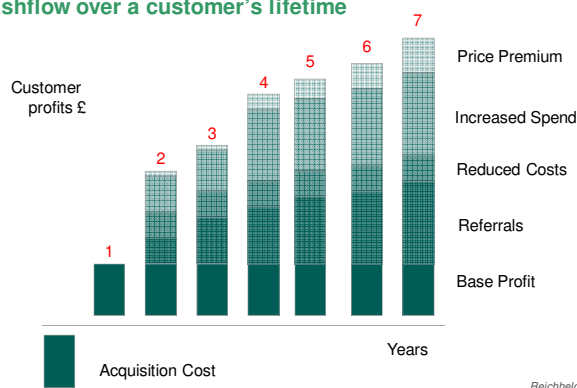




# heath help with

## the benefit of long term customer relationships

Cashflow over a customer's lifetime



Long term relationships are a valid investment.

The rule of thumb is that it takes six or seven times as much investment to win a new customer, as to keep an existing one.

A loyal customer typically generates net cashflow through the following six sources:

- **Acquisition cost.** It is very expensive to obtain new customers. Typical costs incurred are advertising, direct mail, salesforce time, commissions and management time.
- **Base profit.** This is the earning on customer purchases before any loyalty effects kick in. The longer a customer is retained, the greater the base profits.
- **Revenue growth.** Loyal customers increase their spending over time. They learn about your products and as trust grows, are likely to buy more.
- **Operating costs.** As customers become more familiar with your business, the costs of serving them reduce. Less time is spent resolving queries and learning about each other's operations.
- **Referrals.** Satisfied customers will recommend your business to others. Referrals can be a very important source of new business and usually, personal recommendations are far more powerful than paid for communications.
- **Price premium.** Long standing customers are usually less price conscious than new ones whereas new customers are often interested in attractive pricing structures.

[carmen.crocker@heathmarketing.co.uk](mailto:carmen.crocker@heathmarketing.co.uk)