Determine the Appropriate Customer Acquisition Budget

How much does your average customer spend with you in a year? Even if the average spend varies widely, you can still find an average or a median price point.

1 **Average annual sale per customer, per year:** ____________________

Raw sales numbers give a distorted view of the value of a client. Gross profit strips out any markup for raw materials and other costs of goods sold and gives a much truer reflection of the value of a client.

- To determine your average gross profit, look at your P&L.
- Divide the gross profit by total sales. The result will be a percentage.
- Now multiple this percentage by the average annual sale per customer listed above.
- The new number is your average gross profit per customer.

2 **Average gross profit per customer:** ____________________

For how many years will a customer continue to buy from you? Is your business one and done, or have you built opportunities for repeat purchases into your process? Multiply your average gross profit by the number of years a customer will stay in engaged with your business. If most customers only buy from you once in their lifetime, no need to make any calculations.

3 **Average lifetime value of a customer:** ____________________

This is a ballpark estimate. In periods of high inflation or if your average client stays with you more than five years, you should discount future cash flows. In most cases, the ballpark is close enough to the actual figure and you can skip this step.

4 **Discounted lifetime value of a customer:** ______________________

Typically, you shouldn't spend more than about one-third of the lifetime value of a customer on acquiring that customer. To get that number, divide the lifetime value of a customer by 3.

5 **Acquisition budget per customer:** ______________________

How much should you spend on inbound marketing? Simply multiply the number of NEW customers you want by the acquisition budget listed above.

6 **Inbound marketing budget:** ______________________

Analyze Your Sales Cycle

Inbound marketing is designed to create sales opportunities. How good is your organization at transforming these leads into sales? In many industries, a good inbound marketing campaign will actually improve your closing rate over time by giving prospective customers more information before you have a sales conversation.

Now it's time to understand your closing rate. What percentage of the time does a lead become a sale? 10% of the time? 50% of the time? Your closing rate will affect how many leads your marketing must generate.

Divide the number of new customers you want by your closing rate to determine the number of leads required to achieve your sales goal.

7 **Leads required:** ______________________

Now you have a starting point for your planning. Where do you go from here?

- **Evaluate your current marketing activities.**
  - Where are you spending marketing resources (time and money)?
  - Determine how many leads are generated from each marketing activity
- **Evaluate your sales process.**
  - How many times do you need to get your name in front of a prospect before they are ready to buy?
  - What are the most commonly asked questions and information prospects need to make a buying decision?
- **Select your tools. To run an effective marketing strategy, you'll need:**
  - A customer relationship management (CRM) tool or customer database
  - An email marketing tool
  - A website which can be updated easily.

Once you understand how many impressions you'll need to reach your goals, it's time to figure out how to get there. For more information, visit our blog or give us a call at **317-569-1396.** Together, we'll bring qualified clients right to your door.