

Customer Lifetime Value As A Profitable Marketing Strategy

By Brian Jud

Book marketing is analogous to retrieving oil from underground. Companies spend enormous sums in search of potential deposits. Once they locate a profitable source, they pump the oil to the surface in a continuous flow. The process becomes profitable at this point because it is much less expensive to keep the flow going than it is to find a new source. Each well provides a constant source of revenue over its lifetime.

The parallel to book marketing is that when found and worked properly, customers can provide a continuous source of revenue over their lifetimes. Different customers provide variable levels and rates of income. One person buying a book at retail has a value of \$14.95. A business customer could purchase thousands of books, providing recurring revenue over the lifetime of the relationship. Customer lifetime value (CLV) is a measurement of how valuable a customer is to your company, not just on a purchase-by-purchase basis but across entire customer relationships.

Four time-proven marketing axioms attest to this theory. Recognition, understanding and application of these maxims can help publishers create and retain customers to maximize their CLV.

1. It costs less to keep an existing customer than to get a new one.
2. Since cost and efficiency are primary considerations, handling a few large buyers is less expensive, more profitable and easier than handling many smaller ones.
3. Opportunities for greater revenue are stronger when sellers are differentiated in the eyes of buyers.
4. Marketplaces that offer commodity products (such as books) offered by interchangeable providers (authors and publishers) are less defensible against new entrants and less profitable. And if new buyers enter and draw from the same pool of undifferentiated suppliers, the eventual result will be price competition, decreasing the sellers' profitability

These facts logically lead to a marketing strategy that will maximize publishers' long-term profitability: acquire and maintain targeted customers in non-retail markets such as in businesses, associations, the military and government agencies. These buyers do not purchase books for resale, but use them as premiums, advertising specialties, fundraisers or employee aids that will help them solve business problems.

Why adopt this strategy? When selling through retailers (including bookstores) there could be ten sellers per buyer. It is a competitive market where each transaction is worth the list price (i.e., \$14.95) to the seller. On the other hand, in selling to non-retail

buyers there could be ten buyers per seller. It is also a non-competitive market where each transaction is worth \$X0,000 to the seller.

The *worth* of these non-retail buyers is not just proportional to the value of transactions. It also depends on the number of transactions. Bookstore buyers have a lifetime value per (unknown) buyer of \$14.95. Conversely, the lifetime value of recurring revenue per non-retail buyer could be \$X00,000. This can be calculated from the initial (large, non-returnable) sale, multiple re-orders, purchasing new titles, product and brand extensions, and through referrals to buyers in other companies.

This analysis fosters two strategic questions. First, “How can you multiply the number of high-value transactions among multiple buyers in a non-competitive environment?” And to fully determine the potential opportunity, one should also ask, “How would the marketplace respond to a broader range of adjacent activities?” The answer to both is to develop your authors so each provides a greater array of products, content and services that deliver unique and long-term value to customers. This strategy can result in less competition and greater revenue per customer. Become known as the source of problem solutions and large-volume buyers will come to you. Your customer acquisition and maintenance will be lower as your revenue and profitability increase.

The author as a profit center.

Many publishers overlook this revenue-generating strategy by looking at the opportunity incorrectly. They ask, “How much will buyers spend on a product as it is currently provided (i.e., books)?” Instead ask, “How much would people spend if they could access multiple products and services from one source?” This perspective views the author as a profit center, the source of new revenue. Here are ways to generate additional revenue per author, reduce buyer churn and maximize customer lifetime value.

Expand the definition of the word *product*. The authors do not necessarily have to create new content, just present existing content differently. A product has both tangible (form) and intangible (quality, unique content, problem-solving ability) benefits, and these are usually different for each prospective customer. Show them how the current content is unique and valuable for them, customizing the form in which the content is delivered for each prospect.

Create product-line extensions. Authors can deliver their content in a variety of tangible forms (printed book, ebook, audiobook, booklets, etc.). In addition, offer intangible benefits by establishing a work-for-hire arrangement, by creating a private label product line for an association or offering seminars or training for a company’s employees. Customize the content by substituting a brand name for a generic item. For example, instead of adding ketchup to a recipe in a cookbook, change it to add (Brand Name) ketchup.

Suggest different uses for existing products. Show business buyers how a book (fiction or nonfiction) could be used as a gift to customers, perhaps with a leather cover.

Explain to the membership chair at an association how your ebook could be downloaded to each new member as a thank-you gift. Demonstrate to the association's meeting planner how a book could be used as an "early-bird special," prompting more people to register well in advance of an event. Could a book be the perfect addition to a corporate library, or used as an employee award or prize? Could it be used as a fundraiser for an association to build off-budget revenue?

Build brand (author) extensions. Show customers how your author can provide services in addition to the product. Authors are the experts on their topics and could thus serve as a consultant, speaker, spokesperson or trainer. Similarly, the author could offer webinars, seminars and content for a newsletter, podcast, blog and/or social-media posts.

Look at your authors as more than providers of manuscripts. See them as sources of content that can provide buyers with benefits that create long-term solutions to their business problems. Work together to keep that pump drawing from an enormous source of information for greater customer lifetime value and your company's long-term revenue.

Brian Jud is the author of *How to Make Real Money Selling Books*, the Executive Director of the Association of Publishers for Special Sales (APSS – www.bookapss.org), and the administrator of Book Selling University (www.booksellinguniversity.com) Contact Brian at brianjud@bookmarketing.com or www.premiumbookcompany.com