

A photograph of a man and a woman shaking hands in an office setting. The man, on the left, is wearing a light blue button-down shirt and glasses, and is smiling broadly. The woman, on the right, is wearing a grey and white striped sweater and is also smiling. They are standing in front of a light-colored wall and a wooden door. The text "CEO Guide to Valuing Clients" is overlaid in white on the left side of the image.

# CEO Guide to Valuing Clients

## Measuring the true value of customers

For many organisations the value of customers is represented solely by the income generated through sales. At best organisations look at developing models to calculate the profitability of sales.

The rise of the digital age has seen the relationship between an organisation and its clients change fundamentally.

The ease of access to cross-marketplace data means that the mature organisation is marketing in a completely different way to ten years ago. The CEO needs to be focusing on customer engagement, with a view to establishing credibility and loyalty.

**c.90%**  
of companies  
use customer feedback  
to make decisions





companies use research  
to make business decisions

## Evaluating CLV

This change in relationship status means that the way customers are financially valued also needs to be reassessed. Gone are the days when client profitability was the most effective measure; the organisation needs to be evaluating client lifecycle values; after all there is little logic in measuring a historical value when it is possible to look forward and forecast the value across the same timespan as the business strategy.

## Sophisticated segmentation

Using client lifecycle value (CLV) provides marketing with a far more sophisticated segmentation approach. By predicting the most profitable group of customers to be targeted, it also understands the characteristics and preferences within that group to allow marketing to be highly targeted and tailored.

There are several financial reasons for marketing to adopt CLV; it helps to establish those existing high CLV groups where the organisation has only a small share-of-wallet. There is an immediate quick win for the business to harvest the opportunities through effective cross-selling/up-selling.

***“Customer experience is the number one driver of growth in 2021 and beyond.”***

## **Identifying where to spend**

In addition CLV establishes how much each customer is worth; this value impacts on how much marketing spend should be invested by the organisation on that client in order to secure a sale. In these cash-tight times it is a valuable tool to ensure the marketing spend is being maximised effectively.

The benefits to the CEO of the organisation adopting client lifecycle values are:

- It provides an analytical tool which manages the customer as an asset – endowing a financial value which can be measured.
- There is transparency around the true value of additional customers, reduced churn and product cross-selling which can be linked back to the marketing spend.
- It determines the maximum return possible from the marketing spend; effective marketing spend on clients and campaigns can be clearly measured against the potential return.
- Encouraging a medium to long-term focus that helps to foster engagement with clients, resulting in a reduced churn rate and greater customer loyalty.

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