



Welcome

Our client was overlooking future revenue opportunities by not recognising the true lifetime value of its current customers. The client recognised that there were differences among customers' loyalty over a lifetime, but could not quantify or act on those differences. It's important to get a handle on the true value of your customers, in order to best drive loyalty, retention and up sell campaigns.

We hope you enjoy this edition where we seek to bring you insightful ideas on a clients 'Lifetime Value' to help you and your business.

Jarrod Bramble
PARTNER

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Understanding and utilising a client's 'lifetime value'

The lifetime value of a customer is a critically important factor in any business. Put simply, unless and until you know what it is, you have no idea how much to:

- Invest in advertising (including the kinds of offers you could make) to obtain a new customer; or
- spend on maintaining and nurturing the relationship with an existing customer.

How to calculate your customer's 'lifetime value'

You calculate lifetime value by knowing the average:

- Net profit per sale per customer
- Number of times customers purchase from you per year
- Length of time a customer stays with you
- Customer referrals

Example

Average Customer Information	
Profit per purchase / order	\$1000
Number of purchases / orders per year	2
Customer lifetime (number of years)	3
Lifetime value	\$6,000

The lifetime value of the customer increases by the number of customers they refer. This is a critical point. If we assume the business has an effective referral system in place and each customer refers 1.5 customers to the business over that three year period, the lifetime value would increase by 1.5 times!



How does this information assist you?

Let's say you were deciding what you were going to do for your marketing and you were contemplating an ad worth \$15,000.

Your first thought may be that as the average profit per order is \$1000 you need to get 15 new customers just to get your money back and therefore decide against that advertising campaign.

In contrast, knowing your lifetime value was \$6,000 per customer, you'd only need to win 2.5 new customers from the ad to break even before allowing for referrals!

Knowing this information makes that decision so much easier and makes advertising that much more attractive.

In light of this information you might also offer something of high perceived value to your potential customers to generate a higher response to your ad or sales pitch and 'woo' potential clients.

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Understanding and utilising a clients 'lifetime value'

Further, it emphasises the need to nurture those existing clients.

Another benefit of tracking your lifetime value is sometimes overlooked. If you ever wanted to sell your business, showing a prospective buyer an incremental lifetime value projection could go a long way toward securing a sale.

It's critical to nurture your customers

Recognising the lifetime value of a customer emphasises the point that it's not enough to simply win a customer and hope for the best. Nurturing is pivotal to see that lifetime value through.

This failure to nurture means those businesses might win customers but they will lose them just as quickly—and as such, will NOT be realising the lifetime value of their customers.

It is imperative to *keep* winning that customer over and over again. That way, you cement your relationship with your customer and ensure the fruition of that lifetime value.

To do this, it's important to 'nurture' your customers to improve or keep your current retention rate. Your retention rate tracks the number of customers you retain versus those you lose due to service, quality, or product issues.

Literally, then, you need to looking at ways to care for and nourish those customers.

It means doing things like creating a perceived indifference to your competitors, providing added value services, taking time to understand their needs, giving them extra information or support, special reports, newsletters, gifts when they refer people to you, and so on. It can be as simple as saying thankyou or taking someone out for lunch (this is your new excuse!).

Where to from here?

Calculate your lifetime value of your customers.

Consider what kind of offer you could afford to make your potential customers. It must be an offer that would have a high perceived value and generate a better response from your ads or sales pitch.

Consider if you nurture your clients adequately given their lifetime value.

Work to increasing the lifetime value of your customers by implementing strategies to increase your average sale, get your customers to deal with you more often during a year, and keep them dealing with you longer.

Enjoy the financial rewards!

Customer Relationship Management



Just like the person who remembers how you like your coffee at your favourite café, in a perfect world, we too would be able to store all our customer information in our mind. Ok, the world isn't perfect and the human brain does have its limitations, so what is the solution to the copious client information storage sites or lack thereof that a business may have?

A Customer Relationship Management application, commonly known as CRM.

There are many various flavours of what can be termed a CRM system – from entry-level contact management solutions, to salesforce automation and marketing effectiveness, to large scale solutions that interface with inventory systems and integrate with accounting systems.

For any service based business, the key to success is managing relationships. You need to leverage existing relationships and offer new and additional services; as well as, increase existing customer base. However relationships can be complex. You might have multiple contacts for an organisation and different relationships may exist for these contacts. There may be information duplicated in multiple storage sites and worse still, there may be critical pieces missing. A CRM does just what the name suggests, it manages the relationship a business has with its customers.

For the most part, the value of a CRM application is easily justified. CRM allows everyone throughout a company to work as a team and share information about customers. CRM provides employees across the organisation with up-to-date customer information, significantly reducing the time spent sourcing and updating critical data. It will also save on support costs by amalgamating multiple client data sites into one database.

So what things need to be considered before choosing a system right for your business?

- 1.** Decide what you want from a CRM system
- 2.** Research various systems and determine the pros and cons
- 3.** Get referrals from current users of the system
- 4.** Make a decision and delegate the project to a CRM champion or team
- 5.** Customise the system to meet your business needs
- 6.** Implement a training program
- 7.** Roll out, review and improve your system

The introduction of CRM will mean a change in internal attitudes and processes but once deployed, CRM will quickly give you return on investment.



Spilling the Beans

Business Digest asked PROticket to share the company's success story.

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Q Tell us a little bit about PROticket

A Nick Sovechles and Brian Pomeroy, Managing Directors of PROticket Pty Ltd, have had over 25 years experience in the ticketing and marketing industry. Having personally waited in queues at events for hours on end, watching as prices increased while service dropped and the added inconvenience to obtain tickets. The development of a better system became a priority in their business plan for PROticket.

PROticket has secured contracts with The Newcastle Knights, Newcastle Jets at Energy Australia Stadium, The Penrith Panthers group including CUA Stadium as well as many major clubs throughout Newcastle, Sydney, Brisbane, and Gold Coast. Mr Sovechles says "Our unprecedented growth has been based on 7 years of research and development on the PROticket system."

Q What do you see as the major issues for PROticket in the next five to ten years?

A Continuing development includes plans to explore new grounds in ticketing technology, with barcode wireless scanning systems, sms mobile ticketing and club intralinking network. PROticket will

be on the forefront of future ticketing technology.

Q What changes do you think are necessary both personally and professionally to equip staff to maintain a high level of service to a vast customer base?

A PROticket development requires a high level of technology based infrastructure therefore the PROticket philosophy must be to retain and equip personnel. Driven to deliver state of the art technology, employed to promote events of any nature, and offering the service the customer needs to make their ticket purchase and event enjoyment all the more pleasurable. PROticket delivers in all areas of customer contact and service with staff being encouraged and supported to sustain this.

Q What options are available to the customer when purchasing?

A The PROticket system is designed to bring the ticket to you, not you to the ticket. Offering the ability to purchase your ticket at your home through the internet (home printed ticket) at your local club and by phone.

Q Having an effective marketing strategy can be the life or death of a business. What marketing strategies do PROticket carry out?

A Promotions and competitions through email, newsletters to the membership base, information and ticket sales via the call centre and website combined with groundbreaking ticketing technologies deliver services into the customers hands through their mobile phones, laptops and personal communication systems. Offering existing customers priority notifications of upcoming events and the information

to assist their decision to purchase. With our website already reaching over 150,000 hits per month.

Don't wait in a queue. The clubs are simply an alternative convenient location to purchasing your stadium/event ticketing. Don't wait in a queue for hours to purchase your ticket, utilise the convenience of your major local club to purchase your ticket, then source, locate and purchase the exact seat in which you wish to sit.

Proticket was designed as an alternative to the previously existing ticketing systems available, with the view to optimise on their inadequacies. PROticket has installed systems in major clubs around Newcastle and at Energy Australia stadium to gain the ease and convenience of purchasing a ticket to an event.

Given the opportunity by the Newcastle Jets to utilise the PROticket system at Energy Australia Stadium combined with the easy accessibility with the clubs, proved to be a winning association and an unprecedented success for the team both financially and competitively – ultimately winning the A-League Grand Final 2008.

Pre-sales of tickets throughout the Newcastle and Hunter Region were contributory to the PROticket system creating the opportunity for supporters to easily access tickets. From the convenient suburban agency locations, easy home print tickets with the campaign slogan 'don't queue anymore' – walk straight into the stadium. Therefore making the overall event a pleasurable experience not just the show.

New financial year – time for a finance health check



A new financial year is a great opportunity for you to review your current financial position. The past financial year has seen turbulent times in regards to interest rate increases and numerous other changes in the lending market, so when you get your end of financial year statements for your existing accounts, make sure you review them carefully and look at a number of factors when it comes to your current facilities.

Anyone with a home loan should be ensuring they are getting a competitive rate. If you aren't it is definitely time for a "home loan health check".

You should also consider if your loan is providing you with the necessary benefits and features you require. Are you taking advantage of a transactional offset account? Where any funds you have in your day to day savings account offsets the balance of your home loan, therefore reducing the interest payable on your loan. Does your current financier offer an offset account? Would it be beneficial to review your current banking arrangements to possibly save interest on your existing loans?

Nearly all major financial institutions now also offer packages, usually with a one off annual fee, which minimise your general banking fees on your transactional accounts, credit card, and general banking needs. These packages sometimes can offer substantial savings in fees for clients.

At Cutcher & Neale, our finance division provides a value added service for our clients. We work in conjunction with your accountant to ensure that we are providing the best possible solution for your financial requirements. We are accredited with over 20 major lenders and financial institutions, and take the hassle out of reviewing your existing lending and banking arrangements.

If your aggregate home loan balances are above \$250,000 and you are currently paying a variable rate, you should be receiving at least a 0.7% discount off the standard variable rate from your lending institution.

When you receive your end of financial year statements, make sure you contact us to undertake a fee free overview of your current situation, and ensure your banking relationship is meeting your needs and requirements.

Cutcher & Neale's finance division is passionate about providing a value-added service, so if you are looking at reviewing your current situation, call our Lending Manager Luke Gibson who will look at the options available to get you the best deal.





Reasons for establishing SMSFs

Self Managed Superannuation Funds (SMSFs) have long been considered the superannuation vehicle of the wealthy only.

This is mainly due to the perception that you needed a large amount invested in superannuation to make having your own SMSF financially viable.

At Cutcher & Neale we believe we can offer clients the opportunity to have their own SMSF with a balance of \$100,000.

Why would you want your own SMSF?

Choice of Fund

With the choice of Superannuation Fund now being an option, it has become much more common for people to start questioning where and how their superannuation monies are being invested. This is a more than reasonable thing to do given the outcome of your future retirement will be greatly affected by the investment choices you make now.

Greater influence over the Investments

Are you dissatisfied with your current superannuation fund's performance and lack of structuring to your specific needs and risk profile?

Most members of Public Offer superannuation funds are given very limited choice over the actual asset selection of where monies are invested. The funds are structured to be of a general nature and are not designed with your specific needs and requirements in mind.

Having your own SMSF ensures your portfolio is tailored to your needs and attitudes to risk and that you know to the cent where your money is invested.

Fees and Charges

Public Offer superannuation funds charge a management fee and whilst you may not be physically paying this out of your member account, the fees are generally incorporated into the

unit price of the managed funds and not transparent.

Cutcher & Neale's fees structure for smaller balances is very competitive to that of Public Offer funds and clear to the client.

The issue is therefore not about cost, but about control and knowledge of how your money is invested.

Sounds too complicated?

If you have always wanted to take control of your own superannuation monies, a Self Managed Superannuation Fund (SMSF) may be a very possible option for you.

Sounds expensive and far too complicated?

Wrong...in the past, a SMSF would only be considered by someone who had a superannuation balance in excess of \$200,000 in order to justify the ongoing fees and costs involved.

At Cutcher & Neale we recognised this was a major issue for people with lower member account balances, who want the same control and flexibility over their own retirement outcome.

So what have we done about it? Cutcher & Neale have created a reduced ongoing fee package specifically designed for this purpose.

Teamed with our expert knowledge in the Superannuation & Investments area, the stress of the compliance and paperwork is taken care of.

Interested? To discuss whether a SMSF may be suitable for you, please contact one of our Investment Services Advisors on 4927 8844, to obtain more information.



Phone tips for increasing sales

The phone is the first line of contact many potential clients and customers have with your business. It's therefore essential to implement phone standards that set you apart, increase sales, and make a great impression every time the phone rings.

The way to do this is by implementing a system so that every customer call is handled in the same professional, courteous way each and every time.

Interestingly, the impression portrayed to potential clients and customers starts BEFORE you even pick up the phone. That's why these first few performance standards are so important.

#1: SMILE to the point of a GRIN before you pick up your phone

You really can hear a smile over the phone, and it makes the customers feel welcome, which instantly tells them they made the right choice by calling you over your competitors.

#2: Answer your phone on the second ring

This standard shows potential customers you really are eager to talk with them and that you're 'on the ball.'

Next, it's important to actually create a great first impression. Clearly, the actual words you use on the phone are a major part of that first impression. So Performance Standard #3 is to answer the phone in the following way:

#3: "Good [morning/afternoon/evening], [optional location], this is [your first name and your last name]"

The 'good morning, afternoon, or evening' is a positive, polite statement and one that is welcoming.

Next, the 'optional location' is important to let people know what business or department they've reached.

'This is' is critical because it acts as a trigger. Inherently, they know a name is about to be spoken. The use of your full name is pivotal to create an impression of someone who knows what they're doing and to build confidence.

The important point here is to NOT add anything to the end of your name.

There is only one exception to this rule, and this is for a true receptionist.

Some other ideas:

Don't say...	Say this instead...
John's in a meeting.	John's with someone right now.
He's out to lunch.	He's not actually in the office right now.
He's not in.	He's not in the office right now.
Sally's on vacation.	Sally's on vacation and will be back on (date).
Can I take a message?	In the meantime, maybe there's some way I can help?

Creating an agreed way of dealing with people over the phone is critical, and the performance standards outlined here are a great way to get a call started.

Diary Dates

September 2008

- 7 Monthly payroll tax instalment for August
- 21 Monthly activity statements for August due for lodgement and payment
- 30 PAYG Withholding Payment Summary Annual Report due for lodgement if not self prepared

October 2008

- 7 Monthly payroll tax instalment for September
- 21 Monthly activity statements for September due for lodgement and payment
- 28 Quarterly activity statements for quarter 1, 2008–09 due for lodgement and payment
- 28 Super contributions for quarter 1, 2008–09 to be made
- 31 Lodgement of income 2008 income tax returns where a prior year is outstanding

November

- 7 Monthly payroll tax instalment for October
- 21 Monthly activity statements for October due for lodgement and payment

Did you know?



Life Insurance on Employer Nominated Super Funds

From 1 July 2008, employer nominated super funds must offer minimum levels of life insurance death cover to members. An employer nominated super fund is the default fund to pay an employee's superannuation contributions if they do not choose a fund.

The minimum life insurance to be offered:

- at a premium of at least \$0.50 per week for those under 56 years
- with at least the level of insurance cover shown in the following table

Age range	Minimum level of life insurance cover
0 to 19	Nil
20 to 34	\$50,000
35 to 39	\$35,000
40 to 44	\$20,000
45 to 49	\$14,000
50 to 55	\$7,000
56 +	Nil

There are some circumstances where default funds do not need to meet the life insurance requirements. Contact us for further details.

Fuel Tax Credits for Businesses

Do you use fuel in your business for Machinery, Plant and Equipment or Heavy Vehicles (GVM 4.5tonne)?

Fuel Tax Credits provide you with a credit for fuel tax (excise or customs duty) included in the price of fuel you use.

Claim Amount	Relates to:
18.51 cents / litre	Fuel used in vehicles with a GVM of 4.5tonne travelling on a public road
38.143 cents / litre	Fuel used in specified activities (agriculture, forestry, fishing, mining etc)
19.0715 cents / litre	Fuel acquired from 1 July 2008 used in all other activities (ie. machinery, plant and equipment)

Please contact us to discuss further in respect of your business.

"When I dare to be powerful, to use my strength in the service of my vision, then it becomes less and less important whether I am afraid." — Audre Lorde

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