to understand how changes in acquisition strategy are driving CLV, it's important to regularly measure CLV by channel, and to note when certain channels are driving a greater or lesser percentage of new customer acquisition. *What you can do about it:* Identify the channels that are bringing in your highest-value customers and consider investing more in these channels, while pulling back investment on channels that are bringing in lower-CLV shoppers.

Retention: Lifecycle Status Distribution *What it is:* A snapshot of where your customers fall within the customer lifecycle status *Why it matters:* In our course on Lifecycle Marketing, we explore the customer lifecycle -- a way of mapping the journey that your customers go through in their relationship with you. Over time, some customers are "heating up" (becoming more engaged and active with your brand) while others are "cooling off" (showing signs of churn). Changes in this distribution over time can have an impact on CLV. For example, if you noticed that a lot more customers were becoming inactive or lapsed, this might explain a dip in CLV. It also might point to a retention opportunity by putting a winback strategy in place. *What you can do about it:* If you see significant shifts in the lifecycle status distribution of your customers, dig into additional retention triggers (Early Repeat Rate, Overall Repeat Rate, and Winback Rate) to identify segment-specific retention opportunities.

Retention: Early Repeat Rate *What it is:* A metric tracking what percentage of new customers have made a second purchase by a certain fixed point in time (for example, by the 60-day mark) *Why it matters:* Early repeat rate is a metric derived from cohort analysis, which you can read more about in our Custora U course. The idea is to watch how different groups of customers behave over a similar timeframe in their lifecycles to understand the impact of retention actions. For example, did this year's holiday shoppers repeat more by their 60-day mark than last year's holiday shoppers did by their 60-day mark? If so, that might signal that the new cultivation triggers you put in place this year worked well to keep your customers coming back. Since repeat purchase behavior is a key component of CLV, changes in the Early Repeat Rate are often directly linked to changes in CLV. *What you can do about it:* Put cultivation triggers in place to educate new customers about your brand and drive repeat purchases. Consider stronger calls to action, including targeted promotions, as new customers show signs indicating that they may be slipping away.

Retention: Overall Repeat Rate *What it is:* A measure of your repeat customers' "depth of relationship" with your brand -- what percentage of repeat customers go on to place another purchase within 60 days of their last order *Why it matters:* Early Repeat Rate is great for measuring the conversion of new customers to repeat buyers. But what about all your existing repeat shoppers? Do they tend to return frequently, or only sporadically? The Overall Repeat Rate lets you shine a light on your repeat purchase population and understand what percentage of them are coming back on a regular basis. *What you can do about it:* You know quite a bit about the behavior and purchase preferences of your repeat customers. Consider deepening your relationship with them through a cross-sell strategy to introduce them to new categories based on what they've bought in the past. And don't forget "reinforcement" triggers to thank them for their purchases and let them know they're a valued customer.

Retention: Winback Rate *What it is:* The percentage of inactive or lapsed customers in a given period who were "won back" into making a purchase *Why it matters:* Churn can be a bit of a tricky concept in a retail setting. After all, unlike a subscription relationship, your customers don't have to notify you when they decide to stop buying from you for good! So if a particular customer hasn't purchased for a while, it may be the case that they're just "resting" between purchases. Alternately, it's possible that they've churned for good, or are starting to look like other lapsed customers from your database. Whether you use a predictive analytics software platform or a homegrown solution, it's important to be able to identify which customers have become inactive in a given period so that you can measure how effectively you are "reactivating" them. The winback rate does exactly that: it measures the percentage of customers classified as inactive or lapsed, who have placed an order in the period in question. *What you can do about it:* Set up winback triggers to re-activate customers as they show signs of slipping away. Consider relationship-oriented messaging and smart promotions to win back shoppers who may have had a negative experience with your sight or who are not responding to your typical email messaging.

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Retention: Leaky Bucket Ratio *What it is:* A metric showing the number of customers "lost" in a given period relative to the number of new customers acquired *Why it matters:* It can often be helpful to put customer churn in context. How quickly are you losing customers -- and how is this impacting the health of your customer base? The Leaky Bucket Ratio benchmarks the numbers of customers "lost" to churn in any given period against the number of new customers acquired in that period. It offers insight into whether you are acquiring new customers fast enough to "plug" the leaky bucket caused by churn. *What you can do about it:* Mathematically, there are two ways to impact the Leaky Bucket Ratio -- by acquiring more customers, or by putting effective triggers in place so that fewer customers are lost to churn. But as we've seen, there's often a tradeoff between the number of new customers acquired and the CLV of those customers. Furthermore, it's almost always more cost-effective to retain your current customers than to acquire a new customer. With all this in mind, the most efficient way to improve the Leaky Bucket Ratio is by putting an effective winback strategy in place to minimize the rate at which customers churn.

Final Thoughts on Customer-Centric Marketing KPIs

It can seem daunting to embrace a new set of KPIs, especially if your organization already has a host of metrics in place to measure and track the effectiveness of your marketing efforts. But the KPIs outlined above are the single most important source of visibility into how your marketing strategies are creating and retaining customer value. Placing CLV and Customer Equity front and center in the marketing dashboard -- and understanding the impact that acquisition and retention strategies have on these metrics over time -- is the first step towards aligning marketing efforts around customer-centric marketing principles.

Becoming a Customer-Centric Marketing Organization

Enabling a customer-centric approach to marketing in an organization is more than turning "big data" into customer insights. In fact, a deep understanding of customers and customer segments is only the foundation. To deliver customer-centric marketing, marketers must have the ability to rapidly and continuously test and experiment with new marketing tactics based on these insights.

Here are the four components required for an organization to implement and execute customer-centric marketing campaigns:

Aggregating data: Aggregate data from disparate sources to provide a unified view of each customer, and enable data analysis.

Generating customer insights: Leverage predictive analytics and behavioral segmentation to derive deep insights about individuals and customer segments.

Making insights accessible: Make those insights accessible to the entire marketing team via an intuitive interface, and make the insights accessible to any other tool (marketing, website, customer service) via an API.

Experiment and optimize for the right KPIs: Experiment with various marketing tactics across each customer segment, and optimize critical customer-centric Key Performance Indicators.

This process is not a one time exercise: Market environment, competition, and customers are all constantly adapting. Being customer-centric means keeping pace with customers, and testing new trends, topics, and segments to improve on Key Performance Indicators such as Customer Lifetime Value. Doing this well requires a seamless process from data analysis to execution, that is iterative and never stops.

Brand Commitment Statement

Aim: **Define your brand commitment**
Learn why eliciting your brand commitment is so important
Understand a new view of branding
Learn how you'll use your brand identity in marketing
This shapes the business behavior. Everyone is accountable.

Values, Passion and Purpose is a statement-no more than a paragraph, and in most cases the shorter the better-that describes your core values, the way you see life, and what you want out of it. It's a deeply personal statement that you might choose to share with others, or you might not. When you're finished, you should be able to read it aloud to yourself and say,"Yes, that's me. I have no idea what to do with that, but that's who I'd be if I brought all of who I am in my heart of hearts into my professional life." If it doesn't feel at least a little uncomfortable, if it doesn't make you feel a little timid to say it out loud — you're not there yet.

Our coaches and clients have approached it from a few different angles over the years, but the important way to relate to it is as a kind of personal "mission statement" that you can use as a guidepost to see whether your personal values are in alignment with the values of your company. If they aren't, you've got a problem-right? And if there's a real problem then there's always a real solution. But you can't fix it unless you're aware of it. That's just the way it works.

We'll give you some tools in the next part of this lesson, but that's all secondary to what feels right for you in how to describe it. This is for you. Maybe you want to try a stream of consciousness version before trying the tools-that's great. Maybe it's a bit too overwhelming to just dive in and you want some more guidance first. Our only word of caution is don't try to fit yourself into our tools-what drives you is inside of you already; we're just here to help you find it and bring it out.

You'll Know It When You Feel It

You'll know you've discovered it when two things happen. First, you'll start to feel different as you walk around-a new aliveness in your step when you connect into this "bigger picture" view of your life and where you're going. Second, you'll start noticing things in your business or in your department or job that are not in alignment with your deeper values. Don't panic — this is a natural part of the process. As you continue, we've got a complete set of tools for how to "apply" your values throughout the business. It's an incredible journey.

More You, Not Less

When a lot of people start the process, they assume that their "real values" aren't appropriate at work, that they have to shrink into another version of themselves while at work to maintain control, or present a certain image. What if your real values are the secret sauce to your greatest success? In our experience, they are. What if all of the talk about achieving work/life balance is missing the point entirely? In our opinion, it is. What if it's about bringing more of who you are to what you do and not less?

It's an inviting idea-when people say it stops being work when you find your true calling. And almost nobody you know is living this way. It's rare in this world, but as a leader you have the opportunity to do it for yourself and to show others what's possible.

The critical element to our approach is this: When you reach the "destination" you're aiming for in this document, you will feel full-not empty. Because it won't be about the amount of money you have (though it will be more than enough), it won't be about how many employees you have (because you will have exactly the right number), it won't be about how big your market share is (because you will be attracting all of the right customers and very few of the wrong ones).

Work on Letting It Come to You

When you know what drives you, when you write it down and start to run your business or approach your work by it-you open up a whole new way of managing your company. The distance between where you are today and who you really want to be starts closing, because your business success starts happening inside of a meaningful life.

Your business (or your work) can be an incredible vehicle for expressing your passion in the world. You can make a great living, provide a space for others to do the same, and serve your customers' needs without any conflict anywhere in the system. That doesn't mean it gets easy- it just means it's going in the right direction-because you are in the center of yourself and your business is serving your life instead of your life being consumed by the business.

Listen to Yourself First

As a business owner and leader, you must listen to yourself first, then look out into the marketplace. Companies that do it in the reverse often lose their way and have difficulty operating consistently. They make excuses for their lack of service or end up blaming their customers and people for their problems. What they really lack is an orchestrated way of doing business based on their values and brand. Or they know what they stand for but haven't created the management and engagement systems to keep their brand commitment.

A brand is built by employees feeling a certain way in relationship to you and the company, then spreading that feeling to the customer through your products and services. Each touch point either confirms the brand feeling, is neutral, or goes against it. When the company is small, when the owner transfers the feeling, the customers often feel touched directly and more customers come. When the business grows, people are hired who must carry forth the owner's same feeling towards her valued customers. This is why it's so important to create these foundational leadership documents so you can communicate clearly to your employees what you feel inside of yourself.

What 1-3 things did you surface in your value, vision, passion and purpose investigation that could represent your foundational brand idea?

Describe how your employees feel about your business. Describe how your customers feel.

The Brand Commitment

Branding, as you've learned, is defining who you are: what you want your business to stand for and be known for by your customers. It's being able to describe the basic feeling you want everyone to know you for and tell others about, while your employees exude those same feelings and receive them back from you too. Branding is the intentional leadership that weaves the whole together, creates the voice and sends the signals out to the world that attract customers to your business.

For example, If your bottom line promise is fast service then you should seek to have your customers experience fast service, along with reminders of fast service to reinforce the choice emotionally. You also want your employees dialed in to providing fast service, so they must be the type of people who thrive in an environment and culture where fast service is a core value. Do you see? It's much easier to connect everything together if you know what the main connectors are. Here it's quite simple: you want everyone to feel fast service throughout the entire experience.

Too often we promise far too much without having a focus. Then we can't figure out why things are always chaotic. The bond between customer and company must be clear. If you can satisfy and exceed their relevant expectations in a category that matters to them, they will fuse with your brand. That becomes your promise to them, your brand commitment.

It's all based on a relationship between your business and a customer. Your business, of course, is a combination of your people and the systems, resources, technology and infrastructure that supports them. Branding is finding the way to describe what you and the customer both agree upon as the most valuable part of your exchange. It's a relationship. A promise given and gotten.

The Brand Commitment:

- Provides the why to the way you do it
- Keeps you customer-focused and creates customer loyalty
- Is your competitive edge
- Differentiates you
- Integrates culture and customers

The Business is the Product

Everything you do in your business — orchestrated by systems and processes — either supports your customer in having a great experience or not. Everything you do — from who you hire to how you answer the phone, from developing and delivering great products and services to what your store or website looks like to how your reps show up to make a service call — affects how they feel about you. That is what your brand becomes known for, the sum of all those little interactions over time.

Your company consists of people and processes. The Brand Commitment unifies these and provides the why behind everything you do. Now you can see why we say the business... is the product. You weave everything together into a seamless experience, then amplify the promise so even if you're not a perfect 10 in every aspect of the relationship, in the one(s) that ultimately matter to your customer, you come through every time, just as promised.

Great Brands Create Customers

When you create a customer you've moved beyond just making a sale. When you focus on how customers feel in doing business with you they come back. And as you amplify the feeling, building an even better relationship and connection, they tell others.

Customers crave doing business with real people, with people that care and exude that they enjoy doing what they do. In person, over the phone, on the web, you're creating and fostering relationships. People feel the feeling of your company, just like you feel all the businesses you relate to. Web analytics proves this point repeatedly: potential customers leave a web site quickly if they don't like how it feels. How else do you imagine we often leave in the first few seconds before we can even rationally process why?

This may be a whole new way of looking at branding for you. Or it may simply reinforce your present understanding. Either way, you now get the importance of describing the feelings and experience you want your customer to have in their whole relationship with your company. Are your ready to commit to creating your Brand Commitment Statement?

Leadership

Your vision directs your thinking about your promise and defining the promise furthers the effectiveness of the vision.

Does your mission statement need to be changed or updated?
Do your values stay the same or are there new, more important values you want to emphasize?
How will coming from these values via your brand commitment impact how you do business?
What do you want your company to be known for?

Marketing

Marketing looks outward to an existing customer segment and identifies key traits, attributes and behaviors. Instead of trying to figure them out, you are now going to create your customers.

You can either have transactions or create customers. Transactions need continual re-selling and maintenance, while customers that connect with a desirable emotion through your brand become broadcasters of your message and have a connection with others that share the same passion.

Answer the following questions to define who your customer is, why they buy and where to find them.

The demographic make-up of your potential customers is created by these questions. (Keep in mind that you may have a main target market and some additional niche or secondary markets):

- What is the age of people who could use your product/service?
- What is their typical education level?
- Are they married, single or both?
- Do they have children?
- Where do they live?

The psychographic profile of your customers — which is how they think and feel and why they buy your product or service — is based on answering these questions:

- What is currently holding your customers back?
- What is their immediate pain?
- Their missed opportunities?
- What kinds of freedoms do your customers want?
- How can you make your customers more productive?
- How can you help your customers enjoy life more?

Management

This is where you put your brand into operations. This happens by looking at two specific areas: engagement and experience. These final two questions help craft a statement that expresses your brand commitment.

- How do you want your customer to feel in every interaction with your business?
- What do you want your customers to say about your business?

  Answer the questions above that are relevant to you. Review them; these will help you immensely when you write your Brand Commitment Statement.

Branded Marketing

As you've seen, branding is not marketing, but informs marketing strategy. Many marketers teach that you should go out and ask your customers what they want first then go back and design your products and services and build your brand around satisfying those needs. They spend a lot of time watching the behavior of people and trying to figure out the best way to appeal to them.

The trouble with that approach is, most people don't always know what they want or need. Sometimes they know what they want, but that is different than need. Need enters another level of emotional drivers. Many purchase decisions are based on personal values and beliefs about how the world works and makes sense to us. Furthermore, we can feel when a company does not care and only wants to sell us something. Most customers want to have their needs and desires satisfied by companies that share a compatible worldview.

Nine times out of ten, people buy based on emotions first, logic second. Madison Avenue advertising agencies have confirmed this for decades. It's been consistently proven that people have to get emotionally involved with a product or business before they become a repeat or loyal customer. When you think of the most powerful brands that receive sustained loyalty and often sincere affection you will find, in most cases, that those companies first stood for something, put that out into the marketplace and then watched as their customer base emerged. Think about companies that reimagined products or services and redefined their market or industry, such as Virgin or Apple. They were audacious enough to create product and service standards that their competitors predicted would limit them. By daring to be different, they created extremely loyal and emotionally attached fans and customers.

It's pretty simple, but not easy. You first must clearly define who your company is and the values it is based upon. This becomes the basis for your brand idea. You then identify the feelings you want your customers to associate with your brand. Then you go to work discovering how to effectively communicate your offering and back it up by delivering an experience that people are touched by and enjoy talking about.

Once you define your brand, then you can crank up a marketing campaign and create lead generation systems with a clear direction. The dynamics of marketing and sales must be informed by the brand strategy. Identity precedes sending signals to tell people who you are. Why talk, if you don't know who you're talking about?

Brand-Based Leadership

A leader must be able to communicate what he promises to do for us. A company must promise and stand behind that promise, to have relationships. To create a brand led company a leader must create a descriptive statement that people can feel and relate to. This short statement describes vividly how you want your customer to feel when doing business with your company. It is active and inspiring.

Because it describes the end result of your customer's feelings, it serves as a compass for your company's customer experience. When your people understand the brand commitment they can make decisions daily based on it. They don't have to wonder whether it's right or wrong. Fewer policies are needed to control behavior and standards become less necessary as the brand promise comes alive in each employee. Imagine your company with every employee burning with a passion to live the brand commitment every day. It's surely possible, but you have to define it first.

You define your brand, hire to it, use it to guide your decisions as does everyone in the company. Your systems spring from it. Everything is designed to serve the customer experience.

Your Brand Commitment and Consistency

Once you know your promise and the importance of re-enforcing a particular feeling in the customer, you can align your people and systems to deliver the best experience in that area, even if you have to compromise somewhere else. Though you want to stretch for the best business as a product you can imagine, there are always trade-offs between levels of quality and economies. But if you understand your brand, you will not compromise in the areas that matter most to your customers.

As a company grows it gets harder to ensure the brand is understood, not diluted and still experienced in the way that won customers in the beginning. This is especially true if you grow quickly and expand beyond one location. Brands emanate from the founder and pass through leadership to the culture that supports everyone to band together and keep the promise to the customer. Until you can write down your brand commitment you have no real basis for designing systems, nor recruiting and hiring.

We've had lots of experience both coaching clients and working with systems within our business. Systems are important. No question. They support your people to satisfy your customers who don't care about systems but only what they feel and experience in the exchange. But your systems must be based on something. You must know the result you want from each one. Having your vision, values, and brand line up like this lesson describes will form the foundation for the whole enterprise. You might say these lessons together form your leadership system. Put them in place now, and keep the system going through regular reexamination.

Try writing your brand commitment:

Try on words like:

Delighted	Joyful	Jubilant
Excited	Loved	Important
Relieved	Relaxed	Adventurous
Charmed	Carefree	Serene
Charmed	Carefree	Serene
Special	Honored	Flattered
Understood	Lucky	Overjoyed
Empowered	Confident	Powerful

Use phrases like:

Taken care of	Awe struck	At ease
Above average	Loved	Above and beyond

Delivering on your brand promise: Your Touch point, One voice

Describe your differentiation through a voice statement, Unique Value Proposition and tagline
Understand why finding your own voice is so crucial to building your brand
Learn to identify what is truly different about your business
Gain a sense of focus as it relates to your brand and voice

Your Brand Needs Your Voice

Your brand idea forms the basis for your brand commitment, the promise you make to your customers. And it's your brand idea that differentiates your company from all others who offer similar products or services. It is a differentiation rooted in your shared values and vision.

What your customers and clients experience in their interactions with your business — whether it is with your employees, your website, your products or your store — is what makes your branding real for them. And it must be an experience that is in your *own voice*.

We have probably all felt the disconcerting disconnect that occurs when a familiar brand fails to deliver on its promise or provide the customer experience we have either come to expect, or have been told to expect.

For those of us who like Starbucks, for instance, it is disappointing when our experience does not meet our expectations — expectations that have been based on Starbuck's unique brand promise. All the externals may have been in place, but if the experience does not live up to what we've come to expect, then the brand has failed to deliver.

You could say that branding is determining *what* it is you want to say, and that this lesson, Finding Your Voice, is figuring out *how* you want to say it. How do you plan to create that unique experience of your business for your customers?

What are the elements that will successfully differentiate your staff and their interactions with your customers? What are the touch points in your customer's experience that can be leveraged to reflect your values and vision — your particular brand? These questions make up the heart of this lesson, which focuses on differentiation — what you do to identify and/or create the relevant differences in your business and in your customer's experience with your business.

How Branding Is Experienced

Going back to our Starbucks example, many customers don't go to Starbucks simply for the coffee. In fact, many other equally good coffee shops offer similar quality beverages for similar premium prices!

It is the ambience and décor, the prompt, attentive, and congenial service, and the relaxing, social atmosphere that create the brand experience we have come to expect. When it's carried out successfully, it's a delightful experience and achieves the intended embodiment of the brand.

The key is in providing a consistent experience. By fulfilling your brand promise every time, you will keep your customers not only happy, but primed to come back and to tell others about you. Consistency is the product of strategically developed procedures.

The brand experience is not the place for individuals on your staff to create their own way of doing things. It is a place where your customers experience *the way your business does things*, and they anticipate that experience every time. It is a place where every aspect of the customer experience is intentionally designed and carried out to reflect your brand promise, to *give voice* to your values and your vision.

A little while back, Starbucks temporarily eliminated a somewhat intangible and seemingly insignificant aspect of the customer experience — something that, as it turns out, was part of the brand.

For a time the stores began to use pre-packaged coffee to reduce production time. However, in the desire to speed up the delivery of coffee drinks for their customers, an admirable intent, they inadvertently eliminated the warm, cozy sensation that customers loved in the smell of the freshly ground coffee.

A critical piece of the customer experience — a sensory element — was traded for speed. Once Starbucks realized the error in their trade-off, the beans came back, along with the anticipated aroma. And the customers were much happier with the shift back to a part of the experience they enjoyed.

Differentiation Is More Than Simply Being Different

Mahatma Gandhi, Mother Teresa, and Martin Luther King, Jr. differentiated themselves from the rest of the population. So did Al Capone and Attila the Hun. It's not enough to just differentiate yourself. You need to differentiate yourself preferentially so that customers with values similar to yours desire your brand over others.

Your brand must be genuine, and it must remain consistent with your vision and the perception you want your customers to have of your business. Otherwise you will turn away customers and weaken the relationships that you have with existing customers.

Remember that until a prospective customer gets to know your business you will likely appear to be just like any other business in your industry. Differentiating your business in a way that appeals directly to your preferred prospects is essential to your success as a business, but it is not simply a marketing *trick* or device to lure them in.

Keep in mind that you truly are different; and there are people out there that want to be drawn to you and your business because of that difference! All you have to do is identify the difference that addresses a relevant expectation of your customers, and learn to consistently message that difference to the marketplace.

You Are Not for Everyone

It is often difficult for a business owner to embrace the idea that not everyone is your potential customer. In fact, not everyone who could reasonably use and afford your product or service is your potential customer. Just as Starbucks is not the preferred choice for every coffee drinker, your particular voice will not appeal to every prospect. This is not bad nor should it be a real concern. The truth is that you are the *right* business only for the *right* customers and it is these customers who will respond to your brand and to your particular differentiation.

Michael E. Porter, Harvard professor and author of *Competitive Strategy*, related his reaction to his daughter as she explained why she liked Ikea stores. "You're kidding me. I'm not interested in a box. I don't want to put it together. I don't want to carry it upstairs. You're kidding me."

Mr. Porter surely wasn't their prospective customer. And no matter what Ikea did, it was unlikely that he would embrace the brand with his present views. But the Ikea brand idea does have massive appeal to many others, including his own daughter, who don't mind hefting a box up a flight of stairs and putting together a piece of furniture. "That's differentiation," says Porter.

Discovery Questions

In what ways do you see your vision, values and purpose showing up in the day-to-day operations of your business? How do you see your purpose being manifested in the customer's experience with your business?

List some tangible actions or practices you would like to see implemented. Think of the kinds of reactions you want your customers to have to their interactions with your staff and your company.

How would you describe your ideal customer in light of your brand promise and experience? Who are the best candidates for your staff and what differentiates them?

> Having a clear picture of your brand promise will help you envision the type of customer you are going to appeal to most. Having clarity about your culture will do the same for your understanding of the ideal people to hire.

Remember Why You Do What You Do

In the previous lesson you created your Brand Commitment Statement. With this statement you provided, among other things, the *why* to the way you do what you do. Holding this focus and intent in mind is key to creating the customer experience that reflects your brand promise. It is the foundation for your expression of this promise, for your voice. Anything that you might create, design, or implement that does not support or express that brand promise will not be your own true voice.

Let's use public speaking as an analogy. Assume for a moment you have a valuable message that you want to share in a keynote address. You know what you want to say and what impact you want your message to have. It's a message that comes from your heart and reflects your values and vision. You have studied and practiced this speech for weeks leading up to the speaking engagement.

And now, as you prepare to give your speech, you get it in your head that if you can deliver this speech the way Tony Robbins would, it might be more effective. A good idea perhaps, except for one very real problem: you aren't Tony Robbins. His *voice* — his speech patterns, delivery style, mannerisms — is uniquely his. If you try to mimic him, odds are you will fail spectacularly. And even if you could pull it off, in the end it still wouldn't be authentic. It wouldn't be *your* voice.

The primary motivation for even giving that speech arises from your desire to *give voice to what you want to say*. As a consequence, in order for this message to be authentic and to have a spirit of integrity and power, it must be delivered in your voice. This is just as true for your business and your brand.

These days consumers are, generally speaking, more suspect than in the past, so finding your authentic voice to reach them is more crucial than ever. Knowing *why* you do what you do and the *way* that you do it, will keep you focused and authentically differentiated.

Cloning Yourself in Your Business

Okay, so you can't really clone yourself. In fact, you wouldn't want a dozen of you running around in your business — it would make everything seem a bit… bland. Too much *sameness* in the staff. However, most likely, more than anyone else on your staff, you know best how you want things done so that the brand promise is consistently delivered on. So how do you effectively impart that understanding to your employees?

It starts with the Brand Commitment Statement you created earlier. Your employees must be intimately familiar with this statement. In fact, they need to believe it, commit to it, and embody it. Again, it provides the *why* to the what, and the how that they will carry out. It is not enough to simply have your staff read the brand commitment once. It must be a living idea that informs everything that is done in the business.

Employees must be reminded regularly that every touch point with a customer is where the brand commitment is kept — or not. To accomplish this, your branding efforts must be intentional, somewhat systematic, and documented. Your people must have the structure and the information they need to effectively carry out and *live* the brand commitment. This is where a brand strategy comes into play.

John R. DiJulius III provides a good example in his book, *Secret Service*. He describes systems that go unnoticed and appear seamless to his clients, but form the structure for remarkable customer service for every client, every time. Each touch point is identified and a set approach is developed, documented and implemented through his staff. Regular training and other enhancements ensure that his client's experience with his salons is consistently incredible and noteworthy. In this fashion, his people are able to successfully deliver on his brand promise and commitment — every time.

Staying on Message

While it is beneficial to study what other businesses do to live out their brand commitment, keep in mind that *what* you do and *how* you do it must remain consistent and be an authentic expression of your unique values and vision. Merely mimicking great practices of other successful businesses will not suffice. In fact, this can lead to a conflicted culture and can even create conflicting messages for your staff and customers.

In the following step we will engage in a systematic process for developing effective differentiation for your business. It's a process, but it isn't automatic. It requires careful thinking and a great deal of insight from you. Not only do you need to know and understand your prospective customers, you must know yourself. This can take time, but with a proper understanding of your prospects and your own values, vision and brand promise, you have a foundation in place for building a differentiation strategy that will draw the right customers to you — and keep them coming back.

Discovery Questions

What is your core purpose or motivation for having a business? What impact do you want your business to have on a daily basis?

It is one thing to know what you want to express through your business, but it is another thing to successfully impart your intent — your voice — to your employees.

What are some ways you see your voice being expressed in your business functions and operations? How would this show up in engagement with customers?

> The way things are done, how things are said, what is done and why — these are the substance of the voice that is expressed and heard in your business.

Getting to Know You

It has been said by a number of marketing experts that the essence of all your marketing and promotion efforts is to get *people with a need* to know you, like you, and trust you. The idea being that the *need* is one that your product or service can meet and that, before anything at all can occur between you, they must know who you are.

Differentiation begins with the initial impression: the first contact a prospect experiences with your company. This could be through an advertisement, finding your website, a referral from a friend, or any of the myriad of marketing channels. Successfully expressing your true voice — your authentic and unique brand — in and on these initial touch points should be a primary objective.

Research has demonstrated that in personal encounters with a stranger, we tend to make a judgment of the other person within 15-30 seconds of meeting them. Your business is no different. What first impression does your brand make on strangers?

It is at this point — the first encounter — where you want to get prospective customers to prefer your product over others in the market. If you cannot differentiate your product — your company *and* what you offer — your prospects will perceive it as a commodity. And as a commodity you can really only compete on the basis of price or convenience. And that's not a great place to be as a company.

As a market matures, it becomes more and more difficult for new competitors to enter the field. The growth potential for the product line as a whole begins to level off. The remaining players in the market must differentiate themselves — make their company and product stand out in the minds of their customers — in order to thrive. The company that has successfully differentiated themselves at the outset, however, will already have a distinct advantage in their market by taking that leadership position.

At one time branding was seen as an option for marketers to use in a crowded or well-established market. Today it's really not an option. You and your business will be branded either by design or by default — either by your own intentional and heartfelt efforts, or by the whims of the marketplace. And a successful branding strategy begins at the first touchpoint.

Getting to Like You and Trust You

Another way of viewing your ongoing branding efforts is to see it as a continuous cycle of "before, during, and after". You want to begin establishing your brand in the hearts and minds of your customers before they become customers. You will further develop and strengthen the brand during your customer's experience of buying your product. Additionally, the brand experience must continue even after the initial transaction. Whenever possible your ultimate goal, beyond surprising and delighting your customers, is to cause them to come back again and to tell others about you.

When you write your branding strategy, use the words and style that you feel comes directly from your voice and best connects with your customers. Later you will use much of this same language in your marketing and sales messaging and presentations. In fact, everything you do in your marketing and selling efforts springs from your brand commitment and your branding strategy. These written statements will give everyone in your company a clear understanding and definite feel for your differentiation and promise, increasing their effectiveness in the way they communicate and engage with customers.

What Makes You Unique

You may be familiar with the term *Unique Selling Proposition* or USP. It is a concept originated by marketers in the 1940s, but has been largely replaced with the somewhat synonymous term *Unique Value Proposition*, or UVP, which we prefer using as it's all about the *value* you bring your customers, rather than what you can *sell* them.

Your Unique Value Proposition (UVP) is a statement that summarizes why a consumer should buy your product or use your service. This statement should convince a potential consumer that your particular product, service or relationship with your company will add more value or better solve a problem than other similar offerings.

It's what you should be able to say to anyone if asked, "Why should I do business with you?" And imagine you only had fifteen to thirty seconds to answer this question; what would you respond? Could you answer and provide a real response that differentiates you from your competition?

In addition to your branding strategy or voice statement you will also want to try your hand at creating a powerful UVP. If you already have one this is an opportunity to reevaluate how well it embodies and conveys the core essence of your brand promise.

Discovery Questions

Why would someone want to become a customer of your business?

> Write down the various reasons here, just allowing whatever comes out at this stage. See what you can write down that seems to start differentiating you from other similar businesses.

Answer the following questions, and dig deeper through other questions that will help you elicit your brand.

Leadership Questions

What is the single, core message you want to communicate in your Branding Strategy? Is this a message that resonates clearly with your stated values, passion, and purpose?

Marketing Questions

Too often businesses view their branding strategy and their core message — their UVP — as simply a marketing device. Ask yourself how your business will incorporate your branding strategy into its promotion efforts while retaining the authenticity of your values and purpose. How will you communicate your differentiation with integrity and genuineness?

Management Questions

> In what ways can you work with your employees to help them embody the essence and spirit of your core message? How do you see this showing up in the day-to-day life of your business?

Remember That You Are Unique

If your business is inside you, then it stands to reason that what people experience with your business will be a reflection of you. Or, in the words of Don Keough, former President of The Coca-Cola Company, "Businesses are the product and extension of the personal characteristics of its leaders — the lengthened shadows of the men and women who run them." So what is it about *you* that is truly and distinctly unique that differentiates your brand from competitors?

Answering this question compellingly and succinctly is the key to successfully crafting an effective UVP and branding strategy. But even more so, it will allow you and your employees to experience the brand within yourselves and manifest that difference in ways that are both authentic and real. Consumers are a jaded bunch, quick to spot inconsistencies in a brand's promise and their actual experience with that brand. Remember that ultimately everything centers upon, and culminates in, the customer experience.

Your voice should be expressed in every aspect of your business functions. From your employee manuals to your signage to your sales processes — it all must be expressed in a manner and in a voice that is uniquely yours. This is why being clear on your values, passion, and purpose, and your brand commitment, is essential for finding your voice and developing and implementing a branding strategy that reflects that voice.

More Than a Cool Logo and Killer Slogan

There is one concern around differentiation that must be understood. While you may identify a number of distinctions that could differentiate you and your brand, only those distinctions that matter to your customers and prospects will have the desired impact.

For example, let's look at a bakery owned by a Harvard graduate who happens to enjoy making high-end pastries. But he's located in a small town, and the townspeople don't value purchasing expensive baked goods and having a discourse with an Ivy Leaguer. Though he can create clear differentiation, it's just not relevant to his target market.

On the other hand, if his shop uses only ingredients from local, sustainable businesses, and he bakes more value oriented pastries, this could well be a differentiation that matters to his target market. And if he is truly concerned with sustainability and supporting local farmers and merchants, then he would have an authentic differentiation, in alignment with his values, that he could communicate consistently.

This aspect of differentiation is sometimes referred to as positioning. Strictly speaking, positioning involves your intentional actions to create desired perceptions in the minds of your customers and prospective customers. The problem with this approach is that too often businesses either fail to create the right perceptions, or they are not consistent with the reality of their businesses. Perceptions that are inconsistent with your brand promise and message diminish the customer experience and even create a perception of inauthenticity.

The Power Of Focus

Nearly everyone in business and those involved in branding will agree that having a strong focus is critical. But oddly, few practice it. Focus in branding means that even if you have many different selling points, or places of value for your product or service, you're far better off choosing one and making it the focus of your brand.

For example, if you have three very compelling points of differentiation, you're better off choosing one and focusing on it. This takes far more courage and conviction than messaging a laundry list of differentiated points, It's more rare, and more powerful. Lack of focus defeats more people and brands than just about anything.

But it can be hard to fight. Something in us just wants to list all those added benefits and secondary points instead of just focusing on the one thing that will convince your customers to choose you.

There's no completely right way to choose your focus, but the more you refine down, the better differentiated your brand will be. Studies have shown that we remember one characteristic about someone or something far more readily than three. The less information we're given and the simpler it is to take in, the higher the probability that we'll remember it.

Focus and brevity should be your ultimate aim, but it will take some time to distill your thoughts down to the essential.

One last thing about focus. The technician within you may be bobbing and weaving, saying "You better get this right, you better identify the perfect focus." But the manager knows better and realizes that having a focus and refining it over time is preferable to not having one. You're better off having a focus that may not be the best, than no focus at all.

Putting Your Differentiation into Words

In the previous lesson we said that, "*The bond between customer and company must be clear. If you can satisfy and exceed their relevant expectations in a category that matters to them, they will fuse with your brand. That becomes your promise to them, your brand commitment.*"

You are now taking this promise, this brand commitment, and translating it into strategy. You will create a branding strategy that will inform what and how you and your employees do what you do, how you live out your brand promise and express it in your own voice.

So what does this look like? Values, passion, purpose and a brand promise all sound great on paper and in company-wide meetings, but how do you translate it from well-meaning beliefs and business philosophy to a consistent customer experience?

It happens when everyone in your business is thoroughly imbued with the vision and values you bring to your business, and you have a solid strategy that is designed and structured to embody them.

When your management team and your employees have wholly bought into your vision, and when your passion, purpose and values have effectively become a part of the collective mindset and culture, then the stage is set for genuine and powerful differentiation. Like much of what you do in your business, this is a process not an event. But it starts by implementing some key strategic actions and systems we call your Branding Strategy.

Discovery Questions

How would you define your ideal customers and the value you offer them? How do they benefit from your products?

A branding strategy will include a description of your ideal target market customers, what your products or services are, and what makes you unique and effectively differentiated in your marketplace.

How could you describe your true differentiation in the most concise fashion?

> You'll work on cracking this open more, but take a stab here at writing down the most differentiated points you can identify.

How We Do What We Do

Your branding strategy is a blueprint for communicating how your business is different. It's how you'll communicate the essence of your brand from inside you out into the world.

Even if you do all the design and copywriting for your business, having the foundational documents you develop here will always be your compass in how to describe your brand. For most business owners it's necessary and fruitful to work with creatives to really get it right. But few take the time to describe what they want their voice to be, so they end up settling for what the creatives deliver, not what they necessarily desire. How would you know what you want your look and feel to be, unless you can first identify your voice, or your brand strategy?

Your brand strategy consists of a your UVP, a slogan or tagline, and your voice statement.

We already described your UVP, and we also emphasized focus. Zeroing in on this piece first is often the best avenue to fully identify and describe your voice. But there are no rules, especially when it comes to the more creative part of business. Your UVP is that one, or at the very most two, (we know this contradicts the one focus rule, but you may find identifying two for a while helps until you can really refine it) key points that truly differentiate you to customers who have a relevant expectation or need and are in a position to exercise choice.

A tagline is a slogan, usually attached to your logo, and used in commercials and other advertisements. Think of it as your battle cry -- something that connects with your customers in a deep, emotional way. It may carry some of the weight of your UVP, or it may just be a reverberation that drives a certain feeling into the hearts and minds of those who hear it or read it.

Just Do It, I'm Lovin It, Think Different, Because You're Worth It, Got Milk?, Melts in Your Mouth, Not in Your Hands, Bet'cha Can't Eat Just One, All The News Fit To Print. Each of these are, in different ways, great taglines.

Pay attention to every tagline or slogan you hear or read. Do they seem weak, or like battle cries? Notice how they impact you. It may take some time and lots of iterations, but coming up with your own tagline is one of the most satisfying creative endeavors you'll have as an entrepreneur. Hit on the right one, and it can also be one of the most profitable.

Here are six traits that are typically found in an effective tagline:

It is short – a phrase, not a sentence
It is vague enough to leave room for the imagination
It conveys a positive feeling
It has impact and emotion
It avoids defining your product as a commodity
It focuses on the promise of emotional gratification or benefit you offer
Your voice statement is simply your UVP and slogan extended out so that you describe how you will communicate your differentiation throughout the entire customer experience. It will inform your marketing and sales efforts, your engagement and customer service, and the delivery of your products.

Your differentiation as described in your voice statement and UVP is outward facing. Your brand commitment is inward facing. The basis of your brand is formed by knowing the feeling you want to have your customers have, and identifying the relevant differentiation that you describe through your voice.

> Sometimes it helps to try different UVPs and taglines, then stretch out a bit more with the voice statement. You must realize that you're not going to hit it out of the park the first time out, and that's just fine. Stay with it. Get stuff down and refine it. Take creative time apart from the whirlwind. If you don't know what makes you different and you can't communicate it, then you're a commodity company that may eke out a modicum of success, but you most likely won't build the company of your dreams. With good branding strategy, you can.

What is the Customer Lifecycle?

The term Customer Lifecycle may evoke panicked memories of high school biology, but fear not. It's a very simple yet powerful concept: The customer lifecycle identifies milestones in a common path that most customers tend to follow over the course of their relationship with a retailer.

The Customer Lifecycle describes key milestones that every customer goes through over the course of the relationship with a brand. Customers sign up, they make their first purchase, some turn into repeat buyers - and eventually, sad as it may be to see, some customers eventually stop purchasing altogether.

The goal of Lifecycle Marketing is to tailor marketing communication based on the lifecycle stage of the customer.

For some retailers, that journey would start when the customer first signs up for an email list or registers for the site. And for many companies (particularly in the flash sale and daily deal verticals), this is also the end of the journey for users who never end up moving past subscriber status.

But assuming the customer makes it past that first hurdle, the next stage - and the first step for many retailers - is the customer's first purchase. This is a decisive moment. To use a relationship metaphor, this is like a first date: it's the customer's first interaction with your brand, and an opportunity to leave a lasting impression.

How the relationship evolves from that point on depends on what kind of experience the customer has - and what kind of retention marketing program the retailer has in place. With any luck, the customer might develop brand attachment and go on to buy again. He or she might get into a groove and start making purchases at some typical rate, say, once every quarter.

But then, at some point, the relationship might begin to cool down. The customer might go for a longer-than-typical stretch without making a purchase. And at some point (after the relationship equivalent of numerous unreturned phone calls and missed dates), the retailer might begin to conclude that the relationship had reached its natural end.

Big picture, when you develop a marketing strategy that's based on the customer's lifecycle, you take a look at every individual customer and pinpoint where he or she is along this common path. The idea is that while the goal is always the same - developing loyal, repeat customers - there are different tactics and messages that are likely to resonate most with customers at different stages in the customer lifecycle. Think about it: the way you would talk to a new email subscriber is very different from the way you would talk to a long-time customer who is showing signs of lapsing.

The Customer Lifecycle Stages

There are various ways one could define the different stages in the customer's lifecycle. In the context of retail marketing, Custora uses the following framework:

1) **Member**: any user who has signed up for email communications, but hasn't yet made a first purchase. 2) **One Purchase Buyer**: any customer who has made one - and only one - purchase. 3) **"Active" Repeat Buyer**: a repeat customer who looks like he or she is buying along at his or her own typical purchase frequency. 4) **"At Risk" Repeat Buyer**: a repeat customer who looks like he or she is beginning to "cool down," or veer off of his or her individual purchase frequency. For example, for a customer who typically buys once a week, this might mean going two or three weeks without making a purchase. 5) **"Lost" Repeat Buyer**: a repeat customer who has veered so far off of her typical purchase frequency that, based on other historical customers that she resembles, she is very unlikely to return.

We'll return to this subject to highlight the kinds of strategies that tend to be most effective at every stage of the customer lifecycle, but in the meantime you can start brainstorming to lay the groundwork for a lifecycle marketing strategy. What's the best way to encourage email subscribers to place their first order? How would you follow up after a great "first date" to encourage a second purchase? And what would you say to a valuable customer who seems to be fading away to encourage them to give you a second chance and come back to your shop?

The Benefits of Customer Lifecycle Marketing

By now should should have a sense of what customer lifecycle marketing is, and the stages in a customer's lifecycle, or journey. But why is e-commerce lifecycle marketing important, and what benefits does it present compared to other e-commerce marketing strategies, such as calendar-driven or campaign-driven marketing? Next, we'll detail how lifecycle marketing can make your business **RICH** - Relevant, Insight-Driven, Customer-focused and Healthy.

Relevant. Customer Lifecycle Marketing is all about tailoring your marketing communication to the individual customer and where he or she is in their purchase journey. This ensures marketing touchpoints that are communicated at the right time, to the right person, using the right content: The very definition of Relevancy. As opposed to "batch & blast" email campaigns, lifecycle-based marketing emails contain content that is tailored to the individual customer, or customer segment, and is therefore more relevant and engaging.

Insight-driven. Lifecycle marketing is based on insights pertinent to the individual customer (or customer segment): What they buy, their site behavior, the purchase frequency and so on. These insights then shape marketing decisions such as creative, timing and offerings and allow for a personalized and relevant customer experience - one that is driven by customer behavior. A calendar-driven marketing program typically does not take into account customer behavior but rather sends out communication based on external events such as holidays, seasonal changes, store sales on so on. It misses out on the opportunity to incorporate customer data into marketing communication, thus making it less personal. Imagine talking to a friend and only commenting about the weather, the upcoming holiday or politics, without ever referring to your friend's recent engagement or job change. Not the best way to nurture a long-term relationship.

Customer-focused. Many businesses aspire to be "Customer Focused," "Customer Centric" or "Customer Driven." Employing a customer lifecycle marketing strategy puts your money where your mouth is. Your marketing goals become aligned with your overall business vision: Instead of optimizing short-term metrics like campaign revenue or marketing channel conversion, you can focus on improving metrics like customer lifetime value, customer loyalty, and retention.

Healthy. By focusing on customer value vs. marketing campaign or channel performance, your business favors long-term revenue and profitability vs. short term revenue gains that sometimes come at the expense of customer experience. This is a healthier, more sustainable approach for creating long-lasting businesses. In addition, customer-focused marketing provides visibility into the health of your customer base: How many customers have not purchased yet? What is the size of the "lapsed" customer segment? How many loyal customers do you have? Knowing the overall health of your customer base, and making sure it stays healthy, is more valuable than knowing that a certain marketing channel performs well or that a certain marketing campaign brought it more revenue than last year.

Pulling the (Lifecycle) Trigger - Considerations for Designing a Lifecycle Marketing Program

In the Basic lesson, we discussed the customer "lifecycle" - what it means and why it makes sense to think about customers in various stages of their relationship with your brand.

Probably the most important reason for lifecycle segmentation is that different strategies, tactics, offers, and messaging are most effective at different points in the lifecycle. To use the relationship analogy - you would probably speak differently with a new acquaintance than you would to an old friend.

We'll explore the types of marketing actions that tend to work best at every stage in the lifecycle - but as you think about putting together a lifecycle marketing strategy, we'd encourage you to dig **DEEP** - Differentiated, Experimental, Exhaustive and Personalized:

Differentiated. Lifecycle emails should stand out from other email programs you have in place. They're about nurturing individual customers' relationship with your company - not promoting the newest product releases (unless these releases make sense in the context of a particular customer journey). An effective way to "cut through the clutter" of everyday emails is through discounting: but different tone, creative, or messaging could all be meaningful ways of differentiating as well.

Experimental. The basis of a successful lifecycle marketing campaign is experimentation. What is the right time to reach out to your first-purchase customers to get them to repeat? What type of offer is going to be most effective in your winback campaigns? The marketing team can argue about this theoretically, but ultimately the only way to find out the answers is through robust testing.

Exhaustive. Lifecycle campaigns are most effective when marketing teams identify and test all of the levers at their disposal to deepen customers' relationships with the brand. Are you willing to try % and dollar-denominated discounts? Do you have personal shoppers available to talk with your most valuable customers? Do you ever feature brand superstars on your Twitter feed or other social media?

Personalized. While a one-size-fits-all email might work for a batch-and-blast campaign, lifecycle marketing gives you the opportunity to tailor your communication to everything you know about your customers. Maybe customers who started out buying shoes also like hats and belts; or maybe your customers from Wyoming prefer free shipping to 10% off discounts. Flex everything you know about your customers to create content that's more personal and meaningful - and likely to build that relationship.

So far, we've covered the definition of lifecycle marketing, what makes it an effective tool in your marketing arsenal, and guidelines to consider when designing a lifecycle marketing program. Now let's look at some best practices and practical tips for maximizing the effectiveness of your email communications at each point in customer lifecycle, starting with Early Lifecycle emails.

Early Lifecycle Marketing: Best Practices

Early Lifecycle - Awareness and Discovery (Pre-Purchase) Objective: Drive member-to-buyer conversion (aka first purchase) For early lifecycle customers (members who haven't yet converted), set up a system to automate contact at key points over time: for example, at the 1-week, 1-month, and 2-month marks.

Set up a welcome series. When a site visitor registers to your site, send them a welcome email - or a series of a few emails, over the course of the first few days following the registration. Use these emails to introduce the new member to your store, its benefits and unique features, and also to promote repeat site visits and ultimately conversion and first purchase. Focus on discovery. New "members" who signed up for your emails may not be aware of all of your product or service offerings. Lifecycle emails can fill in the gap by educating new users ("See what's new in our handbags department") or ("Explore recommended beach reads for the season"). Leverage what you know. It can be difficult to talk to members in a way that feels personal. They haven't bought anything yet, so you may not know much about their preferences. One tactic can be leveraging on-site member behavior: Which products and pages on your site has the member been browsing since joining? In addition, you can look at what you know about members who look like your newly acquired member. For example, members who were acquired through a blog solely covering high-end handbags might tend to love buying handbags, once they convert. You can use these insights to segment your members upfront and provide more relevant creative and messaging to each.

Look for differences. Maybe members acquired from one affiliate prefer dollar-denominated discounts, while those acquired from another really gravitate towards percent-denominated incentives. Identifying differences in response rate by acquisition source or demographic (age range, gender, or geography) can help you figure out the best way to talk to different groups of users.

Try (smart) promotions. For example, a marketer might consider testing a 5% discount for members who haven't converted by the 30-day mark; a 10% discount for members who haven't converted by the 60-day mark; and a 15% discount for members who haven't converted after 90 days. Promotions can also be limited to specific product categories the member has expressed interest in, either passively (by browsing related products) or actively (when signing up).

Mid-Lifecycle Marketing - Best Practices

Mid-Lifecycle - Retention and Loyalty Objective: Drive repeat purchases and higher customer engagement (e.g. site visitation, social media participation) Focus on getting mid-lifecycle customers (customers who have made one to several purchases) to deepen their brand relationship. Convert one-time shoppers to repeat buyers, and encourage repeat customers to keep coming back.

Cross-sell. Once a customer has made at least once purchase, you have a much better sense of who she is - and what she's likely to want next. Leverage this insight to make personalized recommendations, or highlight categories or brands in your creative that will appeal to customers. There are multiple email types that can be leveraged for personalized cross-selling: Item replenishment, product recommendations, and new product announcements.

Acknowledge loyalty for repeat customers. Consider "thank you" emails, even without incentives, when customers hit key milestones - like their 3rd, 5th, 10th, or 20th purchase. It's a great way of keeping customers engaged and remaining top of mind. "happy Birthday" or "store anniversary" emails are other ways to communicate with a loyal customer and acknowledge their loyalty.

Test offers for one-time buyers. Similar to the strategy for members, consider extending offers at key touchpoints for one-purchase customers (14 days, 30 days, 60 days, and 90 days). You might even consider an escalating discount strategy, with a larger incentive at each subsequent conversion opportunity. You should always combine a promotional strategy with a testing and measurement framework to assess the cost and incremental revenue and profit impact. This way you can guarantee the offers have a positive impact to your bottom line.

Late Lifecycle Marketing - Best Practices

Late Lifecycle - Attrition and Re-Activation Objective: Win back lapsed customers For customers who look like they are beginning to "fade away," step in with targeted winback campaigns.

Be honest. If a formerly-stellar customer shows up on your radar as lapsed, there's a good chance something might have happened to sour the brand relationship. Perhaps he or she had a bad customer service experience, a product arrived damaged, or a competitor stepped in to shake things up. Whatever the case, acknowledging the chilled relationship upfront can often be an effective way of melting the ice, as well as addressing the underlying reason for the negative experience. Subject lines like ("We miss you! Come back and save") or ("It's been a while since we've seen you around…") can lead lapsed customers to pause and re-evaluate rather than instinctively moving your email to the trash.

Invest in your best customers. Understandably, retailers often worry about training customers to expect and wait for discounts. But if there's one place where the investment in keeping a customer coming back is justified, it's when a great customer goes silent. These all-star customers can often be worth 15-20x the "average" customer. So think about trying extra-special incentives - including discounts larger than you would normally extend to other customers - for the very best of the best. It's a small investment in winning back a great relationship. It might be worth giving your "platinum" customers a phone call to discuss why they've gone away. You'll get direct feedback and they'll probably appreciate the honest effort to win back their business.

Give them a reason to come back, and a compelling call to action. Customers who have lapsed might need a shot in the arm to bring them back to your site. A bold call to action, high-impact creative, and limited-time offers can help get your lapsed customers re-engaged with your site. If you have something new and exciting to promote, like a new product category, a Facebook sweepstakes, an online chat with your brand ambassador or even just a seasonal sale, make sure you highlight these as hooks to win back your lapsed customer.

Introduction to Customer-Centric Marketing

The notion of "customer-centric marketing" can seem vague or redundant at first glance. All marketing is about customers, right?

That's true… in a way. But it's not the whole story. Customer-centric marketing is actually a pretty radical departure from the way many marketing departments operate.

Think about it. How often are channel managers each working independently to optimize their own metrics -- whether it's conversion rate, click-throughs, or likes -- without regard for the big picture? How often are merchandising or promotion teams working at cross-purposes to meet revenue goals?

If there's any alignment, it's around some idea of the "average" customer.

In contrast, customer-centric marketing is about understanding what makes your customers different and unique. It's about looking past averages to the diverse "stories" in your customer base – and exploring how to maximize the value of each one.

Customer-centric marketing uses customers (not products, not channels, and not events) as the center of all analysis and decision-making. It embraces the all-important metric of customer lifetime value (CLV) as a platform for measuring the impact of marketing actions.

Customer-centric marketing is not a new concept. But e-commerce and data-driven retail have given marketers the tools to re-align their organizations around customer-centric principles. The potential payoff is huge: The opportunity to establish deeper, more meaningful, more profitable relationships with your customers.

The History of Customer-Centric Marketing

The origins of customer-centric marketing date back to the direct marketing revolution of the 1960s, largely credited to the marketing guru Lester Wunderman. Up to that point, marketers had largely focused on mass media (like television and radio) to reach their customers. With the rise of direct marketing, marketers began to shift their focus from reaching the largest number of potential customers to reaching individual users in the most efficient and relevant way possible through channels like direct mail. Direct marketing enabled more efficient – and more measurable – marketing communication.

Throughout the 1980s and 1990s, innovations like loyalty cards enabled brick-and-mortar retailers to begin tracking the behavior of individual customers, and reaching out to them with targeted messaging and offers. The rise of the internet and e-commerce in the late 1990s created a revolution in the opportunities available for customer-centric marketing. With insight into the shopping behavior of individual customers – and the ability to reach those customers directly through channels like email – marketers can finally reach the right customers, at the right time, with the right message.

What is Customer-Centric Marketing?

Customer-centric marketing is a strategy that places the individual customer at the center of marketing design and delivery. It starts from the realization that there is no "average" customer. Customers have different behaviors and preferences – and this presents rich opportunities to move past a "one-size-fits-all" marketing approach.

Customer-centric marketing teams think of their customer base as their greatest long-term investment. A useful analogy might be a financial portfolio containing different types of assets: stocks, bonds, and money market funds. These assets are all important in delivering long-term value. But they behave in fundamentally different ways – and the overall value of the portfolio is maximized by managing these assets differently.

Similarly, your loyal weekly customer who loves engaging with your brand on social media is different from your casual holiday shopper who only buys items on steep discount. And as a customer-centric marketer, you have an opportunity to communicate to these customers in fundamentally different ways.

Customer-centric marketing stands in contrast to other common marketing approaches, including the following:

Channel-centric marketing: Optimize individual channels based on channel-specific metrics (e.g., "likes" or followers for social media, opens and click-throughs for email)

Product-centric marketing: Optimize sales of individual product categories or brands, or of the overall mix/"portfolio" of products

Event-based: Manage marketing decisions based on optimizing events of interest (e.g., on-site conversions)

The limitation of each of these approaches in isolation is that they miss out on opportunities to synthesize rich insights about individual customers. You might be trying to push a particular customer a cardigan – but what if she would respond better to a dress? You might be trying to maximize a customer's engagement with email today – but what if he would actually be likelier to respond to fewer, more targeted messages? And what if he reads and loves your emails, but always go to your site directly to make his purchases, so these purchases are not reflected in your email metrics?

Customer centricity empowers the marketing team to target the right customer with the right channel and right message – at the right time. It also helps teams align around a strategy that will drive long-term value to the business: acquiring high-value customers, and keeping them coming back.

Why Customer-Centric Marketing Matters

What are the benefits of customer-centric marketing? Customer-centric marketing is not just about building "better" relationships with your customers (although longer-term customer satisfaction is certainly a likely outcome). It's also a source of lasting competitive advantage for marketing teams.

How so? Customer-centric marketing enables marketing teams to take the LEAD with four key benefits:

Loyalty: Establish deeper, more meaningful connections with your customers by tailoring your messaging and offers to their needs – and keep them coming back long after their first purchase.

Efficiency: Invest in the acquisition channels, campaigns, and partners that will help you acquire high-value customers. Avoid costly "batch and blast" discounts by using promotions only when they're needed – for the right shoppers, and at crucial moments in the customer lifecycle.

Agility: Engage with customers at the right time, on the platform that's most relevant to them, with the message that's most likely to resonate at any given moment in time. Be able to react rapidly to changes in customers' behavior or preferences.

Differentiation: Stand out in a crowded marketplace by moving past generic offers and messaging. Capture and maintain mindshare through a personalized approach.

Applying the Customer-Centric Approach

	Non customer-centric marketing approach	Customer-centric marketing approach
Email marketing	Product- or event-focused emails (sales, new merchandise, holidays) that are not segmented; batch-and-blast promotions to drive revenue	Lifecycle marketing (read more here); targeted discounts at key moments in the lifecycle, and to select customer segments, to deepen brand relationships
Omnichannel marketing	Independent approaches across different channels and platforms. Separate metrics for in-store and online optimization, or for mobile/tablet and desktop platforms.	Single, unified view of the customer -- and seamless user experience -- across channels. Ability to tailor communication on one platform to a user's engagement on another.
Predictive analytics	Forecasting sales by product line or revenue by channel.	Predicting customer lifetime value (CLV) based on a customer's first purchased product or acquisition channel; identifying which customers are most likely to churn.

The components of customer-centric marketing

Customer-centric marketing is a marketing strategy that informs both customer acquisition and customer retention. In this module we present a simple four-component framework for thinking about the various elements of customer-centric marketing and how they interact with each other. In the next module (customer-centric marketing KPIs) we discuss detailed KPIs for measuring and tracking the success of a customer-centric marketing strategy and implementation.

The four components of customer-centric marketing are:

Know: Understand Your Customers

Find: Acquire Better Customers

Grow: Drive More Repeat Purchases

Retain: Reduce Customer Churn

Understand your customers

In a customer-centric marketing organization, every marketing action or program should be informed by deep knowledge of the customer. The Know stage creates this understanding by aggregating customer data from available data sources (e.g., purchase data, demographic data, marketing behavior data), and analyzing it using a variety of tools and techniques.

The result is a "single view of the customer," and a variety of customer insights into how preferences and interests vary across behavioral and demographic customer segments.

Here are some tools and metrics that are used in the Know stage:

Customer cohort analysis
Historical trend reporting (looking at metrics such as new customers acquired, revenue, profit, AOV, order frequency)
Predictive Customer Lifetime Value (CLV)
Product and Brand Affinity analysis
High-value customer drill down: Who are our best customers, and what makes them different
Micro customer segmentation
The Know stage is all about using data analysis to gain deep, meaningful insights about your customers. The following three components - Find, Grow, and Retain - are about turning these insights into actions: Using the insights to drive strategy and decision making, as well as improve acquisition and retention marketing programs.

Find: Acquire Better Customers

In a customer-centric marketing organization, every marketing action or program should be informed by deep knowledge of the customer. The Know stage creates this understanding by aggregating customer data from available data sources (e.g., purchase data, demographic data, marketing behavior data), and analyzing it using a variety of tools and techniques.

One of the customer insights gained in the Know stage is the value of customers acquired from different customer acquisition channels (e.g. social media marketing, search engine marketing, affiliate marketing). In the Find stage, acquisition marketers leverage these insights both on a cross-channel (strategy) level, and on a within-channel (tactical) level.

On a cross-channel level, marketers can identify the channels that are bringing in their highest-value customers, and invest more in these channels. Similarly, they may consider cutting back on investment in channels that are bringing in lower value shoppers.

On a within-channel level, marketers can drill down into channel-level insights such as which SEM keywords and which affiliate partners bring in valuable customers, and adjust their SEM bids and affiliate commission structure accordingly.

Social Media Acquisition Optimization Using Customer Centric Insights Another example is using customer insights for paid social media acquisition campaigns. The "Know" stage gave marketers the knowledge of who their most valuable customers are, and what makes them different - in terms of demographics (like gender, age, location), product preferences, and other attributes. Armed with this knowledge, marketers can create "custom audience" campaigns in Facebook to target users similar to their best customers. For example: Imagine you discover - through the Know stage analyses - that your best customers are married women who live in the mid-west, and tend to buy kids apparel and toys on their first purchase in your store. You can then create a Facebook lookalike campaign targeting users of similar demographics, using ad creative that features kids clothes, shoes, and toys.

Next we describe in detail two use cases of optimizing customer acquisition programs using customer-centric methods - in the SEM (search engine marketing) channel and in the affiliate marketing channel.

Optimizing SEM Acquisition Programs using Customer Lifetime Value

In a customer-centric marketing organization, every marketing action or program should be informed by deep knowledge of the customer. The Know stage creates this understanding by aggregating customer data from available data sources (e.g., purchase data, demographic data, marketing behavior data), and analyzing it using a variety of tools and techniques.

Imagine that your job is to stand outside a barber shop and bring in new customers. If a businessman with shaggy hair comes walking by, you give him a big wave and a hello. If a bald man walks by, not so much.

This analogy is used by Google AdWords to describe its Enhanced cost-per-click (ECPC) feature. The feature is intended to identify auctions that are more likely to lead to conversions — and to automatically raise bids to "work harder" for those sales.

It's a powerful concept, and one that has understandably gained traction in the SEM community.

But imagine if you could take this logic a step further. Imagine that you could identify those Ad Groups (or even keywords) that are likely to attract great customers — shoppers who are likely to turn into loyal, long-term, repeat buyers and develop a relationship with your site far beyond their initial conversion.

Wouldn't you be willing to spend more to acquire those customers? Odds are, you would.

The traditional approach to SEM management has been to optimize return on a particular Ad Group or keyword by tracking the value of a conversion against the cost to acquire that conversion. We can think of this as managing for immediate payback.

Here's a simple numerical example:

Average cost-per-click (CPC): $3.00
Conversion rate: 20%
Cost/conversion (transaction): $3.00/20% = $15.00
Value/conversion (=transaction amount): $30.00
Return: $30.00/$15.00 = 2x

But let's say that the conversion in question belongs to a brand new customer. That initial purchase may capture only a fraction of their long-term value to the business. And, where a retailer may only want to pay up to $30 to get that initial conversion, that might go up to $45 or $50 when the customer's long-term value is considered.

The previous lessons in the course, as well as other Custora U courses like Customer Lifetime Value, have already taught you the importance of aligning a customer acquisition strategy around CLV. In terms of your SEM acquisition program, this means that if you're optimizing your SEM program solely on immediate payback, you're leaving money on the table. If you could identify the Ad Groups that are bringing in your highest-value customers, you could invest more, knowing that you're still driving a robust return on new customer acquisition.

Optimizing Paid Search For CLV

So, how can search marketers actually leverage CLV to boost the profitability of their acquisition marketing programs?

The key is to gain visibility into the customers that you're acquiring across campaigns, Ad Groups and keywords, and to use those insights to guide your SEM strategy. Use this step-by-step guide to implement this strategy:

Step 1: Move From Transactional Metrics To Customer-Centric Metrics

Google Analytics' e-commerce tagging lets you pull data associated with unique order IDs. Matching this data up with the order IDs in your database enables you to associate orders with customers.

So, you can move from questions like, "How much revenue did I earn from keyword x?" to questions like, "Who were the customers acquired through keyword x?" Match each customer acquired via paid search to the campaign, Ad group and keyword through which he or she was acquired.

Step 2: Identify The Lifetime Value Of Your Customers

Tools like a cohort analysis can give you visibility into the historic spend of different customer segments: for example, the average one-year spend of customers acquired from one Ad Group compared to another.

Alternately, some marketing analytics software platforms can offer predictive lifetime value scoring. This enables you to quickly and accurately identify the CLV of new customers acquired across your search program — even if you've just recently launched a particular campaign or keyword. (To learn more about Customer Lifetime Value and how to calculate it, see the Customer Lifetime Value course on Custora U.)

Step 3: Bring In Cost Per Acquisition (CPA)

Once you've identified the CLV of customers across different Ad Groups, the next step is to understand how much you're currently paying to acquire each customer.

Take your spend on campaigns, Ad Groups and keywords in a given time period (e.g., last quarter) and divide it by the total number of new customers acquired via those vehicles.

For example, if you spent $2,500 on an Ad Group last quarter and that Ad Group brought in 100 new customers, your CPA would be $25.

Step 4: Search Out Favorable Ratios

Identify Ad Groups or keywords offering a higher-than-average CLV-to-CPA ratio — that is, those Ad Groups where the lifetime value of a new customer far exceeds the cost of acquisition.

This could be because a particular Ad Group is attracting unusually high-value customers. It could also be because there's limited competition for a particular Ad Group, leading to a lower average cost-per-click, or because most of the conversions through a particular Ad Group are new customers — meaning that you're not paying as much "overhead" on returning customers to support new customer acquisition. Whatever the case, a high CLV-to-CPA ratio signals a potential opportunity to invest more of your paid search dollars.

Step 5: Identify True Opportunities

Once a group of Ad Groups have been identified with a high CLV-to-CPC ratio, confirm that investing more in them will actually move the needle. Remember, the goal is to acquire more customers from high-return campaigns, Ad Groups and keywords.

If a particular Ad Group is already in the top position 100% of the time, raising the bid won't actually help acquire more customers. (Branded search terms often come up as illusory "opportunities" for this reason.) A true opportunity is one where increasing the bid actually has the potential to bump up the average position — for example, where your average bid position is 1.5 or lower.

Step 6: Test & Learn

Start by laddering up your investment in opportunity Ad Groups incrementally, increasing the max CPA (or max CPC) by 10% at a time, and measuring the impact on average position, CPA and CLV.

The final step — of testing and measuring results — is critical to establishing the success of a CLV-driven paid search strategy. By tracking the overall ROI of your SEM spend over time, you can continue progressively refine your bidding approach, discover new opportunity Ad Groups and ensure the overall effectiveness of your strategy.

Summary

Optimizing your paid search strategy around CLV isn't a cakewalk: there aren't currently any commercially-available solutions that automatically set and manage bids based on lifetime value, out of the box (although some can accommodate up to a 30-day cookie window).

But ultimately, using CLV to guide your SEM program can boost the profitability of your customer acquisition efforts. It can make every SEM dollar work harder for you by ensuring that you're investing in the highest-return campaigns, Ad Groups and keywords — and driving long-term value to your business.

Optimizing SEM Acquisition Programs using Customer Lifetime Value

In a customer-centric marketing organization, every marketing action or program should be informed by deep knowledge of the customer. The Know stage creates this understanding by aggregating customer data from available data sources (e.g., purchase data, demographic data, marketing behavior data), and analyzing it using a variety of tools and techniques.

Affiliate marketing is a powerful customer acquisition for online retailers. Marketers that harness their affiliate networks effectively stand to gain access to pockets of valuable new customers. But it's important to treat the affiliates channel as a strategic customer acquisition vehicle — and make sure that you're focusing on the affiliates that help you acquire the best kind of customers.

As you remember, the Know stage helps you gain valuable insights into your customer base. Here are two useful customer insights in the context of affiliate marketing, as well as tips on taking action on these insights to improve the effectiveness of your affiliate marketing program.

Customer Insight #1: New Vs. Repeat Customers

In many cases, retailers will pay a single commission rate on affiliate sales, whether or not the customer in question is a first-time shopper.

But here's the thing: as a marketer, you prefer not to have your existing customers buying your products from affiliates. That's the equivalent of paying a tax (typically between 5% and 15%) on every repeat purchase. The primary reason that affiliate networks are so powerful is that they can help you expand your reach, venturing into new markets and finding customers that may not otherwise have been aware of your brand or product offerings. Wouldn't it be better if you could win back current customers through less expensive channels, like email marketing or your own social media outlets?

So, beware of affiliates primarily bringing you revenue from returning customers. At worst, these may represent reseller scams or other types of fraud or manipulation. At best, these partners are unlikely to be creating much incremental value — they may simply be skimming existing demand from customers that already know what they want, and are just doing some last-minute deal-hunting.

Customer Insight #2: Long-Term Engagement (Not Just First-Time Purchase) for Customers Acquired Across Different Publishers

The affiliate channel is interesting because, unlike other online marketing vehicles (such as paid search and display), it is almost always run on a strictly pay-for-performance model. If you're paying a 7% commission on all affiliate sales, you know exactly what ROI you're going to drive — right?

Well, it turns out that this is only the case if you're looking at ROI on individual transactions. Think instead of your customers, and the whole future value of your relationship with them, as the return on your investment. In other words - optimize for Customer Lifetime Value (CLV), not for one transaction only.

The fact is that some customers go on to make lots of repeat purchases and develop a long-term relationship with your brand. Others don't. And wouldn't you rather partner with affiliates that are helping you acquire customers that will grow your business?

So, start following the customers acquired from different publishers. You can use analytics tools like cohort analysis or predictive analytics to understand CLV and long-term trends in customer retention.

Chances are, you'll see big differences across affiliates in terms of the type of customers they help you acquire. You should be focusing your attention on the publishers that help you find those high-value customers — the kind that will keep coming back long after their first purchase.

Take Action: Structure Commissions Based on Customer Insights

Now that you have visibility into the mix of customers that each of your publishers are bringing to your site — and understand how valuable these customers tend to be to your business in the long run — you can take action on these insights.

Marketers have a tremendous degree of flexibility in negotiating commission agreements with individual affiliates. For publishers that are sourcing low-value customers, for example, consider lowering the commission rate. For publishers that report a high percentage of "existing customer" vs. "new customer" sales, consider different commission rates for new and existing customers. For affiliates who bring in mostly new, high value customers, consider developing better commission structures or running an exclusive promotion.

Grow: Drive more repeat purchases

Retention marketers are tasked with the critical mission of growing healthy, long-term relationships with customers. This includes improving brand engagement, increasing conversions, and driving repeat purchases.

The Grow stage in the customer-centric marketing framework focuses on engaging with customers to deepen their brand relationship: Convert one-time shoppers to repeat buyers, and encourage repeat customers to keep coming back.

So far, none of this is news: Retention marketers have always focused on getting customers to come back. However, the customer-centric marketing lens offers unique and powerful tools to aid the retention marketers in their mission.

The combination of lifecycle marketing and customer insights gleaned in the Know stage provide marketers with the ability to segment and differentiate: Employ different strategies, tactics, offers, and messaging to different customer segments, at different points in the lifecycle. The key idea is "The right message to the right customer at the right time".

A simple example: Instead of blasting the same "Sale" message to all of your customers, you can send customized messages promoting "Sale on Men Shoes", "Sale on Women Shoes", and "Sale on Kids Shoes" to customers who previously bought relevant products or have otherwise expressed interest in relevant product segments.

Email marketing is the online marketing channel that lends itself best to customer segmentation and lifecycle marketing. Our Segmentation and Lifecycle Marketing courses are an excellent starting point (if we may say so ourselves) to implementing a customer-centric guided retention marketing.

Retain: Reduce customer churn

A successful retention marketer not only focuses on growing relationships with new customers, but also on making sure existing valuable customers continue their strong relationship with the store.

In the natural lifecycle of some customers, sad as it may be, there comes a stage of reducing purchase frequency and ceasing purchasing altogether: The customer might go for a longer-than-typical stretch without making a purchase, and at some point the retailer might begin to conclude that the relationship had reached its natural end.

The goals of the Retain stage are to minimize customer churn and win back lapsed customers, or those who show first signs of lapsing. The Know stage provides valuable customer insights that help in identifying which customers are showing signs of lapsing. These insights also help in segmenting lapsed customers and crafting tailored messages to each lapsed customer segment.

Here's an example: A retailer utilizing promotional offers as a tactic for winning back lapsed customers might want to send a 10% promotion code only to its most valuable customers who are at risk of churning, while sending a simple "we miss you" email with no discounts to less valuable lapsed customers.

Executive Level KPIs

Customer Lifetime Value (CLV) Customer Lifetime Value (CLV) measures how much a customer is worth over his or her lifetime (in other words, how much this customer is going to spend in the store throughout his or her relationship with it). It is the single most important metric for any customer-centric organization. For organizations that think of customers as their primary strategic investment, accurately measuring the value of this investment over time is an essential dashboard metric.

You can read more about CLV here, including historical and predictive approaches to measuring CLV.

A company that sees the CLV of its customers increasing would want to understand why. Is it because the company is acquiring more valuable customers, or because its retention strategy is effectively increasing the value of each new customer? Similarly, a company that sees its CLV decreasing might want to explore strategies to acquire customers from a different mix of channels or put a cultivation and retention strategy in place to boost the value of its customers.

But at the highest level, CLV is a "weather vane" that indicates whether all that the marketing team is doing -- investing across different acquisition channels, putting retention strategies in place to keep customers coming back -- is resulting in more meaningful, profitable long-term customer relationships.

Customer Equity Customer Equity is the total value of all of the new customer relationships created in a given period. It's equal to the number of new customers acquired in a given period, multiplied by the CLV of those customers.

Side-by-side with CLV, customer-centric marketing organizations care deeply about Customer Equity.

Here's the intuition: Companies often face a tradeoff between the number of customers acquired, and the lifetime value of those customers. A marketing organization could focus on a broad strategy that brings lots of new shoppers through the door -- but many of those customers might have a low level of brand awareness and attachment, and might be less valuable in the long run. Conversely, a company could focus on a narrow or targeted strategy that brings in a smaller number of more valuable customers.

Which strategy is better? If the goal is to maximize the total amount of customer value, the answer is: it depends. We need to take into account both the number of customers acquired and the CLV of those customers.

While CLV alone offers visibility into the value of new customers acquired, Customer Equity provides a broad view of how much customer value the company is creating -- and whether it is striking the optimal balance between quantity and quality of new customers acquired.

Changes in CLV are easy to measure and track over time, specifically with predictive approaches. And they shed light on how effectively the team's marketing efforts are acquiring and retaining high-value customers.

But the single CLV metric doesn't offer a lot of insight into why changes are taking place. Did CLV increase last month because of the team's acquisition tactics (e.g., investing more in high-value channels) or because it made enhancements to its retention efforts?

In order to understand changes in CLV -- and take action on opportunities from the data -- we need to drill into specific acquisition and retention KPIs, which we present in the next lesson as Managerial Level metrics.

Customer-Centric Managerial Level KPIs

Acquisition: CLV by Channel *What it is:* A view of the CLV of customers acquired across different acquisition channels *Why it matters:* As many channel managers have observed, the behavior of customers can vary quite a bit depending on their acquisition channel or source. Perhaps your Facebook customers stick around and place lots of repeat purchases over time, while your paid search shoppers tend to be "one and done" customers who don't often come back. Empirically, the CLV of customers tends to vary by 15% or more based on acquisition channel -- so changing your marketing mix can have a big impact on your overall CLV. In order to understand how changes in acquisition strategy are driving CLV, it's important to regularly measure CLV by channel, and to note when certain channels are driving a greater or lesser percentage of new customer acquisition. *What you can do about it:* Identify the channels that are bringing in your highest-value customers and consider investing more in these channels, while pulling back investment on channels that are bringing in lower-CLV shoppers.

Retention: Lifecycle Status Distribution *What it is:* A snapshot of where your customers fall within the customer lifecycle status *Why it matters:* In our course on Lifecycle Marketing, we explore the customer lifecycle -- a way of mapping the journey that your customers go through in their relationship with you. Over time, some customers are "heating up" (becoming more engaged and active with your brand) while others are "cooling off" (showing signs of churn). Changes in this distribution over time can have an impact on CLV. For example, if you noticed that a lot more customers were becoming inactive or lapsed, this might explain a dip in CLV. It also might point to a retention opportunity by putting a winback strategy in place. *What you can do about it:* If you see significant shifts in the lifecycle status distribution of your customers, dig into additional retention triggers (Early Repeat Rate, Overall Repeat Rate, and Winback Rate) to identify segment-specific retention opportunities.

Retention: Early Repeat Rate *What it is:* A metric tracking what percentage of new customers have made a second purchase by a certain fixed point in time (for example, by the 60-day mark) *Why it matters:* Early repeat rate is a metric derived from cohort analysis, which you can read more about in our Custora U course. The idea is to watch how different groups of customers behave over a similar timeframe in their lifecycles to understand the impact of retention actions. For example, did this year's holiday shoppers repeat more by their 60-day mark than last year's holiday shoppers did by their 60-day mark? If so, that might signal that the new cultivation triggers you put in place this year worked well to keep your customers coming back. Since repeat purchase behavior is a key component of CLV, changes in the Early Repeat Rate are often directly linked to changes in CLV. *What you can do about it:* Put cultivation triggers in place to educate new customers about your brand and drive repeat purchases. Consider stronger calls to action, including targeted promotions, as new customers show signs indicating that they may be slipping away.

Retention: Overall Repeat Rate *What it is:* A measure of your repeat customers' "depth of relationship" with your brand -- what percentage of repeat customers go on to place another purchase within 60 days of their last order *Why it matters:* Early Repeat Rate is great for measuring the conversion of new customers to repeat buyers. But what about all your existing repeat shoppers? Do they tend to return frequently, or only sporadically? The Overall Repeat Rate lets you shine a light on your repeat purchase population and understand what percentage of them are coming back on a regular basis. *What you can do about it:* You know quite a bit about the behavior and purchase preferences of your repeat customers. Consider deepening your relationship with them through a cross-sell strategy to introduce them to new categories based on what they've bought in the past. And don't forget "reinforcement" triggers to thank them for their purchases and let them know they're a valued customer.

Retention: Winback Rate *What it is:* The percentage of inactive or lapsed customers in a given period who were "won back" into making a purchase *Why it matters:* Churn can be a bit of a tricky concept in a retail setting. After all, unlike a subscription relationship, your customers don't have to notify you when they decide to stop buying from you for good! So if a particular customer hasn't purchased for a while, it may be the case that they're just "resting" between purchases. Alternately, it's possible that they've churned for good, or are starting to look like other lapsed customers from your database. Whether you use a predictive analytics software platform or a homegrown solution, it's important to be able to identify which customers have become inactive in a given period so that you can measure how effectively you are "reactivating" them. The winback rate does exactly that: it measures the percentage of customers classified as inactive or lapsed, who have placed an order in the period in question. *What you can do about it:* Set up winback triggers to re-activate customers as they show signs of slipping away. Consider relationship-oriented messaging and smart promotions to win back shoppers who may have had a negative experience with your sight or who are not responding to your typical email messaging.

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Retention: Leaky Bucket Ratio *What it is:* A metric showing the number of customers "lost" in a given period relative to the number of new customers acquired *Why it matters:* It can often be helpful to put customer churn in context. How quickly are you losing customers -- and how is this impacting the health of your customer base? The Leaky Bucket Ratio benchmarks the numbers of customers "lost" to churn in any given period against the number of new customers acquired in that period. It offers insight into whether you are acquiring new customers fast enough to "plug" the leaky bucket caused by churn. *What you can do about it:* Mathematically, there are two ways to impact the Leaky Bucket Ratio -- by acquiring more customers, or by putting effective triggers in place so that fewer customers are lost to churn. But as we've seen, there's often a tradeoff between the number of new customers acquired and the CLV of those customers. Furthermore, it's almost always more cost-effective to retain your current customers than to acquire a new customer. With all this in mind, the most efficient way to improve the Leaky Bucket Ratio is by putting an effective winback strategy in place to minimize the rate at which customers churn.

Final Thoughts on Customer-Centric Marketing KPIs

It can seem daunting to embrace a new set of KPIs, especially if your organization already has a host of metrics in place to measure and track the effectiveness of your marketing efforts. But the KPIs outlined above are the single most important source of visibility into how your marketing strategies are creating and retaining customer value. Placing CLV and Customer Equity front and center in the marketing dashboard -- and understanding the impact that acquisition and retention strategies have on these metrics over time -- is the first step towards aligning marketing efforts around customer-centric marketing principles.

Becoming a Customer-Centric Marketing Organization

Enabling a customer-centric approach to marketing in an organization is more than turning "big data" into customer insights. In fact, a deep understanding of customers and customer segments is only the foundation. To deliver customer-centric marketing, marketers must have the ability to rapidly and continuously test and experiment with new marketing tactics based on these insights.

Here are the four components required for an organization to implement and execute customer-centric marketing campaigns:

Aggregating data: Aggregate data from disparate sources to provide a unified view of each customer, and enable data analysis.

Generating customer insights: Leverage predictive analytics and behavioral segmentation to derive deep insights about individuals and customer segments.

Making insights accessible: Make those insights accessible to the entire marketing team via an intuitive interface, and make the insights accessible to any other tool (marketing, website, customer service) via an API.

Experiment and optimize for the right KPIs: Experiment with various marketing tactics across each customer segment, and optimize critical customer-centric Key Performance Indicators.

> This process is not a one time exercise: Market environment, competition, and customers are all constantly adapting. Being customer-centric means keeping pace with customers, and testing new trends, topics, and segments to improve on Key Performance

An experience worth talking about

Discover ways to innovate your customer experience so customers spread the word about your business

- Learn what the whole customer experience means and why it's so crucial to get
- Understand the simplicity of building your customer experience based on your brand
- Explore competitors and your own customer experience to arrive at distinguishable differences

Exceeding Customer Expectations

Why do you think your customers choose you? Do you know? This is something every business needs to know, understand and act on continuously. With an ever-changing marketplace, the way you do business today — the experience you provide — may not be enough to retain those same customers in the future. This is why you need to see how your people and systems work together to create an experience that exceeds expectations.

The customer experience begins from the moment they discover you. The relationship you begin to build starts with impressions (marketing system) and then continues as they engage with you (sales system) and finally as you deliver (delivery system) your product or service. You must nurture and build the relationship all along the way.

And if you do business face to face, then how your people engage with them (management system) also impacts the overall experience. You must leave no stone unturned when assessing the experience and how it can be enhanced to exceed expectations.

The fact is customers will only choose to do business with you repeatedly if you provide an exceptional customer experience from beginning to end. You must meet their perceived needs, as well as surprise and delight them.

Your customers are continually making choices between your products and services and those of your competitors. Consciously and unconsciously, they make choices between doing business with you, or engaging in alternative uses of their money, time, and attention. A new offer can arrive in their email or appear via an advertisement or talking with a friend. So even when customers aren't looking to make a purchase or consciously paying attention to your products, they're receiving information and making observations that continually shift their preferences between you and your competitors.

Consider all of the people who are now Mac users that used to be PC users. They didn't wake up one day and decide to switch. It happened gradually over time. More people started buying iPhones and iPads and visiting hip and cool Apple Stores which began expanding into more and more markets. Suddenly a whole new demographic of customers switched their product preferences to Apple.

Provide The Best Overall Customer Experience

From the beginning you must define and distinguish yourself and your business. This starts with knowing how you want your brand to be experienced. That is why you created a Brand Commitment Statement. Then every step of the way, as you sell and deliver your product or service, there are continuous opportunities to distinguish yourself by understanding your customer better than anyone else. You'll demonstrate how much you care and how committed to them you are; not just to their satisfaction but to their complete delight.

It is particularly important to make a good first impression because as the old adage says: you only get one chance to make a first impression. People are more keenly aware of information and actions that supports their first impression.

If prospective customers form favorable first impressions about your business, their selective perceptions will tend to reinforce and confirm their initial views. Customers will anticipate further positive experiences and will be positively biased. If initial exposures are negative, customers — if they come back — will be on the lookout for negative experiences and focus on where you fall short instead of where you excel. A good example of this is the airline business.

Your customer's experience is dynamic and grows over time as it is influenced by every customer touchpoint.

In this lesson, you'll take a deeper look at the overall customer experience your business creates. Your work is to figure out how it can be enhanced beyond providing the best possible product or service.

A basic approach to creating the best possible customer experience is to build on your marketing activities to create favorable impressions and attract your target customers. You'll then create an experience that, at every step of the way, reinforces those impressions beyond what the customer expects and beyond what they'll get from your competitors.

When customers have an experience that amazes, surprises or simply exceeds their expectations, they can't help talking about it. This is the best marketing there is: satisfied customers that become advocates, willingly talking about your brand because they just can't help themselves.

Be True to Your Brand Commitment

Who you are and what your business stands for needs to be felt at every level of your business and, most importantly, at every customer touchpoint. As you engage with your customers, remember that they're drawn to you because of who you are first, and what you can do for them second. Your Brand Commitment is what anchors and creates customer expectations. The way you demonstrate your brand throughout the customer experience will give your customers something to talk about.

What do you do to create an exceptional customer experience in your business?

What do you do to create an exceptional customer experience in your business?

Every Aspect of Engagement Requires Care and Attention

Initially, when your potential customers have no experience at all with your business or your products — they may not even know your name — they have only predispositions based on personal values, culture, education and life experiences.

For example, a small business owner client that is located in a rural area or small town might be suspicious of "big-city" lawyers. If you own a law firm located in a nearby city, even though the customer knows nothing of you or your firm, her predisposition may give her the initial impression of a negative experience. Before you even contact her, you have one strike against you.

In contrast, if you're a doctor running a cosmetic surgery practice, you benefit from the fact that we live in a celebrity-obsessed culture where the media has broken down many barriers and initial impressions. Cosmetic surgery is now widely accepted. You have favorable impressions working for you even before potential customers are ever aware of your specific business. Once those prospective clients come, they are yours to lose.

FIGURE 1 The Evolution of the Customer Experience

Evolution of the Customer's Experience	Creating an Experience Worth Talking About
PREDISPOSITIONS Cultures Values Beliefs Life Events	SELECT MARKETS WITH FAVORABLE PREDISPOSITIONS Market research Market segmentation Product strategy/attributes
FIRST IMPRESSIONS Media and the press Word of mouth Observations of others General awareness	SHAPE FIRST IMPRESSIONS Positioning and differentiation Sensory package Lead generation message Lead generation channels
REINFORCED IMPRESSIONS More of above Sales	REINFORCE THE IMPRESSIONS Continuation of the above Lead conversion systems Pricing and payment terms
INITIAL EXPERIENCE Demonstrations	CREATE A FAVORABLE

Notice how each level leads to the next and either offers an opportunity to make a first impression or reinforce a previous one.
As you make your business, products and services known to your target market(s), your potential customers begin to accumulate experiences that add to their existing impressions. Over time, as your customers interact with your people and use your product or service, that impression evolves into a brand preference and customer loyalty.

Inside your marketing system you must do research that helps you develop demographic and psychographic profiles of your target customers. In creating a positive customer experience it is more important to focus on how they think and feel (psychographics). People buy based on emotions first. They may forget what you say but they don't forget how you make them feel.

What are some of the predispositions (values, beliefs, culture, lifestyle) you know about your customers? If you already know these predispositions how do you address them in your customer experience process?

Follow these steps to gather data for innovating your customer experience:

1. Assess your customer's total experience

Identify all the activities in your business that have an impact on your current and potential customers. Look at each element of your customer experience and evaluate it from the customer's point of view. If you don't know how each element impacts them, find out. This may require observation, interviewing, or even more formal research.

2. Identify the drivers of the customer experience

These are elements of the experience that have the biggest impact on your customer. They are important to identify because they will drive your customers' perceptions, and therefore, their purchase decisions.

Identifying the drivers of the customer experience also tells you where to focus your efforts. This is where you can create the greatest impact for the lowest expenditure of time and resources, and where the cost/benefit trade-off is most to your advantage and to the benefit of your customers.

The way to identify the drivers of the customer experience is either to know the process intimately from start to finish, or to talk with those who do. If it's a new system, you have to use logic and common sense to determine the probable drivers. As you and your people test the system, either your educated guesses will be confirmed, or you'll learn to identify the actual drivers.

3. Assess the customer experience of your main competitors

Evaluate their customer experience the same way you did with your own business.

Select three (or more) of your competitors whose businesses and/or products are better than yours. If yours is the best in your markets, pick competitors who are particularly effective and the most difficult to beat. Look for excellence. You're going to learn from them and you want to learn from the best.

Remember that your best competitors may not even be in the same industry niche that you are. For instance, to a miniature golf business, the local movie theaters are a major competitor. To a family restaurant, a supermarket that offers ready-made meals could be a significant competitor.

4. Identify your competitors' customer experience drivers

Just as you identified the drivers of your own customer experience, identify those of your competitors. Even if the competitor is in the same business as you, don't assume their customer-experience drivers are the same as yours.

5. Compare and evaluate the experience drivers

It's best to create a spreadsheet to put this information so you can evaluate it properly. You can compare each element of the customer experience with those of your best competitors. Identify the elements of the experience that have the greatest impact. See where you and your competitors excel or fall short. Provisional decisions can be made to improve your customers' experiences and gain competitive advantage.

Delivery Is the Heart of the Experience

From the customer's point of view, there are two phases to the total experience. The first is Marketing and Sales — the experience of being attracted to your business and products, then making a purchase decision. But these activities create impressions and expectations, not the actual customer experience. That happens in Delivery.

Your product — how well it was produced, the quality-control systems that make sure it does what you promised, your engagement processes, your customer service — all these Delivery activities shape the heart of the customer experience. Marketing and Sales are part of the total experience, and an important part. But the heart of the experience, the part that will keep customers coming back and saying good things about you, happens through Delivery.

In this lesson, your work is to evaluate your customer's experience of your business from the time they agree to purchase your product or service. Later on, when you work on Marketing and Sales, you'll want to review the entire customer experience to make sure that all of the parts are consistent, predictable, and match up favorably against the expectations of your customers.

Bringing in the Buzz

Delivering a consistent, quality experience is of prime importance. If you can't deliver consistently, or if your people all do things differently, the first order of business will be to create a level of excellence. Orchestrate this with processes, and empower ownership in your people so they take pride in connecting with your customers in a manner that exemplifies the brand commitment.

Unfortunately, your competitors are also working hard to achieve excellence. That's why it's important to compare the ideal customer experience to those of your competitors as well as your own. Once again, you're following a process that is designed to get you thinking about the customer experience in a whole new way.

Once you have the main experience drivers understood and identified, and you feel you've gotten a handle on creating an experience that surpases the competition, take a step back from your work. Will this, in itself, give your customers something to talk about?

Look for ways to create elements of your brand, and form an experience that will cause others to become brand advocates. Sometimes it takes far less than you might imagine.

What It Takes to Get Them to Talk

You're well on your way to creating some great innovations in your customer's experience. As you've analyzed the drivers, can you see a place to input something truly buzzworthy? Again, this won't work if the whole experience isn't consistently excellent, but once you're there, go a step further and see if you can find ways to wow them.

It's not that hard. Have your technicians wear white booties when they make house calls to show you care about your customers' homes. Give a red rose to every client who comes into your spa. Keep an archive of birthdays and send out a gift for the occasion.

The point is, get creative. Find ways to delight the customer. Most importantly, give them something to talk about.

Word of Mouth Isn't What It Used to Be

In the old days, word of mouth meant exactly that: one person talking directly to another or, at the most, removed over the telephone. If people talked, it typically had to be person to person, one at a time.

These days, we have avenues like Facebook, Twitter, Yelp, Google, and YouTube. Blow someone away with an amazing customer experience and they can communicate with hundreds, thousands, even millions. The power of social media and other internet channels amplifies the possibilities of the word being spread and creating a buzz that can potentially bring you more customers than you ever dreamed possible.

Of course, this has a flip side too. If a customer has a terrible experience they can amplify it and spread the word equally as fast, making it even more important to keep the customer experience top notch and deliver on the promise every time.

If you do receive complaints on Yelp or other review websites, look at this as an opportunity to turn a brand negator into a brand advocate. A person who complains through social media is often connected with your brand and feels let down. Reaching out to them to make it right can turn them around and get them talking positively.

Connection Creates Connection

Ultimately, we live in a very connected world. Reviews are everywhere, your reputation can be helped or hurt by a few sentences and a mouse click. It's more important than ever to create an experience that satisfies your customers. Find ways to delight them so they write amazing reviews, forward your video or blog to their friends, and post to their Facebook pages.

Give them something to talk about and they will share, connect and rave.

What could you offer in your customer experience that would make your customers talk positively about your company?

Write down the innovations that you will make to your customer experience drivers.

Creating Your Look and Feel

Aim:

Identify and prioritize changes to your look and feel
Understand how to align your look and feel to your brand
Learn to see the entire sensory package as a whole rather than just parts
Explore every area of your business to create a cohesive and consistent image

From Your Voice To Your Look and Feel

Now that you've identified your voice — your unique way of expressing your brand differentiation — it's time to align your brand through every aspect of your business. It's not enough that your basic brand idea and the feeling behind it is communicated in your messaging; it must be integrated through your entire company and your product or service.

Every brand, product/service and company has a sensory impact on its customers. This impact is either ill-conceived and random, or carefully crafted as an integral part of your brand If you haven't designed your look and feel — your brand signals — to appeal to your customers and consistently reinforce your brand idea and promise, you're missing a fantastic opportunity to seal the deal between your brand and those who need what you sell.

Even worse than missing out on the incredible power of an integrated brand strategy, are the customers you lose because of the conflicting or even negative sensory signals they receive that don't add up to what they previously felt about your brand.

Think about it in a similar way as intentions and behavior. Leaders must learn to align their behavior to their intentions, otherwise followers feel a misalignment and resist being led.

In a similar fashion, you can have *brand intentions* that are great, but if the signals sent and the behavior of your company aren't aligned with your intentions, then customers will resist making the purchase. They will not want to enter into a relationship with you and your company unless your look and feel lines up with your voice and brand promise.

How Your Look and Feel Differentiates You

You already have a distinct advantage over many business owners, and even leaders in large companies, who hold a misguided perspective on branding. The word branding is often used to indicate the look and feel, but not the high-level investigation that goes into branding — investigation that you worked on while creating your brand commitment and identifying your voice.

They focus on logos, on colors and shapes, on pretty printed material and great looking presentations, but they haven't done the foundational work of honing the brand idea, identifying the feel of the brand, and solidifying the brand promise.

They may end up creating some great looking material and have a wonderful logo, but they haven't created a look and feel that sends integrated and aligned signals out to the target market —signals that sink into the senses, making them feel over and over, "I'm in the right place, I love this company, I would never do business with anyone else."

Your look and feel are your brand signals sent to the eyes, ears, fingers, nose, tongue, and to the part of the brain that orchestrates our perceptions to give meaning to it all.

Aligning your brand through your entire company, culture and messaging is one of the most enjoyable aspects of developing your business. With a clear brand promise, a voice that differentiates you, and a look and feel that sends out aligned brand signals, you can make your mark and differentiate your business from the herd of me-too companies that put far too little effort into their brand.

It doesn't have to be hard, because it's connected to your values, your purpose and vision It's already within you, now you'll just bring it out into the look and feel of your company.

Discovery Questions

How have you thought about your look and feel up until now? How much attention have you put on integrating each element into the whole of the brand?

> Take some time to consider these baseline questions. Think about what you've considered important up to this point regarding your look and feel.

Your Customers Experience the Parts and the Whole

Just as we've encouraged you to shift your perspective and see that your business as a whole is the product, we want you to see your look and feel as a complete package of sensory experiences intentionally designed to connect with your customers and further their emotional connection to your brand.

You have an arsenal of reinforcement at your disposal. It may take some time to understand and orchestrate the best "sensory bouquets" to send to your clients, but it's well worth it.

Think about a customer experience you've had when everything shined and each part felt connected to the whole. It might be a hotel, a retail store, a cafe or restaurant, but it could also be a large corporation or even a web site. They get all the details right that send the right sensory impressions your way.

You drink in the entire experience as a whole. But it really consists of various parts, and it's in orchestrating these parts and aligning them with your brand that you, too, can create a total experience that wows your customers.

Don't think that you can't do it or that it's cost prohibitive — often, it's just intentionally aligning elements you're already using. You may have to redesign your logo or website, buy some new signage, or print new brochures; maybe you'll even change your company name, or rename a product. But whatever it takes, if you engage in this lesson and create your look and feel to align with your voice, you'll quickly surpass the crowd of companies that fail to integrate and align their brand.

A big part of reimagining your business is creating the brand feel, and then aligning the signals to create delightful sensory impressions for your customers. Resources allocated to building, expressing, and reinforcing your brand to project a look and feel that connects with your target market are resources well spent.

Deeper Into The Package

Your sensory package is the whole of the signals you send that represent the brand. This includes the combined look, touch, feel, smell, and taste of your business and its products/services, as perceived by your customers.

The direction of your sensory package is guided by your brand idea and the feeling you've identified as the core of the brand commitment. This commitment is your promise to your customers. If your promise is well connected to their expectations, then the sensory package will appeal to your target market every time, since it's based on what they need and expect.

Consider the following two hypothetical hair salons:

Beauty-Do Hair Salon sits in a shopping complex. A brightly painted sign at the front of the shop announces the salon name and that they offer hair cuts. Through five large plate glass windows, people can watch the team of stylists cutting hair. When you walk in the front door, one of the stylists greets you and tells you to have a seat

— someone will be with you in a moment.

You head over to the waiting area which is mostly white with bright colors for accent. You sit in a white plastic patio chair, and you see a magazine rack overflowing with six months worth of tabloids. As you look around the shop, you notice it is buzzing with activity. Not only are people working, but they are also gossiping among themselves. The local pop radio station is blaring in the background. The stylists are wearing casual clothes.

Panache Hair Salon is located about five minutes away, close to an office park. It has its own private parking, and the front of the shop has a modest sign in muted colors. Drawn drapes cover the windows. You walk through the front door into a reception area that looks like it belongs in an architectural design magazine and notice a light scent of fresh flowers.

The receptionist, dressed stylishly yet tastefully, greets you professionally and personally escorts you to the waiting area. The waiting area has elegant watercolor paintings on the walls and large comfortable sofas. The receptionist informs you that you will have a short wait and inquires if you would like some tea or mineral water. You sit back and listen to the classical music playing in the background. You see the stylists in their spotless smocks quietly going about their work.

If you come in off the street and know absolutely nothing about these two salons, what are your impressions and expectations? How does the sensory package make you feel, and how does it prepare you for your experience? What type of customer will each salon attract?

The combination of sensory inputs leads to the overall impression your customers get from your business. And that gives them a way to select the business which best addresses their needs. Each environment holds the promise of a different emotional gratification.

Knowing the emotional gratification your customers want enables you to provide it deliberately by building a sensory package targeted to those customers' needs. That's what your Brand Commitment Statement is all about — describing the feelings you want your customer to have as they experience your brand.

Your customers don't need to visit your physical location in order to receive sensory input from your company. Every time your customers visit your Web site, receive a brochure via mail or e-mail, call you on the phone, meet with a salesperson, or interact with your company in any way, they are receiving sensory input.

The color, shape, sound, feel, and in some cases, taste and smell of your products, facilities, and staff impacts your customers at a deep emotional level, which you can orchestrate to best align with your brand.

Improving Your Image

Your *image* is your customer's mental picture of your business and the emotional impressions they associate with it. As we've seen, it involves both conscious and unconscious associations, reason and impulse, logic and emotion. And, as we've also seen, the emotional, impulsive, unconscious part of us holds most of the muscle when it comes to how people perceive your business.

The image people have of your business consists primarily of their emotional impressions of it. How do people form these impressions of your business? They form them through all the elements of your sensory package — all the things they see, hear, smell, taste, and feel. Everything we sense leaves an impression on us as customers.

While you can control the look and feel of your sensory package, each individual creates the image that results from it. Using your brand as the foundation, your job is to craft your business's sensory package to create the most favorable image in the minds of your most desired customers.

Discovery Questions

What is your brand idea and commitment?

You should know this backwards and forward. Know it in your sleep. If you can't write it down here, you need to go back and flesh it out, with support from the two previous branding lessons.

How will your look and feel align with your brand voice and commitment?

> Consider the foundation, and how your look and feel comes from it. What do you most want your customers to experience through your look and feel?

1. Inspect Other Businesses and Experience Their Look and Feel

Visit two or more similar businesses to yours and evaluate them through your senses. Learning to keep your eyes open everywhere, and to keep your senses alive to other businesses, will teach you volumes about sending brand signals. Notice the good and the terrible, and particularly where they start to get it right, but then fail to align everything to the brand. Pay attention every time you're a customer. What do you feel? What makes you feel that way?

ELEMENTS TO TAKE IN AND EVALUATE

Facility-Outside *Drive or walk by the outside of the building:*

Is it easy to see?
What does the sign look like?
What is the neighborhood like?
Are the windows clean?
How easy is it to park?
What does the air smell like?
What do you hear?
Using all your senses, what does the area say about the business?
Does this create the experience that appeals to the customers the business seeks to attract?

Facility-Inside *Walk in as a customer would:*

. Is the temperature appropriate?
. What does it sound like?
. What does it smell like?
. Is it neat and clean?
. What do the colors say about the business?
. How is the light?
. Would customers be comfortable here?

Phone Manner *Call the business and pretend to be a customer:*

. Is the phone answered promptly?
. Are you greeted professionally?
. Are you put on hold?
. If on hold, what do you hear (music, ads, nothing)?
. Is the person answering the phone rushed?
. What is the tone of voice?
. Do you feel taken care of?
. Will you stay on the line?

People

. Do they seem to enjoy their job?
. Are they genuinely interested in the customer?
. How are they dressed?
. What do you notice about their voices?
. What other sensory impact do they have on customers?
. Is the staff polite and professional?

. Would customers want to do business with them?

Website

Is the site easy to find with the popular search engines?
How quickly does the site load?
What colors and images appear on the homepage and how do they make you feel?
How much text appears on the different types of pages?
How well does the search function work?
Will customers be able to find the information they need quickly?
Are any of the graphics or animations distracting?
How many steps does it take to make a purchase?
Does the site look just as good with different browsers and on different types of monitors?
What does the site say about the business?

Mail and Printed Materials

How does the paper look and feel?
Is the address printed or written?
What does the logo look like?
How does the logo make you feel?
Do the materials appeal to the emotional needs of customers?
Do the materials address questions customers want answered?
Would you keep the items?
Would you act on them?

Other

What is the product like?
Does the business deliver as promised?
What else do you notice?
What does it say about the business?
Does everything you see reflect the brand message?

2. Evaluate the Current Look and Feel of Your Business

Inspect your own business as if you were an impartial outsider, and evaluate the impact of your sensory package on your customers.

3. Develop Your Future Look and Feel or Sensory Package

Decide what changes are needed so that customers and prospective customers will feel attracted to your business and have a positive experience with its products and services.

Your Company Name

The name of your company makes one of the first sensory impressions on your customers' unconscious minds and can contribute significantly to the expectations they have about any potential interaction with you. Although it will not be the only component in the sensory package, it influences all perceptions that follow.

To begin shaping that first impression in the most favorable manner, you should think in terms of the overall impact your company's name is likely to have.

If possible, you would like your business name — and your product names — to accomplish four objectives:

Differentiation among other businesses and products
Instant recognition of your company and products
Favorable associations and impressions
Promise of emotional gratification
While sometimes the name itself accomplishes what you want, often you must build meaning into the name over time through good promotion and performance. See FIGURE 1 for a few examples.

FIGURE 1 A Look At Company Names

Ben and Jerry's Ice Cream. This name accomplished all four objectives from the beginning. Good differentiation. Doesn't sound like any other business. Instant recognition. You know it's an ice cream company.Good associations. The first names Ben and Jerry sound friendly, traditional, and neighborly. And what has better associations and promise of gratification than ice cream?

More...

Watch out for names that are incompatible with your business. For example, how do you relate to company names like *Bright & Breezy Demolition Co*. or *John Wayne Hair & Nail Salon*?

Some company names have the promise of emotional gratification built into them from the start. This is a plus since it draws customers to you even though they may not initially know what your business offers. For instance, the name *Aperture*, for a photography company, gives a feeling of space and openness. It draws you into a promise that you can get what you want here!

You should also avoid very specific names that might restrict your product offering. Once the customer is drawn to you, you have the opportunity to show what you have to offer through your sales process. A name that is too commodity-specific shuts down other possibilities the company may offer.

Normally, we don't advise that you use the name of the owner in the name of the company, unless it is a professional company like a law firm, accountancy, or consulting firm. It will usually work against you by creating a perception that your company is small and likely to stay small. But more importantly, it can undermine the image you are trying to create by not contributing to your company's branding strategy.

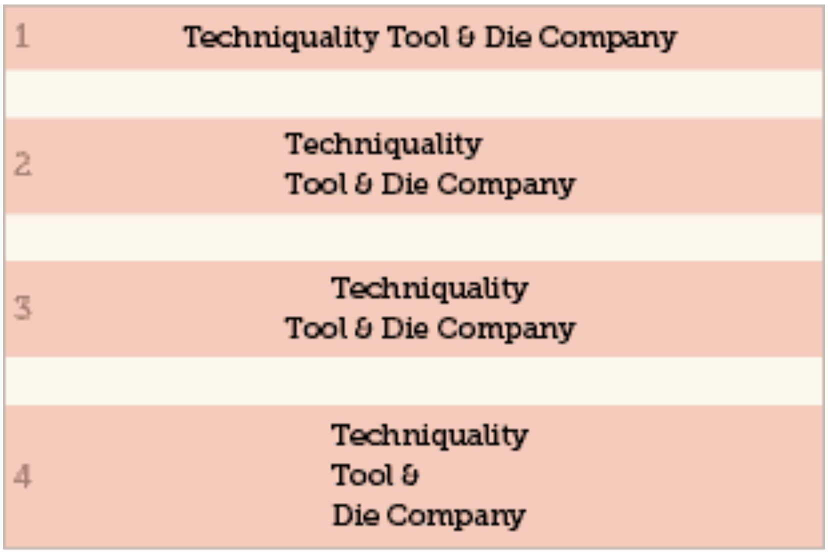
Yes, family names like Chanel, De Beers, Ford, Ferrari, and Kawasaki haven't diminished impressions of their companies, but they built their names through many years of growth and performance.

You should also consider the format of the name — the arrangement of the words, the typeface, the lettering, and the colors.

You want a reader-friendly format that customers can see all at once without moving their eyes around or using their peripheral vision. You should also try to achieve a pleasing arrangement of words and letters.

Consider these six different approaches to the same company name, as shown in FIGURE 2.

FIGURE 2 Examples of Type Treatments in a Company Name



Notice how you react to the various treatments above before reading the descriptions. Which appeals to you most?
In example 1, the name stretches over a single line of type and the eye must rely on peripheral vision. Example 2 is better, but still stretches the eye and looks crooked because of the differing line lengths. Number 3 is symmetrical, pleasant-looking, and a good choice. Examples 4 and 5 are compact and readable at a glance, but they look awkward and ragged; number 6 is similar but much more pleasing to the eye and, therefore, an acceptable selection. A fairly subjective matter, good design

also depends on how and where the name will appear.

The font selection also communicates a message. In general, company names in elegant script convey the message that your product is expensive. Type which leans to the right suggests action and dynamic movement. And a sharp, crisp look can indicate a high degree of efficiency. Consider what your font choices mean, and get a designer's recommendations.

If you are a startup, thinking through your name creatively based on the above, along with further research, may have an immense payoff. If you can come up with a name that also represents all or part of your core brand idea, it will be a powerful magnet for customers.

But many of you have been in business for awhile, and some for quite a long time. Should you change your name? It's a really big and important question, one you must ponder and decide for yourself. If you don't feel your present name offers any advantages as described above, and you wouldn't choose it if you were doing it again, you might have the clues you need to make a decision to change it. But consider all the ramifications, including timing.

If you do decide to make a transition to a new name, it is important to bring your customers through the transition by keeping them well informed. That way, you will transfer the recognition you have built for the old name to the new name, and lose nothing while gaining all the benefits of the new name. The goal here is to have a name that represents you, and does the best job of attracting new customers.

The Impact of Shapes and Colors

Have you ever noticed that different shapes and different colors have a varied impact on your perceptions? They do, and the differences are both more subtle and more important than you might think. Colors and shapes directly affect your perceptions and can trigger both positive and negative unconscious associations If you understand the differences, you can use them to communicate more effectively with your customers.

Remember, the unconscious mind primarily makes the buying decisions. The conscious mind then finds the rational backup to justify the decision. Therefore, like everything else in your sensory package, the shapes and colors you use must align with your brand.

Remember that what people say they like is often not what they find unconsciously compelling. When determining what colors to use, for instance, you shouldn't ask people to tell you their favorite color. You might show them samples of items in differing colors, making no particular reference to color, and see which they prefer.

That way you can see what their unconscious mind prefers.

You must consider four characteristics when choosing shapes and colors for your business:

- Visibility
- Retention
- Preference
- Association

Visibility

Both the conscious and unconscious minds see certain colors and shapes more easily. If you are going to attract your customers' attention, visibility is vital. Some colors and shapes inherently offer better visibility than others.

For instance, yellow usually stands out more than blue, which is why they use it for things like caution tape and road hazard signs. But on a shelf of all yellow products or in a row of all yellow automobiles, the blue one stands out and the yellow ones blend anonymously. So visibility also depends on the surrounding environment.

That idea of contrast is particularly important when working with text and signage. Yellow words on a white background tend to disappear, while black words on a white background are very easy to read. Light text on a dark background can be very striking, but it's also more difficult to read, so you'll need to use a bigger font.

Retention

The customer's unconscious mind also remembers certain colors and shapes more easily. When advertising incorporates colors or shapes that have high retention, the audience remembers the advertising — and the product — more easily.

Preference

According to researchers, people find some colors and shapes more innately appealing than others. Variations of basic shapes have the same preference as the basic shape they most resemble.

In fact, in terms of sensory impact and emotional response, people perceive only four basic shapes: circle, square, triangle, and oval. The unconscious mind perceives rectangles as simply another version of square, and angular, pointed shapes like five-pointed stars fall into the triangle category. Compound shape — shields for instance — have the same preference as the basic shape they most resemble.

Association

Every color and shape provides a stimulus to the customer's unconscious — an association with some feeling, memory, fantasy, fear, or event (again this differs from culture to culture). Positive associations tend to attract customers, while negative ones repel them. It's the reason heart shapes and the color red abound on Valentine's Day, and why we never give Christmas presents in black-wrapped, coffin-shaped boxes.

Make sure you understand the shape and color impressions you are actually creating. The mind tends to perceive the shape suggested by the overall configuration of visual elements.

For instance, if you create a sign with four circles, the visual effect might be that of a square. Customers will likely perceive a ring of stars around a central square as a circular shape. A similar effect can occur with colors. For instance, if you have many small red and blue images set closely together, the color impact may be purple.

Selecting Your Shapes and Colors

Since no color or shape is ideal, except under the rarest of circumstances, you must make decisions that represent an educated guess. You will have to balance the use of various colors and shapes to strike exactly the right combination

Here's an example of the thought process used by a retailer of outdoor patio furniture for color and shape selection:

"I need to decide on the colors and shapes contained in my logo, brochures, fliers, advertisements, business cards, letterhead— my entire look and feel or sensory package They have to remain the same everywhere, for they must convey a consistent message.

A customer who purchases patio furniture is purchasing products that make it possible to enjoy leisure and interact with the environment outside the home. Since green associates with both leisure and the environment so strongly, it is an obvious selection. However, it suffers from low visibility, low retention, and low preference, so I'll need to supplement it. Yellow offers high visibility, high retention, and strong association with sunshine and the outdoors, even though it is deficient in preference."

If you are developing your own colors and shapes for your sensory package, keep it simple. For anything beyond the basics, you should consult with a trained designer or artist. But even if you do work with someone, it's still your brand, your look and feel. So let them offer advice and possibilities, but the final decisions must be yours or the person in your company with the responsibility over the brand.

Discovery Questions

How do you feel about your company name? Does it have any or all of the attributes described in the lesson? Should you keep it or change it?

> The question of your company or product's name should be on your mind as you review this lesson. Did you make the choice intentionally? Does it align with your brand? Could it be improved? Is this the time to consider it? Ask and answer these questions and any others you might conceive around your name. It's extremely important.

Your Look and Feel Is a Special Language

Don't underestimate the importance of your look and feel and complete sensory package. It speaks directly to the unconscious minds of your customers and prospective customers. It speaks a language of perceptions, emotions, impressions, good and bad associations, and expectations of gratification. If your sensory package communicates the wrong signals, it will undermine your perfect products/services, your perfect location, and your flawless service. If your sensory package is right for your brand, your business has a much greater chance of flourishing.

You've spent time exploring other businesses to better understand your own, and you've scrutinized your business to identify those areas that most need innovating to better align your sensory package to your brand commitment.

Write down what changes you are going to make in your look and feel. Prioritize these changes with due dates.

Developing Your Channels

Aim

Determine your marketing channels and create your marketing calendar
Learn what makes a good channel to reach your target market
Understand how to best evaluate the variety of available channels
Discover why your commitment to your channels is critical

The Medium is the Message

The way one chooses to convey a message is as important, and has as much impact on how the message is received, as the message itself. As the chief marketer for your business, one of your tasks is to choose the most effective channels for communicating your marketing messages.

For many years, Rolex has been looked upon as one of the most valuable luxury brand names in the world. While Rolex does have a very large advertising budget, they are notoriously picky about where they choose to advertise. They have been said to be quite fanatical about the placement of their ads. Although, technically, these ads could run in any magazine, newspaper, or even on television, you don't see them there. The reputation and status of Rolex is enhanced by the exclusiveness of the selected channels and by the association in reader's minds of the words and images they see on the page.

You don't have to be Rolex — or advertise in exclusive channels — to have this kind of impact on your potential customers. You just have to know which channels speak as eloquently and persuasively to your target market as Rolex does to theirs.

What is a Channel?

A channel has a number of meanings, but for our purposes here it's a *means of communication*. Therefore, a marketing channel is any method, medium, or vehicle you use to communicate your marketing message. It's how you broadcast your promise to your target markets. It's how you develop brand awareness and attract prospects, or leads, to your offer and your business.

Many types of channels are available to you and new variations are created all the time. The most common channels include: print advertising such as magazines and newspapers, broadcast advertising such as radio and television, direct mail (both traditional and email), billboards, even word-of-mouth referrals from satisfied customers. In addition, there are a number of social media channels, as well as mobile apps, text advertising, and your own website.

With the massive proliferation of potential channels, it's easy to feel a bit overwhelmed by the choices, and by how to make the right choice! The challenge for every business owner, every marketer, is to find customers. First you need a compelling brand that translates into your marketing message, then you must determine the best channels or media to communicate that message.

Bigger Is Not Always Better

A recent Super Bowl featured over 50 televised advertisements. In the United States, Super Bowl ads rank as the most expensive and, typically, most watched television ads of the year. In 2012 these ads cost over $3,000,000 for a 30 second spot. Yet it was determined that at least half a dozen of these failed to generate any new business for the sponsors!

Bigger does not always equate to better, or necessarily more effective. The point here is that it is quite likely these advertisers could have generated a much better return on their 3 million dollar investment had they chosen different channels for their message. While you may never hope to place an ad in the Super Bowl, you will likely be tempted to use channels that are appealing for all the wrong reasons.

Knowing your prospective customers and understanding the influence and impact of the channels available to you are essential ingredients for developing your channels that are effectively in alignment with your brand strategy. So resolve right now to explore possible channels carefully, and commit to making intelligent decisions based on your best understanding of your potential customers and the most productive ways to reach them.

Discovery Questions

Think of your own responses to the messages communicated through various channels. Do some channels tend to appeal to you more than others? Why is that?

Observing and understanding the impact that marketing messages and the channels have on you is always a good place to begin. The more you understand from the perspective of being a consumer, the clearer you will see your own business and the channels you select.

From your experience, which channels seem to be the most effective for your marketing message?

Think about what has worked for you in the past and how you determined whether your efforts were effective.

Choose Your Channels, Don't Let Them Choose You

When selecting which channels to use for marketing, most small businesses make the mistake of using one of these approaches:

Everybody else does it this way. In this approach, you choose the most common channel or the one that your competitors and others in your industry use. "If they're doing it, it must be the best way.

It was handed to me on a silver platter. In this approach, you choose the method that requires the least effort on your part. "The advertising guy called me and it sounded good, so I signed up.

Shot in the dark. In this approach, you try one method for a while and if it doesn't seem to be working, you try something else. "For the money I can afford to spend, they're all about the same."

I've always done it this way. In this approach, you just keep advertising the way you always have, even though you have no idea if the channels you're using are giving you the results you want. "I know my name's getting out there and besides, I can't afford the time, effort, or money to generate leads any differently." This is also known as the *throwing good money after bad* approach.

Selecting the Right Channels

With so many choices, picking the best channel for your business can be overwhelming. It may be tempting to place an ad in the local newspaper and be done with it, but developing and focusing on new channels is critically important, and can have significant impact on your business.

The right choices will expand the value of every dollar you spend. Your marketing dollars need to be as well targeted as your message. Four key elements to consider in choosing your channels are *reach*, *attraction*, *cost*, and *results data*.

Reach

You can't attract new customers if they don't know you exist. You must reach out to them with a compelling message, and your marketing channels are the carriers of that message. When considering the various channels, remember that your customers won't go out of their way to get your message, and they shouldn't have to. So you want to work with channels that reach your customers as a regular part of their lives.

Consider the classic marketing funnel in FIGURE 1. *Market coverage* is defined as the extent to which your marketing activities reach your targeted customers, and the marketing channels you use are the main vehicles for reaching them. In other words, your ability to reach your target customers — a prerequisite for creating customers for your business — is vitally dependent on the marketing channels you use. And if you don't reach sufficient numbers of your target market, marketing and sales will suffer.

FIGURE 1 The Marketing Funnel

Keep this visual of the funnel in mind as you seek to attract customers. You're gradually drawing them down to develop a relationship with your company and brand.

Attraction

Once the channel and its message has reached a target customer, you hope that the customer will pay attention to the message and be attracted enough to take action. Before customers can be attracted by your message, however, they must first be attracted by the messenger, the channel carrying the message. Put another way, if you've selected a channel that your customers are either not interested in, or even repelled by, they'll never even get to the message, no matter how compelling it may be.

Have you ever thrown out a piece of direct mail without even opening it to see what was being offered? Or hung up on a telemarketing phone call before the caller was able to say more than, "Hello…"? Or disregarded an email newsletter? These examples prove that the channel you select is an important part of the attraction equation.

Of course, many businesses use direct mail, telemarketing or email marketing quite successfully, again proving that you must truly know your target customer. What attracts one person does not necessarily attract another. And what repels one person does not necessarily repel someone else. How do you determine which channels will attract your target customers? Consider these criteria:

- **Credibility:** Is this medium believable? Do your customers trust it?
- **Appropriateness:** Does this medium have the right kind of impact? Is this the way your customers want to be approached and communicated with? Is it consistent with their picture of themselves? Do they regularly pay attention to and relate to this particular channel?
- **Associations:** What other feelings and thoughts does this medium bring up? Are they pleasant or unpleasant, desirable or undesirable?

Customers are more likely to be receptive to your message if you can successfully choose compelling marketing channels.

Cost

Unless your business is extremely profitable, or you have unlimited money to spend, cost is always a factor in selecting the marketing channels you'll use. First, you'll look to the financial condition of your business, your budget, and your revenue goals to see how much money is available to get the results you want. Then, you'll evaluate the efficiency and effectiveness of the various channels available to you.

The most *efficient* channels will give you the most exposure in your target market for the least cost. The most *effective* channels will give you the most qualified leads for the least cost.

What's exposure? Let's say your target market is doctors. A hundred doctors drive to work every day between 8:00 and 8:30 A.M. and listen to a particular radio station. A block away from their medical center is a large billboard.

If you play a radio ad at 8:15 every morning, you will have 100 doctors exposed to your ad every day. If you advertise on the billboard, you will have 200 doctors exposed to your ad every day. Once in the morning on their way to work and once in the evening on their way home. Reach multiplied by frequency equals exposures.

What if your radio ad and your billboard both cost the same amount of money per month? If the radio ad brought in more inquiries from doctors than the billboard, it would be more effective, even though the billboard was more efficient (twice as much exposure for the same price).

Effectiveness in your channels is ultimately more important than efficiency. But if you haven't determined the effectiveness of the channels you want to use, tapping into the most efficient ones first may be your best strategy.

Results Data

In considering various marketing channels that are best suited to your business, the opportunity to secure real data as a result of the specific channel is of immense value, and will depend on the chosen medium (i.e. online vs. print). Before you begin your campaigns, it's important to consider where you will be able to best identify valid metrics that can help you understand if the channel was effective and served your objectives.

Discovery Questions

How much have you budgeted for communicating your branding and marketing messages? Have you allowed others (account managers, sales reps, etc.) to dictate your channel choices in the past?

Owning what you've done to this point is pivotal in making changes. Unless you allocate sufficient resources to marketing and keep control of the process, results will most likely not be what you would desire.

Who else in your organization can work with you in analyzing and developing your most effective channels?

Which Channels Are Right for Your Business?

With so many different marketing channels to choose from, how can you possibly decide which ones to use? Though it may seem daunting, it's not as difficult as you might think.

Earlier in this lesson you read about the three general criteria — *reach*, *attraction*, and *cost* — and how they apply to your marketing channels. Now we'll further examine the objective and subjective criteria required to evaluate those general criteria before choosing your best channels.

Objective Criteria

Reach: Reach is the number of people (or households or businesses) exposed to a particular channel at least once during a specified time period. For example, a newspaper might have a circulation, or reach, of 100,000 people a day; a spontaneous word-of-mouth referral from a satisfied customer to a friend has a reach of one.

Market coverage: Market coverage is the percentage of the target market you reach. Reach divided by the total number in the target-market population gives you the percentage of market coverage.
Cost: Cost is the dollar amount required for the channel provider to carry your message. This might be the cost for one thirty-second radio ad or the printing and postage costs for one thousand pieces of direct mail. Ideally, you will also want to calculate the cost per person reached by the channel. Remember: even if it's free, like social media, time involved by yourself or your people is also a cost.
Frequency and exposures: These are as dependent on your discretion and budget as they are on the channel you use. But they're worth mentioning because they are related to the channels and their reach, and will play a part in your channel selections. *Frequency* is the number of times within a specified time period that an average person is exposed to a message. *Exposure* is the total number of times a message is seen or heard in that time period. As previously stated, reach times frequency equals exposures.

Subjective Criteria

Fit with your target market: Now you'll want to consider in more specific terms how each channel is suited to the lifestyle of the people you most want to attract. Do they read the newspaper every day from cover to cover, watch TV occasionally, and never listen to the radio? Do they open and read every piece of mail they get, or routinely toss out direct mail? Are they networkers who join organizations and refer to their association directories regularly? Do they spend time on Facebook and Twitter? Are they using LinkedIn?

This is where your understanding of your target market's demographics and customer personas come into play. The more you know about your target market, the the better able you'll be to subjectively select the right channels.

. **Fit with your company:** There are two ways to look at the fit between a particular channel and your company. One is its strategic fit — its appropriateness to your vision and the image you want to project. The other is its practical fit — the capability of your company to use this channel effectively. As with the Rolex example, you really do want to choose channels you believe in, that fit your values and brand, as well as being the kind of place that your prospects spend time, read, or check in with frequently.
. **Impact:** Impact is the force or influence a channel exerts on a person, usually due to a feeling or an association it raises. When evaluating the impact of a channel on your target customer, think about the feeling that channel produces and how your customer responds to it. Different people respond differently to the same feeling. At this stage, don't consider the impact of the message; think only about the impact of the channel itself.
. **Credibility:** Credibility is the level of believability, trust, and confidence your customers have in the channel. Most people find certain channels more

credible than others. What's in the minds of your customers? Do they believe the messages conveyed by this channel or are they unsure?

- **Intimacy:** Intimacy is the extent to which the channel fosters a close, personal connection between the customer and the message being delivered. Does the channel speak to your customers? Does it draw them in, or keep them at a distance? Does it compel them to respond?

Think about the day-to-day lives of your target customers and where you might best reach them. While not exhaustive, you can use the following list to begin identifying those channels that are the best fit with your customers:

PRINT ADVERTISING

- Newspapers
- Magazines
- Newsletters (external)
- Trade/Organizational Directories
- Telephone Directories
- Catalogs, Brochures
- Flyers

DISPLAY/OUTDOOR ADVERTISING

- Signage
- Billboards
- Placards
- Posters
- Bumper Stickers
- Vehicle Signage
- Vehicle Advertising

PUBLICITY/PUBLIC RELATIONS

Press Releases
Feature Articles
Product Announcements
Speeches
Seminars
Annual Reports
Community/Charitable Events
Charitable Donations
Sponsorships
Endorsements

INTERNET

Website
Industry Blogs/Magazines
Social Media
Blog
Podcasts

BROADCAST ADVERTISING

Television
Radio

DIRECT RESPONSE

Direct Mail
Telemarketing

EVENTS & PROMOTIONS

Business Conventions
Trade Shows
Fairs, Exhibits
Contests
Premiums/Novelties

WORD OF MOUTH

Spontaneous Word of Mouth
Referral Programs
Testimonials

Discovery Questions

Which marketing channels have been your most and least effective to this point?

How do you know?

Give important consideration to what you've done up until now so that you can clearly see the intention behind selections made, or the lack of intention.

Which marketing channels have been your most and least effective to this point? How do you know?

Give important consideration to what you've done up until now so that you can clearly see the intention behind selections made, or the lack of intention.

1. Evaluate Your Preferred Channels

Create a list of your preferred channels. Use a spreadsheet or document. Create two columns. Write down what you see as the advantages and disadvantages of each channel with these general criteria in mind:

Anticipated coverage and exposure
Cost of medium (by exposure, monthly, etc)
Production and other labor costs
Credibility and perception

2. Subjective and Objective Criteria Evaluation Worksheet

Continue your investigation by recording your thoughts about these criteria. Remember that the result you're after is a clearer, more refined picture of exactly which marketing channels are right for your business — or, more to the point, which ones are a best match for your brand and reaching your target customers

Multiple Marketing Channels

Companies can use a variety of channels to reach the hearts and minds of prospective customers. Some of these channels, such as signs, placards, and word of mouth, have been in existence since businesses began; others, like the web and social media are, by comparison, still quite new.

Consider the two main categories of marketing channels as paid channels and unpaid channels. Paid channels are commonly referred to as advertising. We can think of unpaid channels as publicity, or, in a broader sense, public relations.

Many small businesses also depend on word of mouth to help generate new customers. Spontaneous word of mouth, especially from someone well known and respected, can be very effective. Because of this, word of mouth should be fostered by systematized referral programs. Word of mouth, referrals and even customer reviews can be viewed as unpaid channels.

As companies create new ways to use marketing channels, changes quickly appear in the market. That's good, because what you choose is limited only by your own imagination. So don't be afraid to combine different ideas, or to create something completely unique. Also, it's often a mix of different mediums that has the maximum effect, each reinforcing the other, bringing brand awareness and causing your prospects to take action.

The Science of the Art

Tracking numbers and figures will help you lay a great foundation in determining how effective and efficient your channels are. From this foundation, you can use your intuition and instincts to see the real world effects that the numbers express. Having a clear understanding of your channels through numbers, and being observant of the effects these numbers express will give you great perspective on your current channel structure.

Ultimately, identifying the right key indicators, tracking them over time, and seeing your lead generation results improve will tell you if you're using the right channels for attracting customers.

Channels Are Part of Your Brand

Communicating with your customers is fundamental to the success of your business. Unfortunately, it's seldom obvious which means of communication will do the job. Which channels will convey your message the way you want it conveyed? Which will have the exact impact you want them to have? Which will create the right impressions in the minds of your customers? Your dedication to the work of marketing is important.

As you select the best channels for your brand and customers, design a plan for using them and immerse yourself in this work, you will receive tangible and far-reaching results in your business.

Not only will your business be exposed to larger numbers of qualified leads than ever before, but those leads will feel more strongly connected and attracted to your brand, because you've cared enough to reach them in a way that addresses their individuality. This careful alignment of your brand and channels is an important factor that differentiates you from all the other businesses out there vying for customers.

Commitment to Your Strategy

It can be difficult developing and committing to a strategy. A good first step is to get as much information as possible. Analyze what others are using in your industry, ask a coach or consultant to give you advice, or ask your customers or peers.

After choosing your strategy, patience and commitment is important. It takes time for a new channel to have an effect, and even more time for an entire marketing mix to show results. Too often, business owners try things but don't give them sufficient time to achieve the desired results.

Commit to the plan and give it time to work before making major adjustments. A conservative plan that is committed to wholeheartedly often outperforms what seems like a top flight plan.

One last observation: marketing drives the technician crazy, as the results are not linear, nor guaranteed. The most we can hope for is to attract the technician part of us into executing on the plan that the entrepreneur conceives, while the manager organizes, schedules and then delegates the marketing activities.

Marketing Won't Work Without a Plan

Determining the marketing channels you will use is a critical part of your work in this lesson. It will be a tool for delegating your ongoing marketing work to others in your company with the confidence that they know what to do, when to do it, how much money they can spend, and what result they're after.

If you have a small business and you're the one implementing the plan, possibly with little or no support from others, then it will act as your personal marketing guide from week to week and allow you to focus on the results of what you're doing, rather than on the mechanics of it. As stated previously, commit to the plan and stay with it, and then track results and make adjustments as it gathers momentum.

The format for your channel implementation plan has three parts:

A statement of overall branding strategy
Your monthly marketing plan
Your monthly calendar

STATEMENT OF OVERALL BRANDING STRATEGY

Your channel implementation plan should begin with a statement of the overall branding strategy you've designed for the particular target market you're focusing on. The preliminary work for this should already be done. You should also have already clearly defined your customer demographics and customer persona, and created your unique value proposition and voice statement for this market.

In addition, include a general description of the channels you've selected for this target market and the lead generation results you're striving for. This section provides the underlying logic and foundation for the specifics which follow in the rest of the marketing plan. It is also a necessary link between creating the channels plan and creating the actual messages that will be carried by each of the channels.

YOUR MONTHLY MARKETING PLAN

This section should have twelve pages, one for each month of the year you're planning. The name of your target market and the month and year should be prominently displayed. It often helps to set up each of the twelve pages with comments that describe the logic behind your decisions. Do this for all twelve months before beginning the detailed planning. This gives you a broad overview from which to construct your plans.

YOUR MONTHLY MARKETING CALENDAR

The last part of your channel implementation plan is a marketing calendar which takes each monthly plan you've generated and translates it into specific benchmarks. Remember that the activity on your monthly plan may actually take weeks or even months to plan and execute, and additional time to follow up. So, while your monthly plan gives an overall picture of activities for the month, your marketing calendar provides the detail for how those activities will be accomplished.

Your Unique Sales Process

Aim:

Design your unique sales process
Understand the connection between your brand and sales
Discover how sales is not really selling
Learn how to innovate your sales process with a needs based approach

Your Sales Process Begins With Your Brand

If you've done the work in the Brand Commitment lesson, you know what your brand is at the core, having created your Brand Commitment Statement. Without doing this work, you can create your sales process, but you won't have a firm foundation, nor the clarity of knowing what your brand represents — or what you want it to represent — to your customers. Your sales process is based on your brand, so you'll want to clarify it for yourself, your employees and your customers.

If you are clear on your brand and consistently communicate what you stand for, you can make a real connection with your customers. Then, the sales process is just an extension of the relationship that you've already begun, designed to help your customers better understand your product, and how you can serve the needs that brought them to you in the first place.

If you haven't gotten clear on your brand as we defines it, we recommend that you do. But if you need to create your sales process now — or innovate your existing one — without deepening and furthering your brand, go ahead, for the sales process must go on, even as you're refining your brand.

All the dynamics of your business are connected. Part of understanding the activity dynamics (Marketing, Sales, and Engagement) is knowing how each relates to the strategic dynamics (Leadership, Branding, Finance, and Management). If you set things up properly, sales will become vastly easier.

If your branding creates the right relationship, then your marketing will attract prospects who resonate with your messages. If your engagement gives customers something to talk about, then your sales effort is partially taken care of by these loyal customers through referrals as well as their repeated business.

It's all about creating relationships and a seamless customer experience, by uniting the dynamics of your business, with sales simply being a part of the experience.

Sales Isn't Selling

When you make a sale, you don't always create a true customer. If you focus on the short term, on a single transaction, then it's all about this one-time event. But a true customer, the kind of customer you really desire, isn't a one-time thing.

Depending on your business, your contact with your customers may be sustained or fleeting, daily or infrequent, but when they have a need for your product or service, you want them to come to you. You want a relationship. And that's what your customers want too, because the help they need to make the right purchase decisions for themselves will come from you. At least they hope it will.

It's your job to lead your prospects, to convert their interest and hope into the conviction that you can give them what they need. And part of what they need is your support for the decision they've already made. By the time your potential customers — your leads or prospects — get to you, they've already made their way through the early steps of the purchase decision chain. They want your product or service and now they're looking for the logical confirmation and emotional support that will make them comfortable with their choice.

Your prospects will become your customers if you give them what they need to make their purchase decision. Sales conversions happen in alignment with your brand and marketing, and the relationship is continually reinforced through engagement.

If you want responsive, confident customers, you'll have to create them yourself. And here's the good news — you can! Just remember that their needs, not the mechanics of a sales technique, must drive your sales process.

It's Not a Sale, It's a Relationship

Nearly every aspect of the business development process is geared toward building a relationship of mutual support with your prospective customers. By taking your focus off the sale and concentrating on your customers' needs, you'll send a powerful message of concern and genuine customer care that will earn their continued patronage.

> But what about the sale? Don't you need that, too? Of course you do. That's why you're in business. But your sales won't come from *selling*. They'll come from the assistance you give your customers in finding comfort with the purchase decisions they've already made. So while you may have to give up selling, you'll trade a sale for a relationship of mutual support and satisfying your customer's expectations. This one thing can change everything.

How have you thought about sales up until now?

> Baseline where you are in your thoughts and feelings around sales. Write down your thinking, and how you have conceived of sales in relationship to branding and marketing.

The Best Sale Is No Sale at All

"I'm interested! I'll take it! I love it!" If you're in business, this is your dream sale. No selling, just a responsive, confident customer, the right product, and an inevitable sale. What could be easier, right?

But more often than not, selling isn't that easy. Trying to convince someone to do something they may not want to do is work. And that's what selling usually feels like — convincing, cajoling, and struggling against the customer's resistance.

So how do you get from selling to a dream sale? And where do you find those responsive, confident customers who recognize the value of your product or service and don't need to be sold?

The first thing you do is stop *selling*. Selling is about the seller. It focuses on you and what you need. If you're thinking about what you need to do next to make the sale, you aren't focusing on your customer. And you surely aren't thinking about forging a relationship with that customer.

This may sound overly simplistic, but if you pay attention and observe yourself in such sales situations as a customer, you're sure to see what we're talking about. If the salesperson is focused on themselves and making the sale, you can feel their lack of interest in you and disinterest in building a real relationship. You can feel how they're all wrapped up in themselves and their needs, rather than yours. You don't want your customers to feel that lack of interest, do you? You don't want them to go away unsatisfied, feeling unsupported in the crucial moments when they were getting ready to make their purchase.

So think about your products and services from your customers' perspective. What do they need? After all, you're in this together. You need their patronage to sustain and grow your business, and they need products and relationships that will gratify them. When you forget about the sale and look for ways you can satisfy your customers' needs, the sale — when it comes — will be the inevitable result of giving your customers what *they* need to make the purchase decision. You won't have to sell them.

Customers Are Made, Not Born

You'll create a customer much more readily when you rely on a needs-based selling system that delivers the emotional impact and credibility your prospects need to be comfortable with their purchase decision. They have to experience the sincerity of your intentions and trust what you say. And the only way you'll convince your potential customers that you're focused on their needs is if you really are focused on their needs. There's no faking it.

The way you sell telegraphs your true intentions to your customers. If they feel pressured, pushed, or manipulated, they'll feel that the way you're selling serves you, and not them. And when we feel that as customers, we usually walk away from the deal, and say things like, "not now," or "I'll get back to you," or simply disappear. Remember: the bulk of the purchase decision is made emotionally by the prospect and more often than not is unconscious to them.

Anything can cause us to *choose* not to buy. This is why your sales process must support both the emotional needs of your future customer and the need they have for a more tangible engagement. And it's the feeling of your brand that weaves it all together.

As crazy as it sounds, your salespeople, or you, if you're the main seller, have to become indifferent to the sale. Instead, you have to create a way of selling that communicates to your customer in the way they want to be related to. When you create a clear sales roadmap, and you and your salespeople follow it, you can track your progress and continually innovate, instead of just trying things and never knowing what works and what doesn't.

You must focus on the process, instead of only focusing on *making the sale*. Of course, this means creating a process — your unique sales process — which will support everyone on the sales team by giving them a way to accommodate your prospects' decision-making needs. Once you have your process in place, you have the support to completely focus on your customer's needs, and ultimately let the sale take care of itself.

A salesperson needs to have confidence in your brand and have that brand feeling inside of them, along with completely believing in the advantages, benefits, and feeling that their customer will receive by forming a relationship with your company.

You can see how knowing that basic brand feeling— such as delivering happiness at Zappos — can be woven through the whole customer experience, which begins in building brand awareness and in marketing, then extends into the sales process. If a customer has the sense that the salesperson, and the way they are helping them, doesn't connect them with the brand promise that motivated them in the first place, they will balk. Their feelings about the company won't match the sales experience.

Countless sales are lost because the salesperson has no feel for the brand, no way of bringing the customer forward with conviction and can only fall back on their desire to make the sale, which makes it about them, instead of the customer.

If you've done your job well, you'll have communicated your intention to create a long-term relationship dedicated to satisfying your customers' needs and expectations, and you'll convert a high percentage of your leads to customers.

> People will return to you time and time again when they need what you sell. They'll return because they know they'll get what they need and that you've made it your business to serve their needs with integrity.

Consider past sales situations you were in as a customer, both good and bad — how did the sales process and salesperson make you feel in each of those circumstances?

> You are a customer of the various businesses you support. Observing and thinking through your experience, and getting in touch with how you feel during it, will help support the design of your own sales process.

How do you think your sales process and salespeople make your customers feel?

Your Unique Sales Process Baseline

- **Identify the process.** Get a clear picture of the boundaries of your current sales process — where it begins, where it ends, and the main steps in between. Without a clear picture of exactly what your current way entails, you'll have a hard time evaluating it with any degree of accuracy.
- **It's important to be clear.** At what point in your current process does a lead become, or present herself as, a true prospect? This is usually a simple step, but sometimes it's murky and needs to be defined. Make a box-and-arrow

diagram of the steps in your existing sales process. Thinking through what happens now, and getting it down on paper, helps a lot when you begin innovating.

- **Identify and write down observations about the resources required for your existing process and its current impact on customers and employees**. Gather as much data as you can around your present process.
- **Select key indicators.** If you've done a thorough job with your process baseline, the key indicators will be evident. Review your process baseline and seek to find pieces of the process that say to you, "If I'm performing well, then our sales process is performing well." Common key indicators are: total sales (also, sales dollars), number of sales, average sale amount, lead conversion ratio, percentage change in sales, and total lead conversion costs.
- **If you haven't yet, begin tracking and reviewing your key sales indicators**. If you have tracked some, add any you have newly identified. Gathering quantification here supports your innovation of the process.

IDENTIFYING BEST PRACTICES

This final point is of prime importance if you, as the business owner, are also the main salesperson, which is often the case. In many industries, the owner (or partners) are the chief rainmakers, bringing customers into the new relationship through the power of their conviction and commitment. You may have a real feel for sales. But if you want to develop your business to provide freedom from the daily activities (yes, sales is a tactical responsibility), then you must capture the best practices of what you do, and learn how to train others in your unique sales process. The same often applies if you have one salesperson that achieves over-the-top results. Your path of innovation may simply be capturing what you do, or what your best salesperson does, and creating a process for training others in these best practices. customers feel. If you are the salesperson, observe them keenly. If not, ask your salespeople or engage with your customers to discover the truth.

Build On The Universal Five Steps

Now that you get that it's not about selling, but designing a process that accommodates your prospects' decision making needs, it's time to adapt our universal system and turn it into your unique sales process.

Regardless of your product, service or business, the heart of your selling process will always be your personal encounters with your prospects and the building of a relationship that turns them into customers. The right brand strategy aligned through brand signals that create leads who feel attracted to your offering, delivers prospects to you that are primed to be taken care of through a sales process that leaves little to chance.

The following five steps should be incorporated into your unique process, and each builds on the previous one. Remember, it's about the feeling as much as following the steps. But having the steps as a foundation provides the support to relax and really tune into what is most important: your customer, and their needs in making a purchase decision and entering into a relationship with your company and brand.

To adapt the universal sales process to your specific situation, you must have a clear understanding of how the five steps play out in your business as a whole, and also allow for adjustments to meet the needs of each prospective customer.

1. Engage with your prospective customer.

Set the tone for the future relationship. Build rapport. Make them feel they are in the right place, that you, as the salesperson, are congruent with all they have heard, learned and felt in marketing. For example, if your marketing speaks in plain simple language, and you as a salesperson speak corporates or ivory tower jargon, they will feel a disconnect.

Questions often work well to engage and make the customer feel you are sincerely interested in them. Remember, it's all about the customer, and not your needing or wanting to make a sale. You know from being on the other end of this as a customer yourself what it feels like. Engagement means caring, being curious about the prospect, and creating interest. More than a simple greeting and a few pleasantries, it's an opportunity to demonstrate your commitment to giving them what they want out of your relationship.

Keep the focus on your customer. Develop real interest in them and their concerns. This may mean giving them physical space to browse, asking if they have time to speak with you before you start talking at them, or relieving them of responsibility for any interaction at all. You're setting the tone for the rest of the relationship and creating your customer's interest in pursuing it. You need to show with words and actions that their needs and comfort will be your primary concern every step of the way.

2. Repeat the emotional message of your brand promise.

Your prospects come to you with a provisional decision to buy your product because it promised to meet their emotional needs. What are those needs and what did you promise? You may find particular words that help them feel they're in the right place, but it's about feelings. So you may reinforce your promise in non-verbal ways too. Where does the actual sale take place? Does the setting provide reassurance? Do all of the sales presentation materials give them the same sense of brand alignment?

Your customer responded to something in the broadcast of your promise through your marketing. Repeat the promise. This might be as simple as restating your unique value proposition or repeating your slogan as you begin to respond to the customer's questions. Or it might involve a more elaborate description of the product's features and benefits that produce the effect your customer was drawn to.

More than anything, it's about giving them the same feeling they had when they heard your brand message. This step naturally links to the first step in the sales process — engaging the customer — because it's intended to reassure customers that they're in the right place to have their needs met.

3. Determine the customer's needs.

The more you come to know about what each individual customer wants, needs, and expects, the better you'll be able to meet those needs and expectations. What does your customer really want? Why do they think they want it? Will your product or service meet, or match, the customer's perceptions? If it does, what support do they need to take action on the decision to buy that brought them to you? Your salespeople must have a basic set of questions that will help elicit a customer's specific needs, and help them know which products to offer a particular customer and how to offer them.

The easiest and most straightforward way to determine the specific needs of individual customers is to be curious about them. Think about ways to find out more about your customers. While some of this may seem dictated by the nature of your sales process, keep an open mind. Will your salespeople simply ask questions verbally? Will you use written approaches — such as questionnaires, online surveys, and checklists — so you can refer back to what customers have said? Both verbal and written approaches have their advantages, and most businesses use a combination of the two.

When designing ways to determine and document customer needs, consider all the media available to you, such as online surveys or fields in your software that can be easily filled in by your salespeople.

But how do you know which questions to ask? You'll find out by developing an understanding of your customer's product perceptions and purchase-decision needs. Let's take a look at these two important elements of your sales process and determining your customer's needs.

YOUR CUSTOMERS' PRODUCT / SERVICE PERCEPTIONS

All your branding, marketing, and product/service strategy work is directed at communicating and delivering your promise to your customers. And your research and strategy are aimed at various segments of your target market. Though you're seeking to attract individual customers, your marketing messages speak to them in larger clusters.

But in your sales process, the individual is paramount. Two customers may have very different perceptions of the same product. You need to understand how your customers perceive your product and your business and which attributes are the most important to them in making their purchase decision. When you know this, you can contribute to the decision in the way that best serves the customer.

For example, let's say you own a Mercedes-Benz dealership. You've researched your target market and you've aimed your marketing at a group of affluent, quality-oriented buyers who value prestige and performance. Your first customer, a self-made man, sees the Mercedes as both a reward for his accomplishment and the fitting automobile for his new status in the world. He is convinced on all levels to buy the car, and he certainly has the means to do it. But something's in the way.

It turns out that this man had great regard for his father — a hard working, devoted family man who never made much money. His dad always drove a Ford. It never would have occurred to him to drive anything other than the most practical, reliable, inexpensive car on the road. That was his dad's measure of value.

Your customer can't help thinking that he should be doing the same thing. If the Ford was good enough for his father, it should be good enough for him. He wants the Mercedes, he values its quality and performance, he can afford it…but he can't find the comfort he needs because of his underlying perceptions and associations related to automobiles.

Your second customer has different needs. While your marketing approach may have emphasized the Mercedes' luxury, status, and prestige, this customer couldn't care less. For her, the Mercedes is a machine — the best you can buy, or so she's told. And that's all she cares about. She wants to drive the best engineered car on the road.

If you're busy sharing your perception of your product as the height of prestige and beauty, you're not helping her. She doesn't care, and she's starting to think that the Mercedes she believed was all about performance isn't for her, since you're appealing to other needs that are irrelevant to this customer. Do you see how your sales process must identify the specific needs of the individual customer and address them?

So how can your salespeople approach potential customers whom they know nothing about, as individuals, and discover what they need to know? What could our Mercedes-Benz dealership owner ask in his sales process to uncover the differing needs and perceptions of prospects looking at a Mercedes?

How about:

> Tell me a bit about the cars you had in your family while you were growing up, and other cars you've owned. How does that affect what you're looking for today?
> What are you driving now? How do you feel about it? What do you like most about your current vehicle, and what do you like least?
> What combination of qualities would your ideal automobile have?
> What have you heard or what do you think about the Mercedes that doesn't appeal to you? Why is that?

You could ask these same questions to every prospect, and get replies to lead you in precisely the right direction. This will allow you to find the best product offering you have for them and align it with the attributes and feelings that are most important to them.

The biggest part of this step is identifying and writing down similar questions so that you can unearth relevant information to make sure you are addressing your specific customer's individual emotional needs.

Once you know how your customer perceives your product, and you've tapped into their story around it and how they feel in relationship to it, you can then determine what support he or she needs to make the purchase decision. Did you notice we didn't say "make the sale" or "close the sale"?

You now know that sales is all about supporting your customers and helping them work through challenges and resistance to enter into a relationship with your company. Sure, it might just be that they are purchasing a product, but beneath the tangible exchange is a whole world of felt-emotional reality that must be acknowledged, tapped into, and used to solidify the brand relationship.

Identifying relevant questions to ask your customers that will elicit their specific needs is the key to addressing them. The more attention you give to this, the more you'll see that though you are addressing individual customers, there are not an infinite variety of needs. So zero in on the most common, and find good questions that will help you cinch the relationship and connect based on what is important to them.

YOUR CUSTOMERS' DECISION NEEDS:

Customers need support in making their purchase decision, that's what your sales process needs to focus on. Your brand and products appealed to them, your marketing brought them in. You can't sell someone something they don't want or need, nor would you want to. But with care for your customer, you can learn — and your salespeople can too — how to support them in working through the obstacles to feeling comfortable spending their hard earned money with you.

As we've seen from the customer's perspective, the selling process can feel like a blessing or a nightmare. We've all had experiences with high pressure salespeople; we've all felt lied to or felt the salesperson exaggerated a claim about the product or its benefits. Face it, we're all a little suspicious of salespeople.

That's why it's so critically important to do it a different way and have your customers feel that engaging with your salespeople is indeed an enjoyable, if not treasured, part of the entire customer experience. This is why you must create your process and hire salespeople that are helpful, informative, reassuring, and give your customers the feeling that they are there to support them in making the right decision.

THE SEVEN NEEDS-BASED SELLING FUNCTIONS

We've identified seven needs-based selling functions that support your customers in making their purchase decision. They are information, understanding, needs clarification, advice, assistance, reassurance, and transaction processing. Any one of them can be the most important for a particular customer. You should seek to understand and be prepared to address them all, but also seek to identify those most critical to each customer.

Information: Providing information about the product or service, how to get it, what it does — anything the customer wants to know. They may want more information about the company, or ask about competitive products.The competency you demonstrate by being informed and prepared to share information in a clear, connective fashion translates to your customer as caring for their *need* to know more.

Depending on the complexity of your product, training and supporting your salespeople to stay current is extremely important so they are comfortable and informed, ready to provide the necessary facts to your prospective customers.

Understanding: For many products and services — and for many types of customers — facts alone are not enough. Your customers want help interpreting the facts. They want to know what conclusions to draw. They want to understand what it means for them. This is especially critical for complex products such as insurance, investments, loans, real estate, computers, automobiles, and other big ticket, complicated purchases. With products like these, the prospect seeks to connect with the salesperson and feel that they can trust them sufficiently to help interpret the facts that they need to understand.

Needs clarification: Surprisingly, many customers don't understand their own needs and desires, and are grateful for any help clarifying their needs. Think, for instance, of a young couple purchasing their first life insurance policy. They're not sure they need insurance at all. The details of how much, what kind of life insurance, and numerous other questions, are a mystery to them.

This need, having important points clarified, goes beyond simply helping them understand. It requires that the customer feels that the salesperson really does have their best interests in mind as they continue solidifying their relationship. It takes an adept and caring salesperson, dedicated to truly listening to their prospect, to clearly comprehend what their real needs are.

Advice: Customers want guidance on whether or not to buy, from what company, how to make payment, which options to choose, and so on. They want the advice to come from a source that is either objective and impartial, or biased in their favor. They look to friends, family, coworkers, and professional advisors for their advice. But if the sales process has developed true rapport, the prospect will transfer his need for advice onto the salesperson and feel they can trust their advice.

Assistance: Sometimes customers need help in addition to information and advice: finding the right size and right style suit in a clothing store, filling out the forms for a small business medical insurance plan, getting a demonstration on how to use a new smartphone, finding the ripest melon in the produce section of a grocery store. Whatever and wherever you can predict the customer may need assistance, make it a part of your sales process to provide it.

Reassurance: This is a common need for nearly everyone. It takes self-confidence to provide your own reassurance. Of course, if the customer has the opportunity, they will look to family, friends, and even a fellow customer to ensure they are making the right decision. Everything that has gone into the relationship between the customer and the salesperson may be tested as the customer seeks to make the salesperson their confidant, so the salesperson can reassure them from the outside that they have made the right choice within themselves to make the purchase.

The need for reassurance should not be underestimated. This is when the feeling that the brand expresses can be deepened, to help the customer remember how they originally felt when they became connected to your company and its products or services. Sometimes all reassurance requires is to recognize the need on the part of your customers, and stay with the feeling that first drew them in, while you competently help them realize they are making the right choice to purchase your product and get more deeply involved with you, your company, and your brand.

At these crucial moments in the sales process, it's often that feeling one has in relationship to the salesperson that offers the final nod of reassurance necessary to move ahead.

Transaction processing: This is the sales transaction itself — money, check, credit card, or putting it on a billing cycle in exchange for goods or services. It can be as simple as paying for a candy bar at a checkout counter, or as complex as preparing and executing all the paperwork involved in the purchase of a new home.

Whatever it takes, your sales process should include a seamless way to process the transaction so no sales are lost by failing to provide a problem-free, flawless way to take your customer's money and give them their necessary receipt or confirmation of purchase. If you're doing business online, you need a state of the art shopping cart and a credit-card processing component. If you're offline, your processing should be as equally delightful for the customer as an easy online experience.

IMPACT AND CONFIDENCE

Your customers may not need all the selling functions to develop comfort with their purchase decisions, but they'll need some. If your brand attracted them emotionally, and they received confirmation in every touchpoint with your company that they were in the right place because your brand integrates itself throughout the customer experience, they will probably already be *sold*.

But if they're still in decision mode, which selling functions are required will depend on two primary factors: your customer's perception of how the purchase impacts them, and their confidence in making the decision.

Impact and confidence determine which of the seven selling functions you need to build into your sales process. The level of impact may vary from customer to customer. Buying a flat-screen HD TV may have an immense impact on one customer's budget, sense of self, and their family time, while another customer may feel it's just a simple replacement for an older version that she's shifting to the bedroom. The level of impact drives the amount of confidence needed to make the purchase.

Use your knowledge of your customers to design a process that's customized to their needs, and keep in mind that even the seven selling functions can mean different things to different customers, and varies by business. For example, reassurance doesn't mean the same thing to an adult patient in a doctor's office as it does to a teenage customer in a clothing store. Moreover, two teenagers in a clothing store may feel very different levels of confidence in selecting what they should wear. They may need very different levels of reassurance to complete the purchase. You need to know what your customer perceives reassurance to be. You need to discover and tune into their specific needs.

When you know how your customers see the impact of the purchase of your product, and how confident they feel in making that purchase decision, you'll know which selling functions need to be included in your unique sales process. Make a list of the particular decision needs your prospective customer is likely to have, and what you can do in your selling process to meet them. You'll now have a more complete idea of the support your customers need for their purchase decisions and what you can do to supply it.

For example, if your customers perceive the purchase of your product to have a high impact on their lives, but feel only moderate confidence in making this particular purchase decision, your selling process will have to include a lot of information, understanding, and advice. Your customers will need facts, an interpretation of those facts in light of their needs, and guidance about their choices.

Remember that in your sales process you're always dealing with an individual customer. As you consider each of the seven selling functions, come up with questions that will help you understand the individual's decision needs. Be prepared to concentrate on the decision needs your target market is likely to have, but build in the flexibility to discover and respond to all the decision needs an individual customer actually does have.

Here's where you can offer your customers unique, customized responses to their purchase decision needs. If they need confirmation of their product perceptions, you can supply it. If they need more information, advice, or reassurance, you can provide that too.

4. Provide a solution.

This is the step in your sales process that is most like traditional sales. Ordinarily, this is the place where you convince the customer to buy your product. But if you remember "don't sell…satisfy," this is not where you convince the customer, this is where your customers convince themselves. This is where you help them discover whether your offering solves all or most of their needs. And this is where they get everything they need to be comfortable with their purchase decision.

Your main goal in the solution presentation is to educate your customers about how your product or service will satisfy their needs. You know that they already get it well on the emotional level, and now you want them to enjoy the same assurance on the rational level. This is your opportunity to share all your knowledge about the value of your product with your customers.

However, don't push too much information on them. Too much information can overwhelm them and detract from their growing confidence. Be prepared with all the information, but only give as much as the customer can take in. Be responsive, respectful, and on the customer's side of things, not yours.

Think back to the best teacher you ever had and you'll find the tone you want: excitement about the material and its benefits for your life, a pleasure in sharing information with you, and an offering of the information without strings. Your best teachers never tried to sell you; rather, they offered information and insight freely.

Remember the two customers looking at the Mercedes-Benz? How could the solution presentation be tailored to meet both their needs?

The first customer wants the Mercedes prestige, but doesn't want to abandon the qualities of good value, practicality, and reliability that were important to his father, who drove Fords. Does he know that if he buys the Mercedes he'll probably never have to buy another car as long as he lives? This customer perceives some of the attributes of your product, but not all of them. He needs the part that's missing to be completely comfortable with his purchase decision.

The second customer won't have any problem with her purchase decision if you step back and don't push the part of the message about luxury, status, and prestige. She knows exactly what she wants — the best driving machine available — and only needs a narrow band of precise information to be sure she's making the right purchase. She doesn't need to have her perceptions broadened, just a confirmation of her expectations.

So aim your solution presentation at meeting your customer's needs. Anticipate and encourage questions, and give them every opportunity to develop the comfort level they require to make the purchase decision.

5. Offer the product.

Either your customers will accept the solution or they won't. If they do, you need a purchase transaction to process the details. If they don't, you've built the foundation for a long-term relationship by attending to their needs. The door to a future relationship is wide open. This is incredibly important. Too often, because of a salesperson's impatience and immediate recognition that they won't be making the sale today, the opportunity for a long-term relationship is blown. But what about tomorrow? What about the possibility that they just weren't ready, that the timing wasn't right?

If you've branded well, created and aligned a marketing and sales process unique to your company and customers, and your offer is right, you will make all the sales necessary to sustain and grow your business.

Don't jeopardize long-term relationships by concluding the sales engagement on an off-key note if they don't buy. Include, as part of your sales process, a connective way to stay in touch and follow-up with the customer if today is not a good time for them to make the purchase. The infamous *be-backs* will come back if you treat them with dignity, respect, and honor the fact that they could become raving fans if you treat them properly.

CREATING RELATIONSHIPS OF MUTUAL TRUST

This is the final step in the sales process. By now, your customers should have their questions answered and all the logical support they need for making the purchase. This is the point where you'll be most tempted to push for a positive response.

But remember, if you focus on the sale rather than creating a relationship of mutual trust, you may be endangering sales to this prospect in the future. If your customer feels too much pressure to buy, you may even lose this sale. And you can be sure the customer will tell all of her friends and family about her unpleasant experience with your salespeople.

So make your offer from your customer's point of view. Does the product meet their needs? Does it deliver what it promises? Are all their selling needs met? If the answers are "yes," you've got a sale. If the customer is not yet there, keep the door open. If you've done it right, he or she will be back.

With the five step universal process as your starting point, you can build a selling system specifically tailored for your business and market. Then you can apply your process to your customers in a way that satisfies each customer's individual needs. You start with a generic process that applies to everyone, but you end up serving the unique needs of each customer. It's the best of both worlds: the efficiencies of an orchestrated process and the customer focus of a customized process.

DON'T FORGET THE OVERALL EFFECT

Now that you've seen the five universal steps of a sales process, remember that none of the parts will work unless the overall effect meets the purchase decision needs of your customers. This includes all the things you do to offer your product to your customer, such as your look and feel, the quality of the interaction between your salespeople and the customer, the way product information is communicated through selling aids, even the words you choose to greet prospects or describe your product.

All of these elements must be aimed at meeting your customer's purchase decision needs, and should be linked to the particular selling functions that are most important to your prospects.

For example, new patients in a doctor's office are like potential customers in any business. Because of the nature of the services they are looking to buy, they have a high need for reassurance, advice, and understanding. A flippant, lighthearted, and comic presentation of the doctor's services would not meet the typical customer's needs. The doctor and his or her staff need to choose a décor, a manner, and even words of greeting and communication that will carry the emotional impact and credibility to make patients feel they're in the right place.

Subdued colors, authoritative information, and warm and friendly attention from staff serve to present the doctor's services in a manner that meets the potential customer's needs. Although your family doctor may no longer wear a white coat, opting for the informality that street clothes offer, many specialists and hospital-based doctors still wear this traditional uniform because of the professionalism and authority it conveys. When you need specialized advice, the white coat (the badge of the medical professional) helps to reinforce your faith in the education and knowledge of the expert.

On the other hand, a flippant, lighthearted, comic presentation, along with bright colors and loud noise, might be just right in a video game store. Those customers probably want a sense of fun, irreverence, and adventure, and engaging them on that level meets the needs they hope to satisfy with their purchase decision.

So when you think about showcasing your product and business in your sales process, think about the overall effect you want to communicate to your potential customer. With the additional perspective of the customer preference research you did in Your Product Reimagined, you now have enough information to present your product with real precision. Developing your sales process will give you an opportunity to test the decisions you made and innovate new ones.

As you now well know, it's all based on your brand idea, your brand commitment, and the promise you make to your customer. The more you align your brand, your marketing, your culture, and your sales process, the easier it is to attract the right people and support them in making the right decision to purchase your product.

Which of the seven needs-based selling functions do you perceive as most important to your customers? Why?

You've been presented with a hefty amount of information to digest. If you review it diligently and begin to apply the universal steps to your specific customer base, you will begin to get a sense of the flow of the process, and you'll be better able to understand what you need to innovate to get better results.

What questions would you ask your customers to better understand the specific needs you must address in the sales process?

Formulating and testing these questions is often the heart of the sales process. What would you want to know, and what do you feel your customers would be willing to tell you, that would help you address their unique needs?

Your Two Essential Elements

There are two essential elements of sales that directly affect how you move through the universal five steps: people, the way you staff your sales process, and paths, the channels you choose to sell your product. These are high level considerations, but they directly affect how you'll achieve the purpose of each of the steps in your selling process.

People

Who best sells your product to your target market? The five most typical sales force configurations are: automated, order-taking, conventional, consultative, and in-house or external. Each one tends to be appropriate for particular products or services, but don't let convention limit your thinking.

Discovering a non-traditional approach to satisfying your potential customers' needs can set you apart from your competition. Just be sure to look at your choice through the eyes of your customers, and keep the following guidelines in mind:

Automated selling requires no human contact. Vending machines and computerized order-taking systems as we're used to on the web are prime examples of this mode, and are particularly well suited to low-impact, low-confidence purchases because even the purchase transaction can be accomplished by a machine. An automated system is geared for sheer convenience, but is unforgiving of customer errors or questions. Its best use is in the simplest sales transactions, where relationship-building is irrelevant to repeat sales.

Before the Internet, the above description was true in most circumstances. But today, brands can be built and relationships formed with your customer, even as they are doing their ordering online, through automatic transaction processing. If you're online you can still touch elements of the sales process by building relationships with the customer, it just takes a bit more creativity to understand how each step can be done without a human interface.

Order-taking is a sales method characterized by telephone operators, cashiers, waiters, and newsstand attendants. Although it is more people-friendly than an automated process, allowing for an exchange of information and sometimes limited advice and reassurance, it won't create as many opportunities for relationship-building as would conventional or consultative sales approaches. It is best suited for sales processes where customer confidence is relatively high regarding the impact of the purchase, and where technical product information is simple and obvious.

Conventional selling techniques are the kind usually found in retail stores, and generally involve a one-on-one exchange between salesperson and customer. This sales approach offers the most versatility in developing the process to address multiple decision needs. It also has the most potential to create relationships, because the salesperson can customize the system to the needs of the particular customer.

Consultative sales personnel are generally experts like financial planners, stockbrokers, insurance agents, lawyers, and other independent professionals, as well as those selling highly complex products such as computers or real estate. Consultative selling is most appropriate when the purchase decision has a high impact and requires specialized knowledge.

Inside staff or external agents are two choices for a sales force. Sometimes it's more cost effective to use independent agents to sell your product, especially if your sales territory is large but doesn't warrant a full-time, in-house sales force.

Your product and the purchase decision needs of your potential customers will shape your selling mode, but here's a general rule: the more selling functions your customer requires for the purchase decision, the more important the relationship-building qualities in your sales method.

If your choice of selling method includes the use of people, you need to think about what kind of people.

For example, if you sell computers, you'll be looking for salespeople with the patience to learn about the technical features of the product and the ability to communicate the attributes of each model to the customer. They may not initially need a lot of knowledge, but they'll have to be willing to learn and have the ability to communicate complex information clearly.

A salesperson for a clothing store might not need to grasp detailed, technical information, but may need the ability to give advice and communicate reassurance credibly.

What knowledge, abilities, and personality traits would the ideal salesperson for your product and customer have?

Paths

How does your selling message best get to your customer? It depends on your product and how your customer feels about its purchase, but some products lend themselves more easily to certain communication paths than others.

Traditional sales paths include:

- Internet
- Telephone (telemarketing)
- Mail (catalog sales and direct mail)
- Direct-response print media (magazines, newspapers)
- Face-to-face selling at your location or your customer's
- Selling at stores or other on-site outlets

Here again, don't let customary practices limit your view. In the past, most selling was seen as a one-to-one, in-person activity, but changes in lifestyle and technology have created new selling channels for many products.

Catalog and Internet shopping, especially for high-end products, has been one of the biggest changes in retailing since the advent of the department store. Customers, increasingly strapped for time and less willing to venture out at night to shop, may find catalogs and their television equivalent (home-shopping networks), along with the Internet, attractive and convenient replacements for in-store shopping.

The home shopping networks even use automated order-taking, something the high-touch retail selling world would have considered unthinkable just a few years ago. Today, retail sales through a store on a company's website have outpaced the mail catalog in popularity as a sales channel.

Take a fresh look at your sales paths. Could a new one be more effective than your current choice? Could it be an addition? Have you overlooked possibilities for expansion because they're not traditional in your business?

What kind of sales force configuration will you use in your sales process, and what knowledge, abilities, and personality traits would the ideal salesperson for your product and customers have?

Considering the various configurations of your sales force is key before designing the process. Are there ones you haven't considered that might be right? Upon closer examination, are ones you're using missing the important needs of your customers? Getting clear on the kind of salespeople you need helps immensely in recruiting and hiring.

Describe the path or paths you will use in your sales process. What are the advantages and disadvantages of these particular paths?

Again, thinking this through and exploring the alternatives will ensure that you come up with the best process for your specific customers. Don't jump to conclusions. Consider every option.

Your Organizational Roadmap

Aim **Create your org chart**

Learn how to think about your organizational strategy
Create results statements for each position in your organization
Learn how to use your org chart and result statements to organize work

A Roadmap To Your Vision

We can't overstate the importance of a well made org chart. It's one of the most overlooked and underutilized tools at your disposal. We understand why it's not a priority — it's really hard to see how a bunch of boxes and lines is going to grow revenues or improve efficiency. In this process you'll see that mapping out your org chart is actually some of the most visionary work you can do as an entrepreneur. You are telling a story — and a compelling one if you take the time — about what you want your company to look like when it's done. When you start seeing your organization through this lens, this tool will become much more than an organizational chart, it will become your Organizational Roadmap.

Why Create An Org Chart

There are many reasons to create a great org chart. Most importantly, it helps you locate yourself and your employees in your business. When you take the time to clearly delineate roles and responsibilities in your organization, you are showing how much you care about your people. You are saying in effect, "I want you to know that I see you, that we've hired you to be a part of the whole effort of the company and here's how you fit into our long term vision". And your people can also see opportunities for professional development — they can dream about where they want to be in the organization: a place with more responsibility and authority for them to grow into.

Of equal importance, especially for small business owners and start-ups, is the clarity your org chart will give you in seeing where you currently are and understanding what roles and functions you should or shouldn't be doing in the future. There is absolutely no way to manage your time and efforts effectively until you know what jobs you are doing and when you should be doing them. If you're at a point in your business where you have to wear a lot of hats, this clarity will support you in effortlessly shifting between those roles, getting far more done in far less time. For you and for everyone, a well made org chart supports the development of real accountability and the long term health of your business

Unlocking Your Insights

Just having the org chart to look at can unlock some incredible insights about your business that you wouldn't see otherwise. You might see somebody reporting to someone they shouldn't be, or you'll see a department that should be consolidated into one job under another manager. You will start to feel what the organization should be like instead of just living with it as is. This is the essence of what we call double vision; an essential skill that begins right here. Double vision is your ability to both see the present and the future, and it starts with having your Your Vision Statement and Org Chart alive inside of you as well as keen observations and measurements of where you are presently. Practicing double vision, seeing and feeling the current state of your business while guiding it towards its greater future, is at the heart of empowered leadership.

Most importantly, a good org chart is a tool to keep close at hand as a business leader. It is a living, breathing document that can help you guide your business, helping you make critical shifts in strategy and personnel at just the right moments. Spending time turning your org chart into a roadmap is time extremely well spent, and, as you'll discover when you share it with your team, it is also a powerful statement to your people about your vision and values.

How do you make organizational decisions presently?

Do you have an org chart? Does it focus on the future, or only your current staff? How do you make hiring decisions? How do you know you have the right positions?

How might you lead differently if you had a clear organizational roadmap?

As we introduce our management tools it's important to always connect the tool back to how it supports you in your leading and managing. It's good to be vigilant and not let the technician get overly-enamored with any tool.

A Visual Guide

A good basic org chart is a visual that shows the various positions needed to operate your business, but that's just the beginning. For the document to be worth making and spending time with periodically, you need to see it as a strategic document — a tool that you use to see how work is structured today and whether you have created the right conditions to reach your long term goals as stated in your Vision Statement.

Here are some important guidelines to keep in mind:

Responsibilities not Personalities

Your org chart is made up of positions and activities, not of specific people or personalities. Once you figure out what positions the business requires, then you look to whether people are in the right "boxes". Maybe someone needs a promotion or needs their names in multiple boxes. Once you get the structure right through the chart, it will be far easier to understand how and where your existing people fit in and who you need to hire in the future.

Sometimes there is confusion about the goal of not making a business "people-dependent" as popularized in the original EMyth books. There's a truth in this goal. Employees — especially the good ones — are extremely mobile, and you can't control when they choose to move on. Making sure your business isn't people dependent is a smart general goal, but you absolutely want great people throughout the organization. Keep the goal in mind of having a people managed, position dependent business where employees can be replaced while having great people fill those positions that fit in with your vision, values and overall company culture.

Again, a good truth so long as it's not taken too far: if your business is people-dependent (i.e., specific individuals who create systems or work only they can do) you have a problem. You want a people managed company — where great people have great systems to work with as a foundation from which they can innovate and develop your business even further. Then, when they decide to move on, you have the necessary structure, systems and training in place to keep things moving without hardly missing a beat.

A Word About Hierarchy and Ownership

You may have heard some management and organizational consultants criticize the traditional hierarchical organizational structure like the model we are advising that you adopt in this process. They suggest that a flat organizational structure, or even no organizational structure, is preferable. They describe benefits of greater responsiveness to change, more flexibility and more creativity. But what often happens …

Your Org Chart Depicts What Your Business Will Look Like When It's Done

This is where the org chart really comes alive. You are designing the finished product here. Will you get it right the first time? Of course not. But you are making a structure that matches your vision. The right chart has all of the positions you're going to need to run the company then, not now. You can have 40 boxes and only ten people today, no problem. You, as the owner or CEO can be in 20 boxes. Slowly you will remove yourself from those boxes as you get space enough to delegate most of what you're doing today to the right people in the right moments. It's an opportunity to challenge yourself in how far out you can see. In our experience, this kind of thinking can bring hugely productive discussions with your colleagues and staff. When you're done, you will have an unparalleled vision of what your company looks like from the inside out.

Is your business people dependent or position dependent? How did it get that way?

Evaluate where you are between people dependence and positional dependency. Are you over reliant on great people? Do you fear losing them? What has your organizational strategy been up until now?

Financial Intelligence You Can Use

Aim:

Create a financial foundation action plan
Explore your personal relationship with money and how if affects your business
Understand different financial perspectives and finance roles
Gain the financial intelligence to control and manage your finances

Everyone has different attitudes, ideas and assumptions about finance and managing the money component of a business. For some business leaders, this lesson may be a simple review, while for others, these finance lessons will be pivotal in creating a business that works in a way they've never experienced. The work you do to better understand, organize and systemize your finances is essential to growing your business to meet your vision.

While finance is a critical part of every business, we also know that it can cause a lot of anxiety, frustration, uneasiness, and even fear. Money is something that you are probably constantly thinking about, talking about, worrying about and planning around.

Good money management is not as complicated, boring, or scary as you might think if you keep two important aspects in mind as you read the lessons. First, you must understand the relationship between you, money and your business activities. Then you must be willing to create and implement, on a regular basis, a few straightforward money management tools and strategies. That's it. Not so daunting, eh? Now let's get started.

Facing the Truth

How often do you actually look at the numbers that your business generates? And, of equal importance, how do you *feel* when you are looking at your financial information?

Quantification is often neglected because of our tendency to avoid looking in the mirror. Numbers don't lie. When you are looking at your numbers, you're facing the truth, and that can be scary. Are you really willing to look at the truth?

Every profit and loss statement and balance sheet tell a story about the choices and assumptions you make as a leader, and show whether those assumptions, beliefs, attitudes and ways of approaching business situations are correct or not. Do they fit with reality? Do they work?

Business is a laboratory. We make assumptions about a new product, a new sales process, or a new delivery method, and then we try it. Numbers tell the story and guide us to understanding whether those assumptions are valid or not. They also help us know when to leverage those results into even greater ones based on the discovery.

Now, when we talk about looking at your finances, we're talking about looking at and analyzing your financial reports. While a few business owners — usually the successful ones — regularly review their financials, the vast majority avoid it.

If you really care about realizing your vision, then you must care about knowing the truth of your numbers. You must go beyond whatever frustration, lack of skill, or technical limitations you may have around them. You must learn to look straight into their reality and accept what they tell you about your business.

So if you really want to know the truth about what's occurring in your business, you need the truth found in the numbers. Each number in your financial reports represents something tangible in your business. It may be scary to risk knowing that certain assumptions aren't valid, but you have to know the true message the numbers transmit if you want to know the truth of what is happening.

To run a successful business, you need to regularly review your financial situation. The first steps are to commit to understanding this lesson and those that follow in the Finance Dynamic, and to commit to putting the proper control, structures and systems in place for your business.

> Your financial intelligence will grow within you, and you'll no longer be the least bit intimidated by your numbers. Instead, they will inform and invigorate you in making progress towards your vision.

Are you willing to face the truth of the numbers in your business? Why or why not?

Explore within yourself the feelings that come up around money and finances. Think about what stands in your way of facing the truth of your numbers?

How do you see engaging in financial management supporting the fulfillment of your vision for your life and business?

Consider your vision and the road that will take you there. Think about how having the right financial intelligence, management and systems will support you in achieving your vision.

The Deep Relationship Between You and Money

Before continuing to bolster your financial intelligence, it's crucial that you investigate the attitudes you may have around money that have gotten in your way to creating a robust Finance Dynamic. As a business owner, your ideas and attitudes around money will affect just about everything.

How do you develop the right attitude towards money? It starts with understanding the relationship between yourself, money and your business.

First ask yourself this question: Do you believe that your self-worth and net worth are the same? Though most of us know that the answer is "no way," many people devalue their own life if the balance in their bank accounts is less than they desire. Coming from such a place of scarcity, rather than abundance, will only perpetuate self-doubt.

Money is a reflection of your values, assumptions, decisions and actions, but it's not a reflection of your value as a human being. If you believe money creates your value, then as you look at your financial statements you'll feel like you're looking at your own value as a human being.

Money measures the success or failure of your business activities, but it's not who you are. If you look at money as a measure of who you are, there is no way that you will be able to look at financial statements without pain.

Avoiding the truth of your financial situation, good or bad, equates to walking around with blinders on.

The Three Basic Money Relationship Styles

Let's take a deeper look at your relationship to money. There are three basic styles that demonstrate our relationship to money: the Monk, the Spender and the Hoarder.

The Monk is detached, wants nothing to do with money. He may have a lot of it, but wants to live minimally.

The Spender can't keep money in his pocket. He spends it as fast as he gets it. He'd rather spend money then keep it.

The Hoarder doesn't spend enough. He'd rather have money than spend it. He loves looking at his bank statements as long as they stay the same or are rising.

There are usually combinations of these at work, but one is typically primary and leads one's attitude towards money.

Take the time to explore how you relate to money. Think about the styles above. Which one most describes you? How does this impact you and your business? There may be some resistance, frustration, or excitement. Look for how you may be challenged and where fears arise. As much as you may want to put the right structure and systems in place, it's important to have the right attitude toward money.

Some business owners view their businesses in only financial terms. This approach can work, but it is a very limiting way of doing business, for it tends to squeeze the joy out of being a business owner.

Other people are intimidated by the financial side of business and, therefore, avoid financial management. "As long as the bills get paid, I don't worry about finances," is their casual disclaimer. This approach may work temporarily, but is also limiting because it ignores the great potential that lies within the business. Both approaches are short-sighted and diminish the chances of achieving your vision.

The right attitude recognizes that your business should make your life better. You didn't go into business just to pay the bills. You could do that with any job. You went into business to create an amazing life and to realize your fullest potential.

Most likely you had a desire to produce efficient value relevant to the marketplace, which is the main driver of financial performance. This is how real wealth is created.

Money Follows Value

Making money isn't the primary purpose of a business; money follows value. Produce value and the money will follow. If you pursue money alone, the customer doesn't truly matter. But if you pursue value, you show respect for the customer and look for ways to add more value and serve them better.

> Your attitudes and assumptions about money and finance matter; explore them. Follow up by furthering your financial intelligence. Then put the

simple systems described in this lesson, and the others in the Finance Dynamic, into place in your business.

How do you relate to money (Monk, Spender, Hoarder)? How does that impact the financial management of your business?

Explore how each type feels and identify which one most describes you. See how that impacts your business and how you might shift things if you took on a different perspective.

What is the true value you want your business to create in the world?

Understanding and truly answering this one question could be the key to realizing your dreams and vision. Consider how bringing value instead of worrying about receiving it can change the whole equation.

Understanding Different Perspectives

The Leadership perspective speaks to the entrepreneur. It gives you the big picture view that you'll need to lead your company. The Management perspective goes into more detail about supervising the personnel and processes in your financial system. It's important that you understand these perspectives and learn what each involves so that your Finance Dynamic has everything in place to operate at the highest levels of control, efficiency and clarity.

The Leadership Perspective

Becoming the true financial leader of your company first requires that you develop the right mindset toward money. In this step, we'll look at how money is both the fuel that runs your business and a gauge that helps you evaluate your business.

Next, you'll need to put a good financial team in place. We'll explore the proper relationship between you and your accounting team.

Finally, we'll consider why you need a financial system and what this means.

Money Fuels your Business

Money is the indispensable fuel that powers your business. If over the long term your business uses more money than it generates, then you don't have a business at all — at least not for long. You need money to hire employees, purchase equipment, and buy inventory and supplies. And you need money to help you achieve your vision for your business and your life.

Money in your business is a lot like gas in your car. The point of having a car is not to put gas in it. But if you don't put gas in your car, you'll never get where you want to go. You might not like to pump gas, but you know that if you don't pay attention to the gas in your car on a regular basis, you may get stranded. In a similar way, you need to accept the idea that you must pay attention to the money in your business routinely or you're going to have some serious trouble.

You don't plan a trip based on how much gas you have. You just need to pay attention to the gauge and fill up at the right time.

You decide where you want to go, then you simply make certain you have enough gas. It's the same thing in your business: your vision is primary, and money is just the gas that will ensure you make it to your destination.

In both cases, it's a matter of perspective: being clear on the goal and having the necessary fuel to get there.

Money Measures Your Business

While money is like the gas in your car, you financial reports are similar to the speedometer and other important gauges. Looking at your financials helps you measure the worth and health of your business.

The true worth of your business includes both money and intangibles such as personal satisfaction, freedom, lifestyle, contribution to society, and prominence in the business community. However, these intangibles are difficult to measure, and they most likely have different value to different people. That's why the primary measure of your business's worth is always monetary.

Quantification is essential for business owners to know what results their businesses are producing. You have to capture the financial information, make sense of it, and use it to manage your business.

Quantification doesn't have to be complicated or scary. After all, you don't run away shrieking every time you glance at your speedometer. Why should you run away from looking at your business's financial reports?

You don't need to become an accountant. But you do need to master some basic knowledge that will enable you to take control of your finances. You can't truly be in charge of your company until you can understand and direct its financial flows.

Remember, Your Financial Team Works for You

Another important aspect of the right mindset for financial management is a proper understanding of the relationship between you and your financial team, including: a CFO, controller, bookkeeper, and CPA.

You are the ultimate decision maker for your business. You can and should be the driving force behind the financial decisions and outcomes of your business, with your financial team as your advisors. This collaboration will give you the best results.

It is important that you look at your business's finances as an owner and as a manager, but not as an accountant. Your ownership and managerial perspective doesn't diminish the importance of a CPA and other financial advisors, as you can't ignore taxes and other regulatory standards.

Nevertheless, it's critical to remember that your financial systems exist primarily as a management tool, and secondarily for tax and regulatory purposes. Do not expect technicians trained in tax compliance to proactively manage your business for you, nor to clearly understand what the numbers indicate in your operations.

This lesson will help you learn how to understand the reports and advice your financial team gives you, and how to work with them to make better business decisions. It will show you how to capture, understand, and use the information your company generates to make sound financial decisions.

Why You Need an Accounting and Financial Management System

In order to manage anything — a business, a government, a family, or an athletic team — you need systems for observing what is going on, for understanding what you observe, for making decisions about it, and for implementing your decisions.

The Management Perspective

Leadership relates to the *whys* of finances, how to approach money management and what you need to change about your attitude in order to get there.

Now, you are going to take off your entrepreneur's hat and put on your manager's hat. Management is concerned with the components of a financial system and the roles of the people on your financial team.

The Roles Within Your Financial Team

Accounting expertise is indispensable. Where you get that expertise will depend on the size and maturity of your company. In the beginning, your only financial advisor may be a certified public accountant (CPA) who prepares your taxes. However, as your business grows, you will likely hire a bookkeeper.

Eventually you will also need people to fill the roles of Chief Financial Officer (CFO) and controller. If you lack the personnel, you will need to take on these roles yourself, or possibly outsource them.

If your company is still small, you will most likely be handling one, or even all, of these roles yourself. That's fine, but remember to give yourself time in each of the roles. You don't want to spend so much time entering transactions that you don't have time for strategic thinking. You also don't want to put off the day-to-day duties of the technician because you're spending so much time on the big picture.

Understanding the roles and their responsibilities will help you see where particular holes may be in your financial management systems. Even if you don't have an employee with each of the following titles, you still need someone getting the results and performing the functions of that role.

CPA

No matter what the size of your company, you need a CPA to provide tax advice. In most cases, this individual will be someone who works for an accounting firm or an independent contractor, not someone who is a direct employee of your company. If your CPA has a lot of business experience, he or she may also be able to provide advice related to other aspects of financial management. But be careful! Your CPA's primary area of expertise is taxes. A better source of advice for non-tax issues is your CFO.

CFO

A CFO thinks and works through the lenses of both an entrepreneur and a manager. He or she works very closely with the CEO or business owner to analyze reports, examine current trends, and set future financial strategy. Typical duties of a CFO include:

- Setting goals, objectives, and strategies for the financial management of the company
- Overseeing the activities of the accounting department
- Implementing proper auditing procedures and internal controls
- Analyzing financial reports and making recommendations based on those reports to the CEO or business owner
- Advising upper management on how economic conditions or trends

may impact the business
- Supervising investment and loan activities

CONTROLLER

The controller is the manager of the accounting department. Along with the CFO, the controller provides advice to the CEO or business owner about the financial operations of the company. Typical duties include the following:

- Assisting in the creation of a company budget, cash plan, and other financial planning documents
- Preparing the monthly, quarterly, and annual financial reports
- Supervising accounting personnel and overseeing the daily operations of the department
- Recommending benchmarks for measuring a company's financial success
- Preparing the financial analysis for contract negotiation and investment decisions

BOOKKEEPER

Your bookkeepers are the technicians on your accounting team. This group includes accounts payable staff, accounts receivable staff, and other bookkeepers who handle the day-to-day tasks of tracking the flow of money through your business. Their duties typically include the following:

- Entering daily transactions in your accounting software
- Making deposits
- Paying bills
- Sending out invoices, statements, and collections notices
- Assisting with the preparation of financial reports

Finally, don't forget that you as the business owner or CEO are also a very important part of the finance and accounting team. Listen carefully to your team's advice, but don't be afraid to ask questions and have them explain in detail your available options. Remember, your accountants work for you.

The Elements of Your Accounting and Financial Management System

Your accounting and financial management system is made up of tools and activities that collect data about every financial transaction your business makes, organizes the data in a logical, usable way, and produces reports that interpret the raw data into usable information.

Your accounting and financial management system has four basic elements:

. Collecting and organizing financial information

. Reporting
. Forecasting
. Financial analysis and management

Your accounting and financial management system starts with your basic business activities. Your business activities generate documents and information that should be collected and organized by your accounting and financial management system. The information is then gathered into reports that you use to help manage and improve your business.

> Forecasting and financial analysis depends upon your having the right information going in, and the right information formatted into the right reports. Follow this lesson, and get additional help if required, to set your systems up right. Your decision making ability as the leader of your company is seriously jeopardized if you don't have accurate financial reports and a healthy dialogue with your financial team.

Finance 101

Let's explore the essential elements of your Finance Dynamic and follow them through as you will use them so you can better understand how the different pieces come together in your financial systems.

Source Documents

First, you need to simply think about data in, described in the previous step as source documents. Every transaction needs to be captured and inputted into your accounting software. Most businesses have two basic kinds of transactions: funds coming into the business and funds going out.

FUNDS IN

Funds coming in are processed through invoices, POS (Point of Sale) systems, and cash receipts primarily. A record is kept of what you received and entered into the source journals, which are now typically part of your accounting software. Every dollar and time that comes into the business must be recorded and placed in its appropriate chart of accounts category.

FUNDS OUT

Funds going out of the business are tracked through your payables system. In these transactions, you may have a Purchase Order (PO) system, or you may simply pay out funds as necessary, with controls in place either through an approval process or by delegating the responsibility to someone on the accounting team. But every transaction must be accounted for through source documents and reports.

You've surely heard the statement: garbage in, garbage out. Well, it's a way to describe the need for clean, consistent, and certain data to be put into the system, and a clearly described chart of accounts so that each transaction is captured and put into its appropriate place. If the data in is not correct, then the reports you generate won't be accurate.

Every transaction of your company that involves money must be documented. These include things like: sales receipts, purchase orders, invoices, time cards, etc. These documents can be paper or electronic. Get all of your source documents together and review them, because no matter the format, each one should capture the following:

Transaction Date
People Involved
Amount of money given or received
Description of what was exchanged and the quantity
A unique sequential number that identifies the transaction
Any other pertinent information about the transaction

Chart of Accounts

As you clean up and refine your source material, you should also review your chart of accounts. Eliminate redundant categories, and add additional ones if there are important areas that you're not presently tracking. Having a solid and clear chart of accounts with categories that make sense for your business is the foundation for easily digestible reports.

So your first step is always eliminating the garbage and making absolutely certain that your source document and journals are capturing all the right information. You also must make certain that your chart of accounts is right for you and that every category makes sense, can be easily interpreted, and tracks something tangible in the business.

Your chart of accounts allows you to name and organize the ways you use money. Each account is a category that you can use to group together similar types of transactions. This is another reason to use an accounting software, because they all come with a general chart of accounts, with accounts that you can modify, add, or delete as needed. There are six basic categories for these accounts: assets, liabilities, owner's equity, income/revenue, cost of goods sold, and operating expenses.

In order to have your chart work for you, review the examples under each category to help you decide which specific accounts you need:

ASSETS

- Cash
- Accounts Receivable (Money owed to you)
- Inventory
- Equipment
- Office Furniture

LIABILITIES

- Accounts Payable (Money owed to vendors)
- Taxes Payable (Not yet paid to government)
- Bank Debt (Amount due on bank loans)

OWNER'S EQUITY

- Paid-in Capital (Cash received from investors)
- Retained Earnings (Net income/Profit retained for reinvestment)

REVENUES

Sales
Other income

COST OF GOODS SOLD

Materials Purchased
Shipping
Merchandise Sold

OPERATING EXPENSES

Payroll
Rent
Utilities
Office Supplies
Advertising
Direct Mail
Internet Marketing

Know Every Number

Every number represents something true in your business. While an accountant may look at the numbers and see them only as numbers, and the relationships between them, you as a business owner and financial manager must see how each connects to an actuality in your business.

Now that this part of your financial system is humming, you're ready to generate regular reports.

Income Statement

The first report you will generate is the income statement. Think of it like a video camera capturing the movement of funds in and out of your business. It's typically produced monthly and shows you exactly what you made, how much you spent and what remains as profit.

The income statement is also called a Profit and Loss (P&L) statement, as it provides the understanding of how your business either generated a profit or experienced a loss for a particular period, usually monthly. If your revenue exceeds your costs for a specific period of time, then you have a profit. If your costs exceed your revenue, then you have a loss for that period. Most accounting software comes programmed to produce basic income statements.

When reviewing your income statements it's helpful to compare them month over month and year over year. A regular monthly review comparing the reported month to previous months and years provides valuable information about the trajectory of your business.

Here are the most important questions you should be able to answer easily from your income statement:

What are your revenues?
What is your operating profit?
What is your EBITDA (earnings before interest, taxes, depreciation, and amortization)?
What is your net profit or loss?

Budget

The basic idea of a budget is simple: forecast the income statement forward, for a month, a quarter or an entire year. While budgeting is so important that we provide a complete lesson on it, it's simply thinking about the future: seeing what projections you can make based on the past, and what predictions you can make about the future. You then reconcile your forecast to the actual results as they come in each month. This one practice will give you an edge on controlling the finances of your business.

Balance Sheet

Balance Sheet Your balance sheet provides another view of your business that you'll want to better understand. Most business owners get the picture the income statement provides, but find the balance sheet a little more tricky. But don't let your financial intelligence slide here, for the balance sheet gives you some important information that simply looking at your income statement can't provide.

Your balance sheet is more like a snapshot of your business at a particular point in time. That's why you'll always see it with a date on it, such as December 31, 2012. A balance sheet is usually generated every month, and if the data is correct, can come right out of your accounting software, just like your income statement.

The balance sheet summarizes the resources your business controls, obligations owed to others and what is owned by you and other investors.

A simple equation to fully understand this is:

Assets = Liabilities + Owner's Equity

While this equation may be a bit confusing at first, in the simplest terms, it says: What are the valuable things in your business? (Assets) and how did you pay for those valuable things? (Liabilities and/or Owner's Equity). Every business of every size, from an independent freelance journalist to a multinational conglomerate uses this equation to represent one picture of their business. This equation is why the statement is called a "Balance Sheet."

While the income statement indicates profitability, the balance sheet provides a picture of the general financial condition, health and vitality of your business at a specific point in time. As you can see from the equation, your assets must equal your liabilities plus your equity. This *balance* is what the balance sheet demonstrates and all the joys and pitfalls of double entry accounting are designed to maintain this balance.

For example, if you purchase a computer for $2000, you increase your assets by $2000. If you paid cash (also an asset) you then have a $2000 computer as a new asset and $2000 less cash. The equation stays balanced. If you choose to put the purchase on your credit card, or business line of credit, you still have the $2000 computer as a new asset, but now you will also have a $2000 liability with the credit card debt. And lastly, if you choose to invest your personal savings into the company to buy the computer, you will again have the $2000 computer as a new asset, and you will also increase your owner's equity by $2000 — again, the equation balances; every transaction balances through double entry accounting.

In order to make the balance sheet clearer and more meaningful, review the categories below with your specifics in mind:

ASSETS

What your business owns, controls or is owed.

Current Assets: Assets that can be converted into cash within 12 months. This includes currency, cash in deposit accounts, accounts receivable, inventory, temporary investments, and prepaid expenses.
Fixed Assets: Assets your business owns that can't be easily converted into cash. These include: land, buildings, vehicles, furniture, office equipment, fixtures and fittings, and machinery.
Long-Term Investments: Holdings you intend to keep for a year or more, including stocks, bonds, and special purpose savings accounts.
Other Assets: Any assets that don't fit in the above categories. For example, patents, trademarks or licenses.

LIABILITIES

Debts and other monetary obligations you owe to others, and the claims any creditors have against your assets.

Current liabilities: Liabilities that are due within 12 months. Examples include: accounts payable, short-term notes, current portion of long-term debt, interest payable, taxes payable, and accrued payroll.
Long-term liabilities: These are payments you owe that are due in a time frame longer than 12 months. Examples are long term notes, contract payments, and mortgage payments.

OWNER'S EQUITY

If assets equals liabilities plus owner's equity, then your owner's equity equals the difference between assets and liabilities. If you own more assets than you owe in liabilities, then the *book value* of your business is positive. If you owe more than you own, than the book value is negative.

Equity will show up on your balance sheet as original investment, retained earnings, or another term used by your accountant. But regardless of how it's framed, your owner's equity will always be the difference between what you own as assets and what you owe as liabilities as depicted in this equation: Owner's Equity = Assets – Liabilities

Cash Flow Statement and Cash Plan

This is the final tool in your arsenal of Financial Management, and one that gets its own lesson, like budgeting. As you become more familiar with your balance sheet, you will better understand the events that occur in the business that use up cash, but aren't necessarily shown on the income statement. Because cash is so essential to your business, monitoring your cash flow (cash flow statement) and forecasting it into the future (cash plan) are of great importance. Tracking your cash with these tools ensures that every transaction that requires cash is monitored and allocated properly.

Working with Your Accountant

Everything you need to know and do in your Finance Dynamic is described in this lesson, and in Finance lessons which discuss your financial team. In smaller companies, the owner often performs these roles, while in larger businesses they are delegated. But almost everyone needs a CPA to help set things up properly and provide tax advice. If you have an accountant in your corner who can also provide support in the roles described previously, you'll be that much further ahead. Bolster your knowledge, so you know what you know and what you don't.

Here are some primary factors to consider when you're choosing a CPA:

- Do they have experience with other companies in your industry?
- If the CPA is the one who does your personal taxes, are they truly a right fit for your business?
- Ask other business owners that you respect if they have any CPA referrals.
- Talk to your CPA candidates and make sure you feel comfortable with them.
- Ask them for references and check them.
- Find out what support and guidance they will give you on an ongoing basis.
- Make sure they are credentialed and licensed for your state or region.

Accounting Software

Having a good accounting software package is absolutely essential. It is inexpensive, and makes it much easier for you to manage your finances even if you don't have a bookkeeper. Using only spreadsheets or your checkbook will prevent you from seeing the big picture, and it will fail to show you the story behind the numbers. If you have a business, then use accounting software.

When selecting the software you are going to use, keep the following in mind:

- Do you need software that can pull data from other computer systems? These may include: cash registers, project management systems, ERP software, an online shopping cart, or an employee time tracking system.
- What kind of reports are available on the software? At a minimum, they should include: income statements, balance sheets, cash planning, and budgeting.
- How many user licenses do you need?

Where will you access the info, on a specific computer or online from any location?

Financial Intelligence: Mindset and Knowledge

If you want to experience the business as being inside of you, then you must get the Finance Dynamic in place. This requires both the mindset shifts described in this lesson, and the knowledge necessary to implement the structure and systems described in this step.

Resolve to apply the mindset shifts concerning money and value. Commit to getting the necessary intelligence within you, and get support from experts when necessary. The intricacies of your income statement and balance sheet are straightforward and simple once you put the foundation in place and have an accountant who answers your questions and supports you.

You will know the business is inside of you when your financial systems are in place, you can own the results you've achieved, and you know the story that each number tells about your business.