



Let's talk about money

By Drayton Bird

Let's talk about money. Specifically, what your marketing costs you - and what you get in exchange.

And let's talk about the meaning of words - because the way we describe things to an extent determines what we do.

Thus, if you talk about junk mail, you're more likely to produce it.

But first, a little joke provoked by the torrent of e-mails I got in reply to my foolish offer of a video. Which I then had to make. AAAAAARGH!

I apologise if you're familiar with what follows - but I find that many aren't; and of those who are, a surprising number don't act upon its important implications.

Some people talk about marketing "spend". Others talk about marketing "investment".

You'll probably agree that those who see it as spend are more likely to make it one of the first things they cut down on when times are hard. Those who see it as investment are less likely to do so.

Well it is an investment - and a wise one. Firms that spend more on marketing are on average more profitable than firms that don't.

spending less as a whole.

Of course, many firms may talk about marketing as an investment - but not mean it. They wish to sound as though they're thinking intelligently about it, but they don't really mean it.

In fact most firms manage their marketing to suit their internal needs, which is crazy. Because they should just think in terms of the real commodity in business, which is not actually money, but people.

Take the subject of what you lay out and what you get.

How do people work it out? In many ways.

A firm might take a percentage of turnover or overhead as the right marketing budget.

Many, though, are led by expediency. Recognise any of the following?

- "We need more sales volume; let's spend more money."
- "We have to send more profit to the US. Spend less on marketing".
- "Last year we had a good year. Put up the budgets!" - or vice versa.
- "Our new CEO wants to change the world. Increase marketing spend."
- Five years later, "Our big-mouthed CEO hasn't changed the world. How can we get better figures? Slash marketing budgets."

Professional direct marketers (many are not, unfortunately) think first about what they are really investing in.



"That's another fine mess you've got me into"

What's more, firms that keep spending when times are hard tend to emerge even stronger than before - for a simple reason: they have a greater "share of voice" when an industry is

It is not advertising or direct mail: it is gaining and keeping customers. **In fact, my next helpful idea is this: Remember, the currency of your business is customers - and act accordingly.**

So the big marketing question is, "how much is your customer worth to you?"

If you've been in business for a while you can measure how long customers stay with you, and how much profit they provide in that time.

Then you discount the sum to determine what you can afford to recruit and retain a customer, allowing for a profit.

It is true that some sales are not repetitive, but in those cases you can often, if not always, cross-sell other things.

The importance of customer value came home to a client who sold what they call an fmcg (fast moving consumer goods) product here - and packaged goods in the U.S.

He asked me, "If the gross margin on one sale is 80 pence, how can I afford to send out direct mail at 100 pence a time?"

I asked him if he knew the average value of a customer over time - not just one sale. He said he'd never given it a thought.

And I said, "You can easily afford it if you know your average customer buys 200 packs a year and stays with you for five years - and you think not about making an immediate sale, but making and keeping a customer".

He became my largest client.

The same principle applies if you work out how many cars you can sell a customer over a lifetime. You can afford a series of very expensive direct communications - DVDs, books, lavish mailing packs and so forth.

But it all starts by thinking in terms not of expenditure, but return on investment, and taking a

lot of trouble to try and assess what a customer is worth.

I go into this in great detail at AskDrayton.com.

© Copyright, Drayton Bird

About the Author

In 2003, the Chartered Institute of Marketing named Drayton Bird one of 50 living individuals who have shaped today's marketing. He has spoken in 53 countries for many organisations, and much of what he discusses derive from his work with many of the world's greatest brands. These include American Express, Audi, Bentley, British Airways, Cisco, Deutsche Post, Ford, IBM, McKinsey, Mercedes, Microsoft, Nestle, Philips, Procter & Gamble, Toyota, Unilever, Visa and Volkswagen. In various capacities - mostly as a writer - Drayton has helped sell everything from Airbus planes to Peppa Pig. His book, *Commonsense Direct and Digital Marketing*, out in 17 languages, has been the UK's best seller on the subject every year since 1982.

Co-ordinates

Drayton Bird Associates

Web: <http://draytonbird.com>

Tel: +44 (0) 845 3700 121

Email: drayton@draytonbird.com or db@draytonbird.com



Important Notice

© Copyright 2015, Bizezia Limited, All Rights Reserved

This article appeared in Better Business Focus, published by Bizezia Limited ("the publisher"). It is protected by copyright law and reproduction in whole or in part without the publisher's written permission is strictly prohibited. The publisher may be contacted at info@bizezia.com (+44 (0)1444 884220).

The article is published without responsibility by the publisher or any contributing author for any loss howsoever occurring as a consequence of any action which you take, or action which you choose not to take, as a result of this article or any view expressed herein.

Whilst it is believed that the information contained in this publication is correct at the time of publication, it is not a substitute for obtaining specific professional advice and no representation or warranty, expressed or implied, is made as to its accuracy or completeness. Any hyperlinks in the article were correct at the time this article was published but may have changed since then. Likewise, later technology may supersede any which are specified in the article.

The information is relevant primarily within the United Kingdom but may have application in other locations.

These disclaimers and exclusions are governed by and construed in accordance with English Law.

Publication issued on 1 February 2015