Do you know the lifetime value of your clients?

What it means to the long term survival of your business?

I was visited recently by a friend who, can I say, is well into her 80s.

Knowing your customer

Once she and I had caught up on all the family news, she started to complain about her local hairdresser. She had not had a great experience recently.

Each week she goes to her hairdresser and gets her hair tended to and has the usual cut and blow wave.

She received some vouchers in the mail from this hairdresser with the offer of a discount for her next visit.

It appears that this might have been a generic promotion that was sent out to this entire business' database.

As it was scheduled to be used by a certain time, my friend perhaps being a little absent-minded decided on her last visit to this hairdresser to produce these vouchers and ask for a discount on her just-completed visit.

Sorry that voucher has expired

Once the daughter of the owner looked at these vouchers, she explained that they had expired and sorry but the discount no longer applied (a week over).

Well, you can imagine what the reaction was… not good, and as a result, the relationship has now ended even after a couple of phone calls between the two parties.

Value

After some questioning with my friend, we discovered some interesting maths.

She had being going to that to the hairdresser for over 30 years, once a week with an average price of $30.

Give or take a few weeks away here and there, and other activities, I calculated 48 weeks a year for 30 years. This is the math.

Annually – 48 x $30 = $1440.

If you calculate that over 30 years that's $43,200.

The lifetime value of that client was a whopping $43,200.

The hairdresser had lost a lifetime client over $3.00. (The voucher was for 10% off the visit.)

It makes you think. It might sound a little trivial to fight over $3.00, but sometimes that is all it takes.

It can be argued that it was really a silly reaction on both parties and in the end it could have been resolved.

However these are the little things that can trip many of us up.

Do you know what your lifetime value of your client is?

Worth finding out?

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Mike Brunel started mikebrunel.com after being a successful entrepreneur and founder of NRS Media. He co-founded NRS Media in Wellington, New Zealand, expanded it into a global powerhouse in media sales and training, and was eventually responsible for opening offices in London, Atlanta, Toronto, Sydney, Capetown, and Bogota. He has hired hundreds of salespeople around the world.

He made a lot of mistakes when it came to hiring his superstars. Check out his How to Hire A Super Salesperson Each and Every time – It's packed with tips and ideas on how to hire great salespeople. Don't ever Hire Bad Salespeople Ever Again. Promise!