

3 Questions Every CEO (and Board Member!) Should Ask Their Chief Marketing Officer (CMO)



As an independent, impartial consultant, it's easy to remain objective and identify vulnerable areas within an organization.

This year, there are three critical questions that every CEO should ask their Chief Marketing Officer (CMO) – regardless of their industry:

1. **What is the Lifetime Value of Our Ideal Customer?**

In other words, how much revenue per year – by year – can you expect from each ideal customer?

The Ideal Customer

First, let's define the ideal customer as a person who

- Solves a business problem by using your product or service;
- Solves a personal issue by resourcing with your company; and
- Continues to professionally benefit from your business strategies, objectives and maturation of your product or service.

An ideal customer is NOT someone who bought from you because you had the sweetest deal.

How would you profile your ideal customer? You should be able to describe their

- Industry, company size, department, title, years experience & responsibilities
- Business problems this year
- Current personal issues caused by these business problems
- Why your product or service will continue to benefit this person.

You should also be aware of their buying patterns and dependencies. This will enable you to make revenue contingency plans in the event of recession, economic slowdown, company acquisition and/or industry consolidation. For example, what buying issues will your ideal customer encounter if their industry softens for more than two quarters? They'll have less in their budget, but let's remember that they'll have purchasing power – they just need to be convinced to spend it with you. So if you anticipate further telecommunication softening, for example, equip your sales and marketing teams with purchasing justifications particular to this industry. Prove how consistent investment in your product or service translates to consistent sales to their customer base.

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Here's another example: how would your ideal customer be impacted by major consolidation within their industry? All eyes would be focused on the acquisition; your customer base may hesitate to buy more product or service. With advance strategizing, your company can leverage this activity for more sales. How? By understanding how your ideal customer will be affected, and demonstrating how they can maintain or increase their momentum with your product or service. Time-to-market is the key. Your marketing and sales message should be issued immediately, and contain specific offers designed to enhance your relationship with the ideal customer base. If they perceive your company as adversely affected by the news or worse yet – stymied by it – they'll adopt your 'freeze' mentality and postpone buying decisions. On the other hand, if they hear from you immediately on how this news can benefit their business and their relationship with you, they won't miss a beat. Don't give them a reason to balk – anticipate changes to your ideal customer's dependencies! Strategies like these are your insurance against revenue shortfalls.

Once armed with your ideal customer profile, you can segment the base by their budget, market share, location or other discriminating feature. You should also be able to estimate annual revenues from each customer segment. They'll vary according to the number of years they've been your customer and will always be subject to outside variables. But revenues can be accurately forecasted.

Your Customer Base

Do you know what percentage of your customer base is 'ideal'?
Most likely less than 50%!

Why? Because most companies don't invest in their customer base. They merely

- Quantify the warm bodies (or dead names) for a company statistic;
- Overwhelm or under communicate with them; and/or
- Employ short-term gimmicks to pad the customer base with new warm bodies.

Until recently, it was advantageous to inflate your customer base figures. Higher numbers gained more credibility with Wall Street and the press. This paradigm is being shattered. (See the Senate House Committee investigation of Enron!) Soon your investors, analysts and press specialists will want to know your customer lifetime values, plans to grow the customer base, and why more prospects similar to your ideal customers will be pulled to your product or service. *Everyone is becoming more sophisticated – be prepared!*

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Ideal Customer Program

Without exception every company benefits from an 'Ideal Customer' exercise with these objectives:

- 1. Define your ideal customer. Identify their source and lifetime value.**
Understand their business problems and why they became your customer in the first place. Spread the word to your employees!

- 2. Target market to these sources for new ideal customers.**
Quick! Gain similar customers by prospecting in areas that have proven successful in the past.

- 3. Merge/purge your customer databases. Profile.**
See whom you've got that you want to keep and whom you have to change in order to be successful.

- 4. Develop a program and process to convert non-ideal customers to ideal customers.**
Set a goal of converting X number of existing customers to ideal customers within a specified time period.

Success with Your Customer Base

How will you know when you've been successful? When you, your Board members, your marketing team and every employee can articulate who your ideal customer is, how much they're worth to you this year, and why.

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2. How Often Do We Communicate with Our Customers?

The answer will surprise you!

Who's Doing What?

Most C-level executives are unaware of the various departments that have knowledge and familiarity of the customer database, that market their own messages:

- Accounts Receivable
- Co-sponsored Partner Programs
- Customer Service
- Customer Training
- Marketing Newsletters
- Press Releases, Annual Reports, Quarterly Results
- Seminar Invitations
- Technical Departments
- Trade Show Marketing

Result: Unless you have a singular opt-in customer database, your customers are receiving multiple, conflicting messages.

To remedy the situation, you should mandate that your CMO coordinate all messaging. The only customer database to be used for communication must reside with the CMO. Each message should be targeted to each level of customer:

- Product or services migration messaging to C-level executives;
Where you can take their business. Why they should align themselves with you and your product.
- Business problem-solving messaging to decision makers;
How you can make their professional lives easier and more productive.
- Personal issue solving messaging to users.
How you will enable them to avoid conflict, relieve staff, and/or provide greater internal information.

Each message should be tied to an offer, so it can be measured for effectiveness. For example, when you market to C-level executives, the offer could be for privileged information, beta data or excerpts from your last successful Wall Street presentation. Decision makers are more interested in ROI stats, how other companies use your product or service, or new applications that save time or money. End-users will accept anything that helps them appear more efficient and market savvy.

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Growing the Customer Relationship

The intention of each communiqué should be to attract and direct each customer to the next stage of relationship with your company. How many stages do you have? Probably just two: the new customer, and the existing customer. Well, guess what? The more customer stages a company has, the greater their relationship with their customer base becomes... and this translates directly into more customer revenues.

Here's how you do it:

1. Organize your ideal customer profile segments
2. Determine the maturity rate at different service levels
3. Establish these service levels as customer stages

Classifying the stages is not difficult. Success comes from the development of messages that convince the customer to grow to the next level. It must be simple, painless, and immediately rewarding. With the possibility of realizing a 15% yearly revenue increase per customer per stage, it's definitely in your best interest to grow your customers to their next service level! That's why every communiqué must incorporate this message.

Don't Be A Statistic:

Most companies lose 50% of their customers in less than 5 years!

The main reason for customer base erosion is too much, too little, or inappropriate messaging.

How will you know when you're communicating efficiently with your customer base? Quarterly appraisals of the

- Revised messaging (per customer level) and
- Results from previous quarters' communications.

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- 3. When is it Cost-Effective to Transition from Direct Sales to Marketing Sales?**
In other words, when is it more efficient to maintain and grow an account internally?

Direct Sales Too Pricey?

Let's face it – every quarter it becomes increasingly expensive to keep 'feet on the street'. The economies of scale no longer apply. Great salespeople pay for themselves... but most sales teams have less than 5% of these. Decent salespeople usually make quota. Everyone has dead weight.

Direct sales serve a worthy purpose, though. Depending on their compensation, they can

- Drive new sales
- Increase personal attention to customers
- Expand established accounts

But what if you're paying them to accomplish these objectives, and they're not succeeding? What if you could drive new sales and grow your installed base without compensating your outside sales force?

While it's relatively easy to transfer account maintenance to an inside sales group, not many companies are successful with actually improving upon the direct sales approach: most telemarketing teams are deficient in lead generation and account growth. (That's because most inside sales teams work independently of marketing, when they should be one of the same.) The transition from direct sales to inside sales must be effective and measurable in all respects.

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What Inside Sales Must Prove

In order to supersede direct sales efforts, inside sales must be positioned to achieve

- Customer profiling
Identify all decision makers, influencers and end-users. Categorize each customer.
- Account development
Grow customers to their next level. Identify new organizations and new uses for application.
- Lead Generation
Develop new customers within the organization, and within its extended enterprise. Design pertinent offers to qualify their interest.
- Strong Customer Relationships
Speak and act for the entire company, not a singular product or service. Deliver quarterly messaging.
- Outbound calls
Connect with 20% of the customer base each quarter.

When to Transition?

When you're certain that your inside team is competent in ALL of the above five areas. To allow only 4 of the 5 is to fail. Nothing less than total and complete fulfillment will guarantee success.

Don't fall into the trap that so many companies discovered in 2000 & 2001 by assigning inside sales to a sales person. The department requires an executive with strong marketing, relationship and account development skills. More on that in a subsequent article...

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