

CUSTOMER VALUE OPTIMIZATION IN A NUTSHELL

METHOD

The goal of marketing is to create a predictable system that can acquire customers, monetize those customers and bring them back to buy again and again. To do that, your marketing must follow the structure and sequence humans have used for millenia to develop normal, healthy relationships. Too often we use our marketing to "propose marriage" to a prospect we've just met. When we intentionally structure our marketing to move a prospect seamlessly and subtly toward a great product or service, we win.

This system is called Customer Value Optimization (CVO) and it is made up of 5 phases:

- Lead Magnet** - an irresistible bribe that gives a specific chunk of value to a prospect in exchange for their contact information. (e.g. white paper, free template, pricing catalog)
- Tripwire** - a low-risk, high value offer that significantly increases the amount of engagement and commitment a prospect has given your company. (e.g. physical product, webinar, book)
- Core Offer** - the flagship offer. This is where most businesses begin and end their marketing. Adding a Lead Magnet and/or Tripwire offer will explode Core Offer sales.
- Profit maximizer** - A relevant offer made after the Core Offer that increases the average value of a customer. (e.g. an upsell, cross-sell or bundle offer)
- Return path** - The process by which a prospect or customer is brought back to buy again and again. (e.g. email marketing, ad retargeting and exit offers)



The formula for Growth Potential is: $L \times C \times M \times f = \text{Growth Potential}$

L = leads C = customers M = margin f = frequency of purchase

Doubling any of the variables above (leads, customers, margin, frequency of purchase) will double your sales. Double them all and you will 16X your business. Can you double them all? Doubtful. Can you double one of them? Two of them? Even 3 of them? Absolutely.

In other words, there are 4 levers you have available to grow your business and each of those levers is mapped back to a phase of the CVO process:

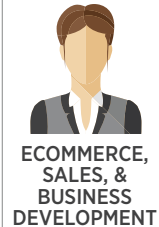
- Increase the number of leads (Lead Magnet phase)
- Increase the number of customers (Tripwire phase)
- Increase the margin (Core Offer and Profit Maximizer phase)
- Increase the frequency of purchase (Return Path phase)

RELEVANT ROLES

Customer Value Optimization should be studied by members of the following departments:



Any professional marketer must understand how to move a cold prospect through the five phases of Customer Value Optimization.



Each phase of the Customer Value Optimization represents an opportunity to start a sales conversation with a prospect or existing customer.



Anyone building web pages, order forms, or managing CRM or email software should know the strategy behind the Customer Value Optimization process.

IMPORTANT METRICS

Cost Per Acquisition (CPA) - The average dollar amount required to acquire a customer.

Average Customer Value (ACV) - The average dollar amount a customer spends with you within a single transaction.

Lifetime Customer Value (LCV) - A predicted average dollar amount a customer will spend with you during the entire future relationship.

Earnings Per Click (EPC) - The average earnings generated as a result of a click on a link or an ad.

IMPORTANT LINGO

Statement of Value - A single sentence that explains the reason your product or service exists by explaining how it delivers value to the customer.

Product Splintering - The splitting of a product or service into smaller, more affordable pieces to be used as Lead Magnets or Tripwire offers.

Speed & Automation Upsell - A high converting type of Profit Maximizer offer that gets the new buyer the "desired end result" faster and/or with less effort.

Automated Email Follow Up - The 5-phase process (Indoctrination, Engagement, Ascension, Segmentation and Re-Engagement) by which a new email subscriber is moved through each phase of the Customer Value Optimization process.

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