



## Finding New Value In Existing Customers

In direct marketing, fostering existing customer relationships is key to generating profitability. Some of the ways we maintain customer relationships are by understanding buying behaviors and anticipating future purchases. But how do we measure the value in existing customers? How can we maximize profitability for existing customers while focusing on getting new customers? Here is an in-depth look at how to make the most out of your existing customers and attract future customers.

### 1. Measure the customer lifetime value.

The Customer Lifetime Value is defined as the net present value of the revenue stream from a customer relationship. The goal is to drive value through long-term customer retention and improved direct customer relationships. It indicates how much business your customer will generate during the lifetime of the relationship.

### 2. Define customer profitability and potential.

By understanding and calculating existing customer profitability, you can identify the behavioral and lifestyle characteristics of customers who are most likely to be your best potential new customers. Focusing the resources you've dedicated to new customer acquisition where they are going to do the most good...on prospects you've identified as having the greatest potential to drive profit...will help you make the best use of your marketing resources. Understanding customer profitability will also help you shift customers who aren't as likely to be big spenders to less costly service and support channels. The future potential of different types of customers should be considered as well. For instance, Fidelity Investments considers young professionals under 35 among its core customers with the greatest potential.

### 3. Learn from Customers

Listening to customers' needs and concerns, can help you collect valuable insight, information and knowledge about why particular marketing programs were successful or unsuccessful. You can then plan ahead for future programs. Communicate with your customers and ask relevant questions. Cultivate a relationship with your customers and

listen closely when problem-solving. Learn what's important to your customers why it's important. Doing this can help you fine tune your marketing efforts. When customer needs are misunderstood, it's difficult to implement effective, relevant marketing programs. Sales and marketing programs take time to personalize and refine. They're constantly revised and adjusted to comply with a changing marketplace. Ask yourself why any given marketing program does or doesn't work and define which aspects can be changed or improved. Talk to your customers about the competition. Customer feedback will help you better define and execute on your marketing initiatives.

### 4. Opinion Leaders and Influencers

All businesses are impacted by opinion leaders and influencers. Sometimes, influencers such as competitors can negatively and positively impact your customer's business. Leaders and industry experts can bring new business if they know you can offer benefits that your competition cannot. This can also lead to a network of new customers or other leaders in the industry. It is important to stay updated on industry news and networks within markets.

### 5. Different perspectives on Customer Value

- A. The total value of their relationship with your company
- B. The potential value of their relationship
- C. The profitability of their relationship
- D. The insights they can provide about your company
- E. The influence they wield over other customers

Following these tips will help you build value within your existing customer base. You'll understand and effectively help your customers. And you'll be able to look ahead and attract your best potential new customers.

## ***DID YOU KNOW?***

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