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Waste Not, Want Not

Implementing traceable marketing strategies for long-term business success

by Jay Siff

Many entrepreneurs view advertising and marketing as the “unknown” side of their business operations, the part that can be neither tracked nor measured. Oftentimes this attitude leads to tremendous financial waste, as business owners frequently pour marketing dollars into advertising activities that may or may not translate into increased sales.

Small businesses such as car care providers often believe that they can generate high visibility through expensive marketing campaigns that include television, radio and newspaper advertising. Believing that “if more people know about my business, more people will visit my business,” car care business owners bombard potential customers with advertisements and special discount offers—and then sit back and wait for more customers to start rolling in. Unfortunately, those customers almost never materialize.

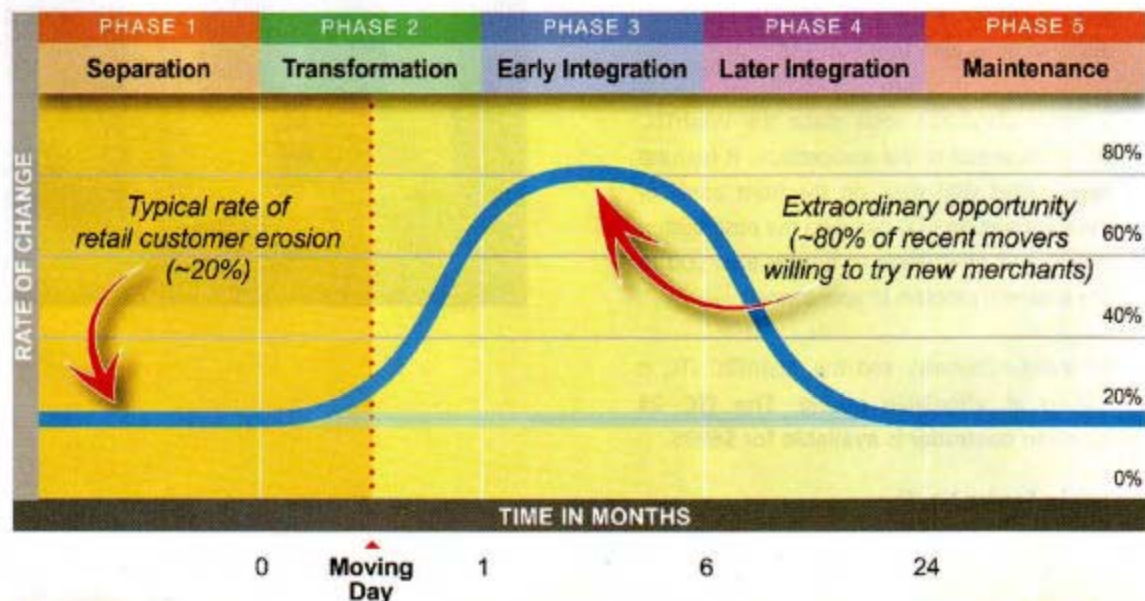
There now is a way for car care operators to market their businesses and track just what type of return they are getting their money.

Advertising That Pays

John Wanamaker, considered by many to be the father of modern advertising, once said: “half the money I spend on advertising is wasted; the trouble is that I don’t know which half.” Much like many car care business owners, Wanamaker believed advertising to be an esoteric entity that could not be focused nor measured. Well, Johnnie, times have changed.

We live in a world that is saturated by media coverage. Hundreds of channels offer us the widest selection of programming—and advertisements—ever available, and marketers pay well to compete for the attention of consumers.

The average cost of placing a television advertisement is on the rise, and once you have added in the cost of producing, editing and pitching the advertisement, the total cost can be overwhelming. Couple the initial costs of television advertising with the fact that its marketing results are often not traceable and traditional advertising begins to seem less like a smart business decision and more like a quick route to bankruptcy.



What type of marketing campaigns are simultaneously trackable, measurable, and results-oriented? Simple, the type of marketing campaigns that clearly target specific customer segments.

So what's a small-business owner to do? Focus on providing quality service and hope word-of-mouth does the rest? While positive word-of-mouth is an inexpensive—and important—way to drive customers to your business, word-of-mouth alone will not ensure your business's success. Luckily, tried-and-tested direct response marketing strategies are as effective in the 21st century as they have been in the past, and will help you to put your business on the fast track to success.

Measurable Marketing for Measurable Results

Measurable marketing strategies can help boost your business's sales and create repeat customers that will function as dependable revenue streams for years to come. The key is to invest in marketing activities that you can track, measure and deliver results.

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In previous articles (*American Car Care Business*, January, 2006), I have written about the importance of directing traceable marketing activities toward a particular audience—new movers.

New movers are individuals that are just joining your community, or that have relocated from a different neighborhood or section of town. What makes new movers special from a marketer's perspective is that new movers are generally more receptive to product and service offers and are more likely to be willing to establish new routines and visit new locations.

This unique mindset offers the perfect target for smart, traceable marketing strategies and will help you to generate new customer interest in your business and its services.

Cathy Goodwin, a recognized career and relocation transition expert, confirmed the tendency of new movers to be psychologically more open to trying new products and services in independent market research conducted for her 1999 book, *Making the Big Move*.

Goodwin's research studies the psychology of movers before, during and after they have relocated, dividing the moving process into five distinct psychological phases, each with their individual rates of customer erosion and willingness to try new merchant services.

Line	Item	Example: Joe's Car Wash	Your Values
A	Typical sale to a customer	\$17.50	\$ _____
B	Typical repeat customer visits in one year	24	_____
C	Typical length of relationship with customer	7 years	_____ years
D	Typical lifetime revenue from a customer (multiply line A by line B by line C)	\$2,940	\$ _____
E	Net profit margin on goods and services	18%	_____ %
F	Lifetime customer net profit (multiply line D by line E)	\$529	\$ _____

Figure 6: Calculating Your Lifetime Customer Net Profit

Robert Roman, RJR Enterprises - Carwash Consultants

"Half the money I spend on advertising is wasted; the trouble is that I don't know which half."

—John Wanamaker

This research outlines the importance of approaching new residents during the first few months following a move. During the "Early" and "Late Integration" periods, new residents are statistically more likely to try new services than they will be once they have assimilated into their new communities.

Invest Now for Your Business's Future

The strategies I recommend to car care business owners seek to capture the attention of new movers shortly following their relocation, while they are still in what Goodwin calls the "hyperspend" phase (during the "Early" and "Late Integration" periods).

In my January, 2006 piece, I suggested that car care business owners invite new residents to their businesses with an offer for free services, and specifically encouraged entrepreneurs to provide new movers with a gift certificate covering the cost of one of their business's premium services.

Oftentimes business owners balk at the idea of giving away free premium services to new customers. "But our premium car wash retails for \$17.99," they say. "Why should I give it away for free when the customer may never even come back?"

Good question. Why offer your premium services for free when you could just as easily offer one of your less expensive services—or better yet, a simple discount coupon that grants customers 10 percent or 15 percent off the price of a normal car wash?

Answer: Because you are creating a new customer relationship, and the first step to creating lasting relationships with members of your community is to impress them with an "irresistible offer" for free services.

Not many customers will be impressed by an offer of 15 percent off a normal car wash—but most will be surprised at a special invitation that offers a service valued at \$17.99. The aim is to "wow" potential customers with a valuable and unique offer that will draw them to your business—the first step in forging a new customer relationship.

What, at first, may seem like an inordinate amount to spend in order to create a single new customer relationship is

really very little when you consider the lifetime value and profit contribution of each individual customer. Understanding how much each customer is actually worth can offer a fresh perspective on the amount you should invest in generating new business.

Obviously many, if not most, business owners will not have exact numbers with which to calculate the lifetime value of a customer. However, the overall theme is clear: each new customer relationship has the potential to add a tremendous amount to the lifetime profitability of your business.

Even when small-business owners use conservative estimates to calculate a customer's total lifetime value they are often quite surprised at the results. Suddenly a \$17.99 deluxe car wash does not look like that significant of a sacrifice.

While free offers are important "bait" with which to hook new customers, it is crucially important that entrepreneurs not undermine the value of their services by indiscriminately handing out free service offers.

Free service should never be something that customers expect from your business; service gift certificates such as those that I recommend sending to new residents should be used only as a mechanism to generate new customer interest.

Loyal rewards programs (www.loyalrewards.com), which reward repeat business and encourage customer loyalty, help business owners to keep the customers they already have.

In short, 21st century marketing requires more than simply throwing money at a problem and crossing your fingers. Successful business owners must institute marketing programs that can be tracked and measured, and that deliver quantifiable results.

As is abundantly clear after calculating the lifetime value of each individual customer, generating new customer relationships through smart marketing strategies is not simply a secondary business activity; it's a core operating concern and an investment in the future of your business. **ACCB**

Jay Siff is the CEO and co-founder of Moving Targets and Loyal Rewards, and a recognized marketing expert. Founded in 1992, Moving Targets provides a unique service for local retailers: the company creates warmhearted personal letters with valuable gift certificates and sends them out in attention-grabbing solo envelopes to just-moved-in new residents.

Moving Targets has successfully introduced more than 26 million families to more than 20,000 merchants nationwide, offering more than \$517,000,000 in free products and services—truly a win-win for everyone. Both Moving Targets and Loyal Rewards are based in Perkasie, Pa. and can be found online at www.movingtargets.com and www.loyalrewards.com, respectively.