

THE VALUE OF A

# CUSTOMER PROFILE

## The Value of a **CUSTOMER PROFILE**



In today's competitive marketplace, customer profiling has become an increasingly important part of the marketing process. Used wisely, customer profiles can be extremely valuable to your marketing efforts, and to your bottom line.

If you're not familiar with the concept of a customer profile and how you can take advantage of it to grow your business, this guide will show you what

you need to know. Most importantly, it will explain the value of customer profiling and why you **need** to get started as soon as possible – before your competition speeds right past you.

At the highest level, customer profiles allow you to define your customers categorically, so they can be grouped (segmented) for marketing, advertising and other cost-saving purposes.



Until now, online businesses like Amazon, Netflix and Priceline.com have had a massive advantage over brick-and-mortar businesses. They've had the ability to easily collect customer profile information and use it to drive ROI and overall growth with much more effective marketing. They do this by utilizing relatively inexpensive online surveys and feedback, and tools like Google Analytics to gather data on their website users.

For offline businesses, however, customer data has been very expensive

to obtain. Those who have tried to gather the data on their own have discovered that it can also be painfully time-consuming. But it no longer needs to be expensive or time-consuming.

While customer profiling has been around for decades, new ways of collecting the data are literally levelling the playing field, allowing brick-and-mortar businesses to take back the advantage that online companies have held over them for years.

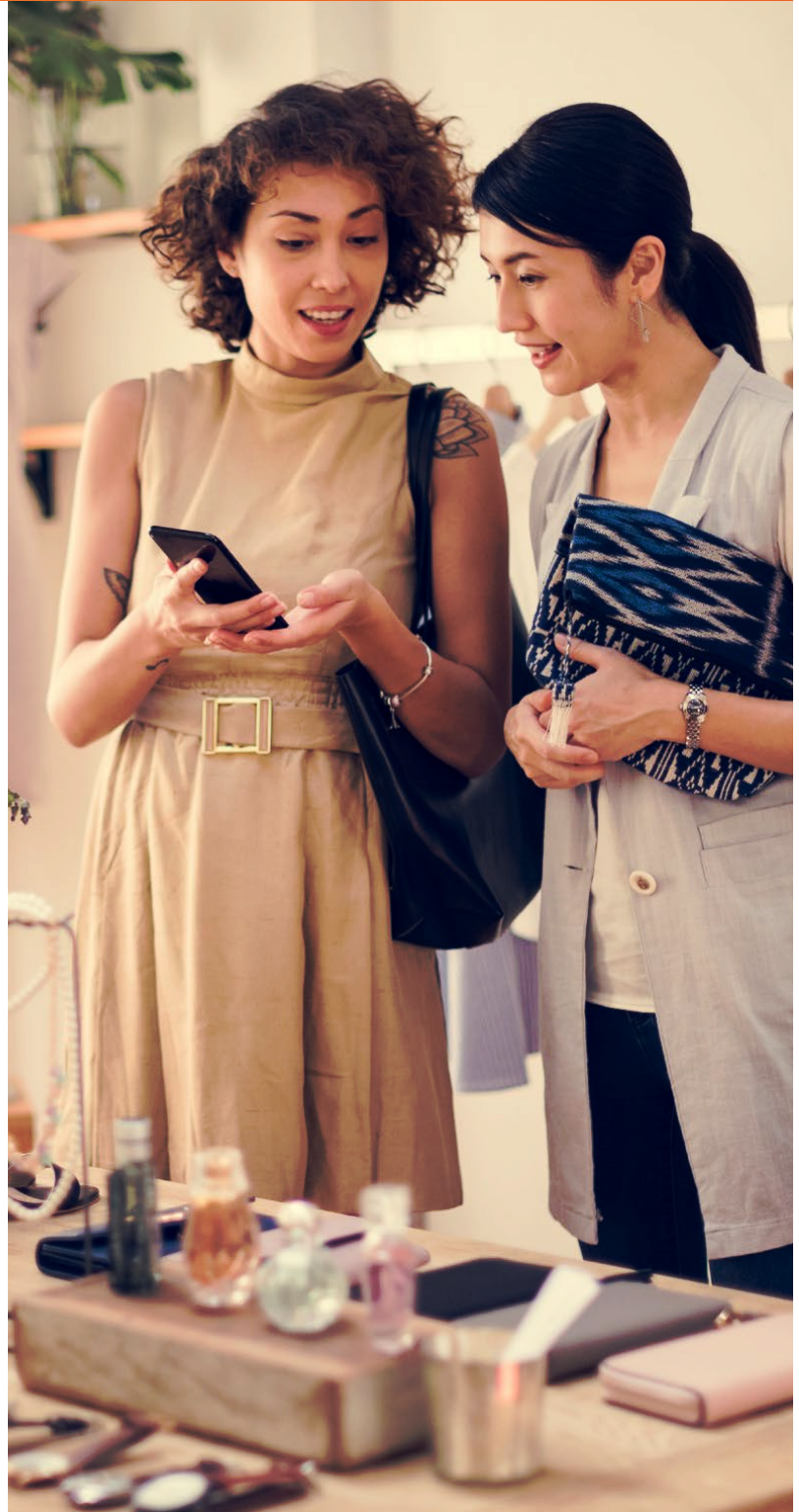


# WHERE IS THE VALUE IN COLLECTING CUSTOMER PROFILES?

**W**ithout a rock-solid understanding of who your customers are, you are relegated to using the “spray and pray” approach to marketing, blindly sending out non-personalized, untargeted messages hoping they resound throughout your entire customer base.

This can be both costly and ineffective.

By collecting detailed customer profiles, you can create marketing campaigns that will speak much more clearly to each of your audience segments. This allows you to not only define and differentiate your most valuable customers, but to speak to them in an effective way that *they will understand and engage with, persuading them to keep coming back*. As you’ll see below, this can make a tremendous difference in your profitability.







## AT THE SAME TIME, YOU CAN:

1. Attract **more** of your ideal customers.
2. Identify other audience groups and create appropriate messaging for them.
3. Measure campaign ROI and optimize messaging on each audience segment.
4. Develop new products, services, menu items, deals and promotions.
5. Save money on advertising, staff scheduling and purchasing.

You'll see much more success increasing your per-person averages and customer lifetime values, filling your locations with buying customers, and increasing your bottom line.

# THE ECONOMICS OF COLLECTING CUSTOMER PROFILES

*Before we take a look at the actual ROI you can experience with customer profiles, here are a few key definitions to keep in mind.*

## 1. Per Person Average (PPA)

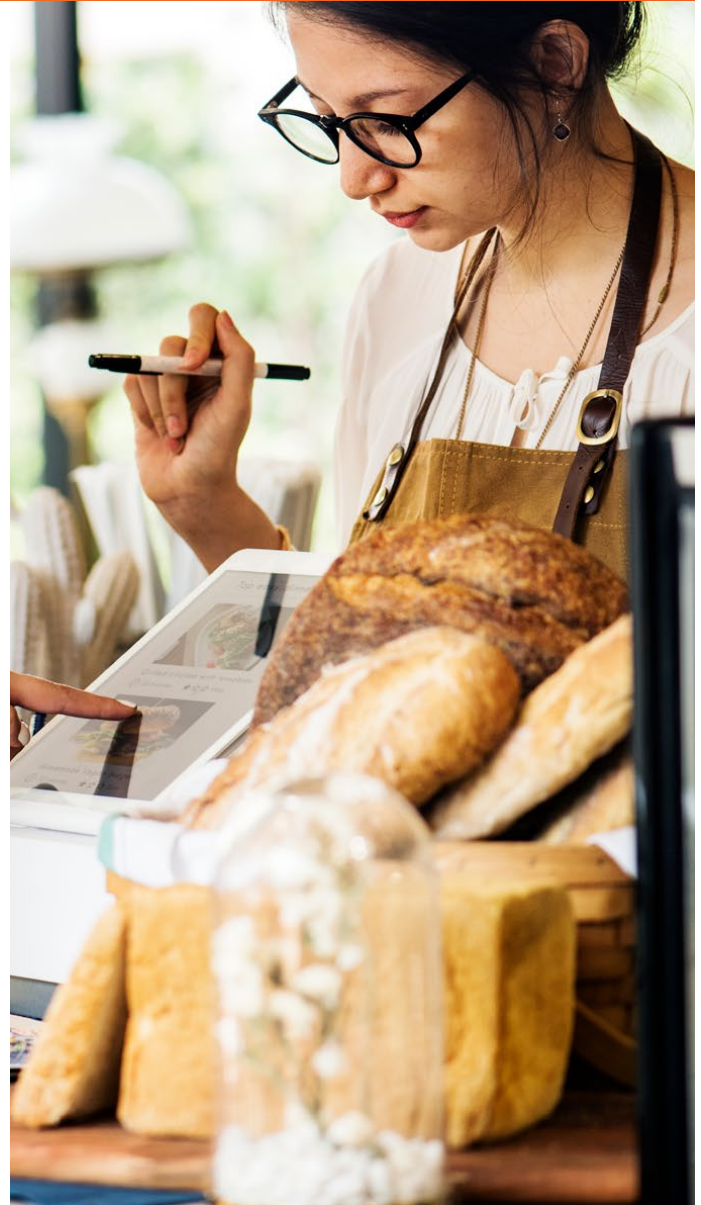
The average amount spent by a customer during a single visit to the location during the time period

## 2. Customer Lifetime Value (CLV)

A prediction of the net profit attributed to the entire past and future relationship with a customer. The prediction model should be as accurate as possible, using predictive analytics techniques. Be sure to take into account any “overhead charges” for your total operating costs.

## 3. Cost to Acquire a Customer (CAC)

Sometimes known as Cost Per Acquisition (CPA), is the sum of all marketing costs divided by the number of customers acquired.



Here are a few practical examples of how you can generate positive ROI when you have successfully profiled your customer base. In these examples we'll use a restaurant chain running 5 separate locations.

# GENERAL EMAIL MARKETING

Let's assume that you are collecting around 400 customer profiles per month. This is an average number for many restaurants, so we'll use that as our baseline. In one year, each of our restaurants will have collected 4800 profiles. Across 5 locations, that would equal 24,000 customer profiles.

You now have 24,000 customer names and emails - the foundation of all customer profiles. We're going to send these customers a marketing message with the goal of getting them back into one of our restaurants.

If only 2% of these customers returned because of this campaign (a low-end example), that would equal about 96 more customer visits per store. Across our 5 locations, that would equal 480 visits.

To discover your ROI on this campaign, you simply multiply these visits by your average PPA, minus your CAC. In this example, if our restaurant had a PPA of \$14.50, and an average CAC of \$0.50, each restaurant would see a \$1344 increase in revenue. Over our entire restaurant chain, it would result in a \$6720 increase in revenue across the company - from sending just one email!



By doing this on a regular basis, you will begin seeing dramatic increases in your CLVs. If we carried out our example just once every month (without increasing the size of our original target list) our company will have realized **a revenue increase of over \$80,000 a year**. But as time goes by, your customer profile list will steadily grow, resulting in an even greater, incremental ROI.





## INCREASING CUSTOMER FREQUENCY

One of the most powerful ways to grow your CLV is to increase return visits from your current customers. In this example, we'll look at the value of increasing your customer frequency using customer profile data.

Let's use the 24,000 customers from above. If your PPA is \$14.50, and each customer visits your restaurant an average of once per month, you would see approximately \$348,000 from those customers. By sending out regular messaging to your list of customer profiles, you will naturally expect to see a higher frequency rate of your customers.

If just 10% of these customers (2,400) increase their visit frequency from once to twice per month, you'd see an additional \$34,800 in revenue every month across your 5 locations. Over the course of a year, that would equal an additional \$417,600 increase.



# PERSONALIZING YOUR MARKETING

Until now, we've been discussing the use of basic customer profile data – names and emails – to market to your overall customer base. Through customer profiling, you can gather much more detailed demographic data about your customers, as well. This allows you to create focused, **targeted campaigns** to each of your customer segments.

According to Mindfire, Inc., a marketing automation company, in a study of 650 multi-channel marketing campaigns, personalized campaigns consistently

and overwhelmingly beat out static campaigns in generating a high response rate from recipients. And according to The Direct Marketing Association, 77% of ROI comes from segmented, targeted and triggered campaigns.

Let's say we decided to begin targeting our marketing messages to each of our customer segments. If we generate a 20% customer engagement increase and apply it to the two previous examples, we would see:

**Example 1:** An additional annual revenue increase from \$80,000 to \$96,000 a year.

**Example 2:** An additional annual revenue increase from \$417,600 to \$501,120 a year.

You can target by age, gender, location, visit times, length of stay and several other demographic and behavior data points.



# BEHAVIOR DRIVEN MESSAGING:

## PRESENCE ANALYTICS



The value doesn't stop there. Using WiFi analytics and marketing tools, you'll also gain the ability to send **behavior-driven** triggered marketing messages, further increasing your revenue potential. Triggered marketing happens when a marketing message is automatically sent to a customer based on a specific event or behavior.

For instance, a message can be sent a few days prior to a person's birthday, or before a holiday, or after a person's first visit, or their 3rd visit in one month - the list goes on - and once configured, this all happens automatically.

Behavior-driven marketing has the potential to increase customer engagement even more. Your customers will feel that you're speaking directly to them, which is what today's consumers are craving. They'll become engaged with your messaging and will likely become much more loyal to your business.

In the second example above, we saw the potential increase in revenue based on 10% of customers increasing their monthly visits from 1 to 2. Imagine being able to increase that number to 3, 4 or even more, or generate a higher percentage of multi-returning customers. These are the kind of results that customer profiling and increased customer engagement can bring to the table.



# SAVING ON COSTS

**Y**ou will also be inherently lowering your operating costs by collecting customer profiles in real time, on your own, without paying a company to collect the data for you, which can become overwhelmingly time-consuming and expensive



## SAVE ON ADVERTISING

You'll be saving advertising dollars, as well. Ayman Farahat and Michael Bailey conducted a study on targeted advertising and found, assuming the cost per 1000 ad impressions (CPM) is \$1 USD, that:

1. The marginal cost of a brand-related search resulting from ads is \$15.65 per search, but is only \$1.69 per search from a targeted campaign
2. The marginal cost of a click is 72 cents, but only 16 cents from a targeted campaign



Targeted advertisements, no matter the channel, will yield higher results for lower costs, dramatically reducing your cost per customer acquisition. Even better, according to a U.S. Data Corporation article, “...targeted advertisements **are twice as effective** as non-targeted ads.”

Based on this, if you are currently spending \$3000 a month on general

mass marketing and advertising. Switching to targeted advertising may be twice as effective. If so, you could begin to bring in twice as many customers through advertising as you are right now, or you could effectively cut your advertising budget in half, saving you \$1500 monthly, or \$18,000 a year without seeing a decrease in marketing effectiveness.



## PURCHASING AND STAFFING

By collecting customer profile data, and using WiFi analytics, you'll be able to not only identify your high-traffic days and times, you'll begin to be able to better predict them. This will allow you to bring on the right amount of staff at the right times, avoiding overstaffing and loss of payroll dollars. At the same time, you'll be able to make purchasing decisions much more effectively, keeping your items as fresh as possible and decreasing the likelihood of running out of a product.



## It's time to **GET STARTED!**

**A**s you can see, customer profiles can be extremely valuable, giving you a greater understanding of who your best customers are, allowing you to speak to them when, where and how they want to be spoken to. This drives engagement, familiarity and loyalty between you and your customers, driving solid increases in PPA and CLV and saving on costs.

Now the question becomes, **“How much money are you leaving on the table by not doing something as simple as collecting customer profiles?”**

Now is the time to move into the future of customer profiling and consumer marketing to leverage a jump-start on other savvy marketers. Because if you can do it, your competition can do it too. The concept is easy to master and can

yield huge returns. Successful business owners not only know their business, they understand the differences in their customers and they provide specific, engaging messaging that speaks to those differences.

Increasing customer frequency and spend, building customer loyalty, increasing your bottom line, staying ahead of competition and striving for continuous improvement – all are potent and effective ingredients for business success.

Get a head-start on your competitors. With the amount of competition out there, especially in the restaurant, coffee shop and café sectors, customer profiling can be one of the easiest methods of gaining a strong competitive advantage and ensuring lasting success.





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