



Regions Next Step for Business Podcast

How to Increase Lifetime Value for your Customers

Building customer relationships and loyalty are important ingredients for small business success. In this podcast, Bobby Hoyt, the [Millennial Money Man](#), talks about how to increase lifetime value to keep customers coming back over time. Tune in below to hear Bobby's thoughts on tracking a customer's lifetime value, developing touchpoints to engage new and existing customers, and boosting lifetime value with advertising.

Episode Transcript

Narrator:

You're listening to the Next Step Podcast "How to Increase Lifetime Value for your Customers" – part of our Next Step for Business podcast collection presented by Regions Next Step – advice, tools and resources to help you get closer to reaching your unique business goals.

Today we are excited to be talking with Bobby Hoyt, founder and owner of Millennial Money Man. Bobby is a well-known personal finance blogger. He started his business from scratch and learned all about consumer engagement and building online businesses along the way. He has turned that knowledge into an audience of millions. Bobby, it's a thrill to be talking with you today about an important ingredient for successful businesses: increasing customer lifetime value. Thank you so much for joining us.

Bobby Hoyt:

Thank you so much for having me. This is one of my favorite topics because it's about building relationships with customers. We all want to be successful, and of course make money, but helping customers and providing value to your community are big motivators for many of us to go into business in the first place.

Narrator:

That's so true. Bobby, if you're new to business you may not have heard the phrase 'lifetime value' before. Tell us, what is a lifetime value and why is it important for small business owners to understand and track this metric?



Bobby:

That's a good question. When I started my business, this was a new concept to me. I was a teacher and a band director. I didn't have a business degree and I started my business as a side hustle without a detailed business plan at all. But once you launch a business, whatever it is, you very quickly realize that you need customers to make it successful. So you start out trying to spread the word and get as many new customers as possible, and over time, you want to keep those customers coming back and keep them engaged with your business. In the long run, you need to build customer loyalty to you and your brand. The more they keep coming back — and perhaps even bring more customers your way — the greater the lifetime value of that customer.

Narrator:

I get it. So the lifetime value is basically the profit you expect to make from a customer; the net profit, over the life of your interaction with them.

Bobby:

Exactly. It's a way to look at your sales and profits tied to a specific customer over time.

Narrator:

As a business owner, though, you're always trying to draw in new customers to keep your business growing, right? So why should you think any differently about new customers versus existing customers? Why focus on lifetime value?

Bobby:

I mean ultimately, all customers are important to you. You definitely want to continue targeting potential new customers and finding ways to reel them in. That is an essential activity for growing your business. But if you think about it, it's easier to sell to people who you've already had success with. You've developed that relationship. You don't need to go out and find them. They've engaged with you and have already found value from your company. The more they come back, the more likely you are to keep and convert them in new ways. They also help you build a strong brand and can spread the word to help you get those new customers.



Narrator:

I see. So what you're saying is that it costs you more to go out looking for new customers than it does to keep your existing customers.

Bobby:

That's right. And that's especially true if you have a subscription-based business or a membership-oriented service. If, for example, you own a gym, think about how much better it is for you to keep a customer coming back each month, and having them pay that membership fee over a long period of time. That's a valuable customer and you want to service that customer so that you build that loyalty. Their lifetime value is potentially very high and could extend beyond the original membership. If they feel positively about the experience and you've built a strong relationship with them, they may decide to sign up for additional services, like maybe a trainer, or get memberships for their family members. The same principle applies if you own a restaurant, right? One sign of success is that you have a lot of regulars. If you have customers who come back over and over, even while you work to attract new diners, you will be much more successful in the long run.

Narrator:

That makes sense. But how do you figure out a customer's lifetime value or track their activity over time?

Bobby:

So, there are very sophisticated ways to calculate lifetime value, and some big companies have lots of people working on this. But for a small business you don't have to make it complicated. One simple way to do it is to track your interactions with individual customers through your payment processor. You are swiping their credit cards or getting scheduled payments, all of which are easy to download and analyze with some basic software. There's a lot of data there that tells you how often they are interacting with your business, and their preferred products or services.

You'll want to collect a good amount of data — like over the course of about 6 months — to give you the best sense of your relationship with that customer and any opportunities to keep them active with your brand. You can also start to look for trends that can give insight into additional opportunities to activate that customer.



Narrator:

I imagine having a good product or service is the best way to keep customers. But what are some other things you can do to improve that lifetime value?

Bobby:

Well yeah. You're right. It's not just about you getting value from your customer. The customer has to see the value they are getting from your brand. They have to trust you and see your product or service or company as something that adds value to their lives and that's worth spending their hard-earned money on.

The bottom line is that you need to work at that and that means creating more touchpoints with customers that are meaningful. You need to start finding more opportunities to connect with them and keep them involved with your brand as much as possible. For example, are you emailing them regularly when you have new content or a new product? Do you have push notifications to alert them when there's something new? Are you connecting with them on social media and keeping them informed about what you're working on or what's going on in your field?

Narrator:

How do you do that if you aren't rolling out new products or services all the time? Any suggestions for businesses with offerings that remain fairly consistent?

Bobby:

Well, you need to have a full array of tactics for reaching your customers and new audiences. For one thing, you're going to have some kind of advertising strategy to get in front of people. And you should be developing content that helps tell your story or share your expertise. That way you have those regular touchpoints and are providing more value to your customers. By doing this, you're providing something that builds their trust in you and allows you to interact without trying to sell something all the time.

Narrator:

So with the advertising you are doing or the content you're sharing, how do those help you increase lifetime value?



Bobby:

Digital advertising is a good way to collect a bunch of data that can give you insight into your audience. Say you've got ads on a social platform. You'll want to think about an effective path for that customer to take when they click on that ad and make sure you draw them deeper into your site so they can get more value from what you have to offer.

You should also be developing good content that's of use to your customers, whether it's a blog videos or an explanation of your story and your mission. You can also send out regular newsletters to your e-mail list with updates on your business or more of the content you're developing. Through all of those avenues you should be doing some customer journey tracking. This can help provide insights into what your customers are interested in, as well as the ways you're converting them and keeping them as customers.

Narrator:

So now you're talking about tracking customers in a variety of ways. That sounds more complicated.

Bobby:

It can be, but you can work with a web developer to help you track these customer journeys and put the data in a format that helps you understand what's going on. While that may be an added expense, the insight you can gain from these activities can be more than worthwhile. Of course, you will have to respect your customers' wishes when it comes to privacy.

Narrator:

A journey implies that it's not just about getting them to your website. What do you need to do to keep them there?

Bobby:

Yeah. You are on the right track. The longer you keep them, the better the lifetime value is going to be. Their initial experience with your brand, website, or service, is that first impression that will shape their perception of your business. So making sure that the onboarding experience, or whatever journey you are creating for them, needs to be a good one. Whether a customer is interacting with your content or making a purchase from your business, it needs to be as easy as possible.



Narrator:

This all makes perfect sense. I imagine that a lot of business owners would say, I started this business because I have this great product or I want to be providing this great service. If I'm doing all this other stuff, looking at data and calculating lifetime value, that's going to take me away from the things I most wanted to do.

Bobby:

I think it's likely with almost any job that you have to do some things that you're not as excited about. But oftentimes you have to get out of your comfort zone in order to grow. When I started my business, I didn't know anything about tracking customer journeys or figuring out lifetime value. You can hire someone to do all this for you, but learning how all these technologies can help you grow and improve your business can make you better at your job. You don't have to know code or be a developer – just knowing what the software can do and all the insights you can get from the data can help you get the most out of it.

Narrator:

That's some excellent advice. Before we go, what else should our listeners know about this topic?

Bobby:

The bottom line is that maximizing customer relationships is crucial to business success. You want to always be going after new customers, but, once you have established that relationship, it's important to put in the work to keep it and to extend the value from it.

Narrator:

That's a good note to wrap us up. Thank you, Bobby.

And that's our Next Step for Business podcast on increasing customer lifetime value. You can listen to our other conversations about growing your business and more at www.regions.com/nextstepforbusiness. No matter your goals, Regions will help you with each step you want to take. Thank you for listening.

Copyright 2020 Regions Bank, member FDIC, Equal Housing Lender. This information is general educational or marketing in nature and is not intended to be accounting, legal, tax, investment or financial advice. Statements of individuals are their own—not Regions'. Consult an appropriate professional concerning your specific situation.