



# WHAT BUSINESS ARE YOU **REALLY** IN?

*Are you cultivating a 'limited life' or 'lifetime client?' Neil Osborne explains how having 'lifetime clients' involves having an experience, not an exchange.*

A lifetime salon client spends \$35,000 and to have one (or many) of them, you need to clearly know what your business delivers. Generally speaking, keeping and growing a business is solely dependent on whether or not your customers stick around. Sticky clients are those who rebook, return and happily pay for retail. They also unleash their crowd spruiking power through word-of-mouth endorsement of your service –that's the golden nugget of truth.

Business has moved on from the simple exchange of goods and services for a fee. Today's customers are sophisticated, demanding and knowledgeable and successful businesses understand the long term value of their clients – their 'lifetime value.'

These businesses know what they deliver: and what business they're in. They understand that they *DO* work in customer service ... not just hairdressing.

They set about attracting and building a loyal, recurring clientele and give them real reasons to part with their hard-earned cash. They focus on the long term potential of clients to add longevity and value. Simplistically, they put consistent effort into the *how*, *what* and *why* of their service.

## DISCOUNT V'S ENGAGEMENT CHASERS

The hairdressing industry's current business model has polarised into two camps: price focus (an exchange) or service (an experience) based. Similarly, clients have followed the salons' lead and are split between discount and engagement chasers.

There will always be a place for each in the market, but the defining difference is profit. Profitable salons offer an experience. Not an exchange.

What's the business impact of each? Discount chasers are high turnover, low loyalty and short-term. In stark contrast, engaged long term clients demand service, quality work and advice. Each has an enormous impact on the bottom line of salon.

Until recently it's been difficult to quantify the real value of a client to a service business. However a 2013 Bank of Queensland national survey sought to understand the average length of many service provider/client relationships. From a list of 15 common professional services, it was found that Australians spend varying lengths of time with each service provider:

- 16 years:** Bank
- 11 years:** Doctor, Lawyer
- 9 years:** Accountant, Dentists
- 8 years:** Vet, Mobile Phone Carrier
- 7 years:** Dry Cleaner, Hairdresser
- 6 years:** Mechanic
- 5 years:** Electrician, Plumber and Beautician
- 3 years:** Personal Trainer
- 2 years:** Babysitter

## LIFETIME CLIENT CALCULATION

Using the above seven years as a benchmark and key salon KPI's, the possible value of a lifetime client can be calculated as:

- The average spend of a client per visit is \$98.01\*\*
- Average visits per year is 7.3 times\*\*
- This client will spend \$715.47 per year with you
- The real value of a lifetime client over a 7 year period is \$5,008

A 'referral multiplier' also needs to be accounted for in the final calculation - how many times does that loyal client refer others? I consider a satisfied client who enjoys good service, quality work and honest advice will refer at least one client per year to a business. Therefore the real value of a lifetime client to your business could be as high as \$35,000 - who wouldn't want that!

The key to accessing that value is in knowing your focus – limited life or lifetime – and providing an experience. Sticky clients are loyal and profitable. Our industry needs to cultivate an attitude that attracts more of those types of clients. **IN**

*Reference: \*\* Shortcuts collective market intelligence as published September 2013.*

**Neil Osborne has devoted more than 30 years of his working life to making a difference to businesses in the salon industry. As a sales performance consultant, trainer and business mentor he works with and partners some of the most dynamic and demanding sales driven companies, helping them grow and change their sales results. Contact him at The SALES CATALYST, 1300 302 859 or go to [www.thesalescatalyst.com.au](http://www.thesalescatalyst.com.au).**