




# UNLOCKING HIDDEN CUSTOMER PROFITS

MARKET

FIT



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# A LETTER FROM KURSTEN

## Who we are

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At Market Fit we know you want a growing and profitable business and you want to be a successful business owner. To achieve this you need a simple and proven framework and plan to increase your customer profits.

But most likely your current marketing doesn't generate sustainable results and your marketing team don't seem accountable, they continually ask for more money and resources to try the latest fad. It's frustrating to not have a proven and reliable system on hand to guide and help you implement growth strategies which will work for you.

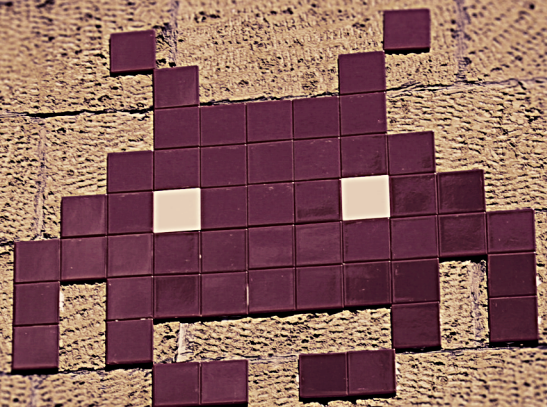
We understand marketing has become more complex, confusing and lacks accountability. But we also believe it doesn't need to be that hard and there are hidden customer profits that you are leaving on the table, you just need to unlock them.

Our 3R's framework has been developed over many years of working with some of NZ's most successful companies. When applied to your business it unlocks the hidden profits that are already in your business.



### Here's how it works:

- Embed the 3R's framework into your business
- Develop an execution plan
- Drive the 90-day implementation plan



# WHY THIS BOOK

For the last 10 - 15 years, I have been what I call a **Commercial Marketer**. My primary focus is strategic marketing, and what I mean by that is looking at all aspects of marketing, including pricing, channel, product strategy, advertising and promotion.

I've had CMO jobs at large companies like Vodafone and APN, and for the last five years being consulting for some of New Zealand's most successful companies like Chorus, Spark, Loyalty NZ, AMP and dtr.

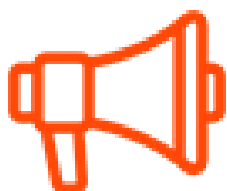
Most of my work experience has been focused on the commercial side of marketing - generating profits.

In the past few years, like you, I've become increasingly frustrated with marketing.

I think marketing has failed as a discipline. For simplicity sake let's assume the foundation of marketing exists within the four P's:



**PRICE**



**PROMOTION**



**PRODUCT**



**PLACE**

Five or ten years ago, the Marketing teams were more focused on all four of these aspects, but in the past few years marketers seem to only be focusing on the promotion or advertising side. In this way, marketers have failed.

The main purpose of marketing is for a business to connect with the customer, solve their problem and create value.

I want to ensure that businesses get the most out of all aspects of marketing, and of course optimising their ability to be profitable.





If you look at Jay Abraham's view of how to grow a business, he separates it into three things:

- increasing number of customers
- increasing how much they spend
- increasing frequency of purchases

Most of marketing efforts these days focus only on the first aspect - increasing customer numbers, or how to get customers in the front door. They do nothing about growing the basket size or repeat purchases.

This is a big mistake, because that is where the majority of your potential profit can reside, so most businesses are leaving a significant amount of money on the table.

In this book, I outline how to maximise your profit growth through marketing, which is done primarily (or exclusively) through unlocking hidden profits from your existing customer base.

If you go back to those three leavers of growing a business, it's primarily focused on increasing frequency, increasing size of purchase and nurturing the lifetime value of a customer.

By following the processes, you are going to regain more control of your business, you'll be far less frustrated with your marketing efforts, and you are going to significantly increase the profit in your business.

What it ultimately comes down to, is ensuring your customers are as happy as possible which in turn results in repeat purchases and therefore more profit.



# THE BUSINESS OWNER GAP



## BUSINESS:

- Marketing not working
- Always asking for more \$
- Seem to get worse results
- Don't trust the agency
- Lack of good thinking in the business
- Growing business
- Profitable business
- Investing in marketing
- Focus on growth
- Diverse customer base
- Results driven

## IMPACT:

- Frustration with business
- Frustrated with the team
- Know results should be better
- Not sure who to go to / trust
- Business Owner
- Growing business
- Confident
- Clarity on business, goals and direction
- Enjoying running the business again
- Have someone they can trust

Most business owners, general managers and managing directors are incredibly frustrated with marketing, for the reasons previously outlined.

People are overcomplicating things and focusing on the wrong parts of marketing. There is a lot of talk about Facebook pixels, retargeting, trip wires, influences, spreading ads across any and all platforms.

This has resulted in marketing efforts being very fragmented, and therefore ineffective.

Most of the business owners I work with are just really frustrated with their marketing efforts, strategies and their teams. This is because marketing teams are asking for more money, always wanting to try something new, adding things on, rather than simplifying and focusing more efforts on what will actually work and drive profit.



# COMMON MISTAKES

Driven by lack of results, one of the biggest marketing mistakes is 'shiny object syndrome' - which basically means constantly chasing after the newest idea, tool, or strategy, rather than staying focused on your customers, current plans and goals.

And the motivation of the agency is to run more and more ad campaigns; they're always trying something new, that is how they make their money.

The problem is, they are actually forgetting the fundamentals, which is about who the customer is, what problem do they have, and how can we solve it while adding value.

Business should instead be focused on connecting with the customer and adding value, by solving a pain point which in turn adds value to the customer and the business by delivering profit.

Ultimately, businesses have lost their way through marketing, and have forgotten that their role is to connect with the customer and add value.

What it really comes down to, is that marketing has lacked accountability.

“

The best marketing strategy ever: CARE.

Gary Vaynerchuck



Many people assume that business growth is dependent on constantly acquiring new customers. Don't get me wrong this is hugely important, but businesses who are always chasing new opportunities and looking for ways to find new customers are also constantly forgetting about their existing customers. They are forgetting about growing the lifetime value that they can provide to those customers.

Once you've won a new customer, there are some important questions you need to ask. How do you onboard the customer? How do you nurture that customer? How do you upsell and cross sell to the customer? How can you continue to keep them satisfied? How do I increase the Customer Lifetime Value (CLV)?

CLV is the total worth of a customer to a business over the whole period of their relationship. It's a very important metric, as **it costs less to keep existing customers than it does to acquire new ones** and it's here that you have an opportunity to increase your profits.

Increasing the value of your existing customers is a great way to drive growth within your business while building strong relationships with your customer base. This will be extremely beneficial in so many ways, one of the most important being that a happy customer is one of the best sources of advertising you can dream off.

As a business, you need to spend some time and effort focusing on the specific elements of marketing that are directly contributing to the growth of your business - and by business growth I mean profits. Once you focus on that, and less on the 'shiny objects' of advertising, you'll start to see your profit increase. This will allow you to optimise the time and effort of your business. You will quite literally save time while making more money and building lasting customer relationships.

The best part? You don't necessarily need additional money for this. You can repurpose some of the inefficient money that you're spending on your current marketing in better, more targeted ways.



***“If you don't appreciate your customers, someone else will.”***

- Jason Langella





# WHAT DOESN'T WORK

## Most business owners have done one or two of the following:

Either they have tried everything and haven't gotten very far, which understandably, is extremely frustrating and discouraging.

Or, they've actually become paralysed as to what to try/where to start and therefore cannot create a solid action plan.

Another challenge I see with a lot of the businesses I work with, is the marketing team or marketing managers who are actually very good implementers; They just don't have the broad or diverse experience of having worked with a mix of some of the country's best marketing led companies. They don't link their marketing to the company strategy to focus on profit.

They lack a bit of understanding of the big picture and the knowledge and experience about what is and isn't working and what has the best chance of working for their specific industry.

This results in many businesses hiring ad agencies who focus on 'shiny new campaigns', rather than refining and driving growth.

During trying times, like the current COVID-19 pandemic and the recession we are facing, it is harder than usual to grow your business. It is more important than ever to focus on protecting your existing customers and growing your profit from a customer basis.

The single most important thing to do is understand the new business environment and the mindset of your customers while making sure your products and services evolve to meet their new needs.



Businesses without a strategic plan  
are leaving money on the table.





# HOW TO GET THERE

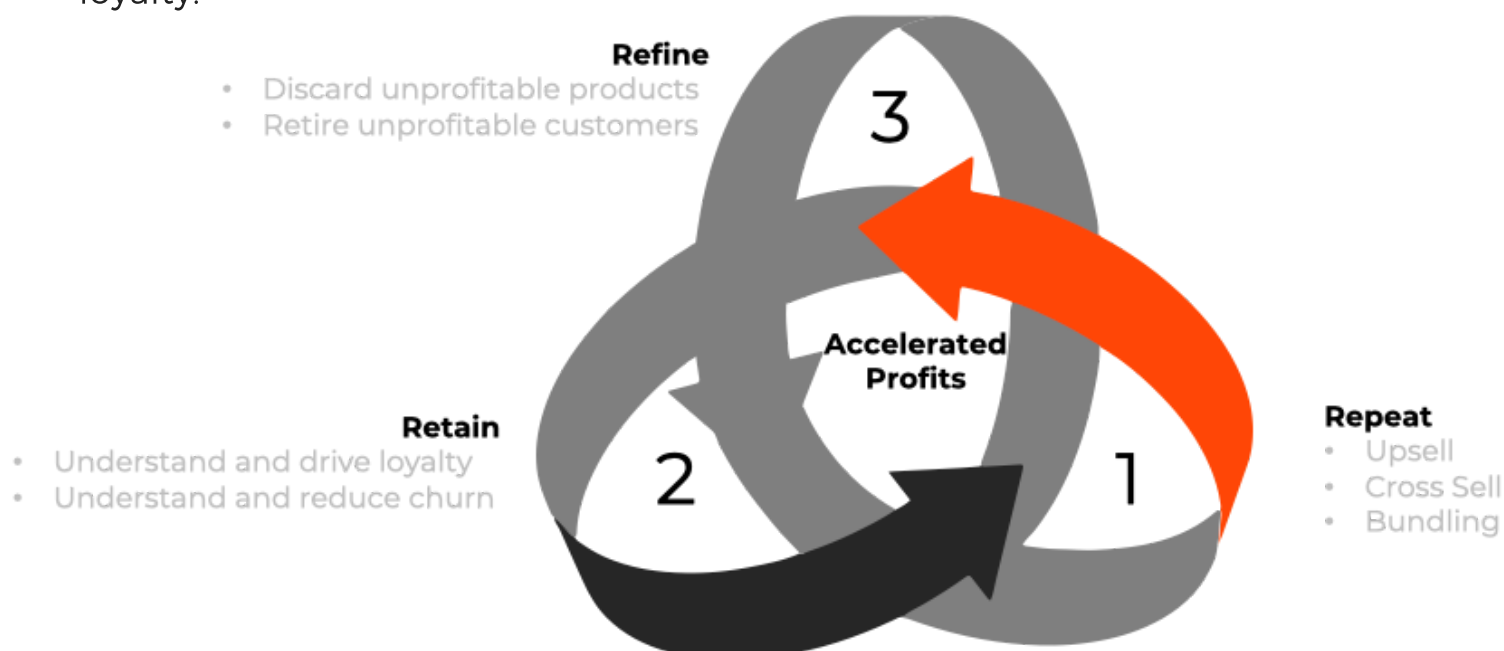
There are three steps that I believe businesses need to focus on: **REPEAT, RETAIN and REFINE**

Here is a brief outline of each aspect:

**1. Repeat** is focusing on and understanding your existing customers. This includes increasing frequency and increasing basket size.

**2. Retain** by understanding your customer base and you'll create raving fans. Understand how they think and feel about your business and adjust your products and processes to meet their needs. It also includes ensuring that you have strategies for all levels of customer loyalty.

**3. Refine** is simplifying your business. This includes removing the parts of your business that are unprofitable or unlikely to grow



# 1

## THE FIRST STEP TO GREAT MARKETING



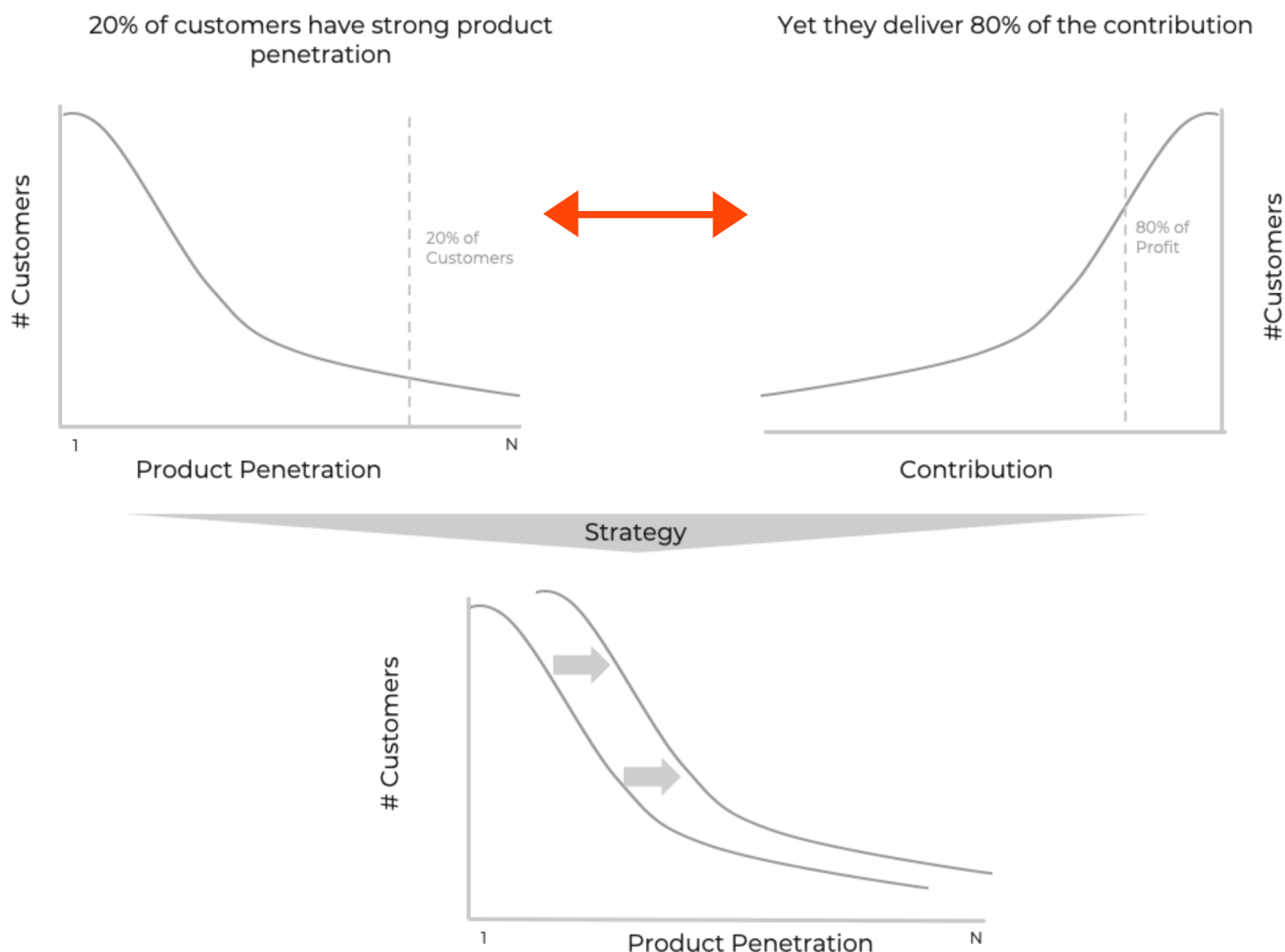
# 1. REPEAT

Repeat is based on the Pareto Principle, which states that roughly 80% of the results come from 20% of the effort.

In this case, 80% of your customer profitability, and 80% of your customer usage comes from 20% of your customers.

If you look at the diagram below - specifically the two curves at the top - for all businesses I work with that 20% of customers generates 80% of profits.

So those two curves are an exact mirror of each other. Our strategy is to move the curve to the right, drive more product penetration, learn from the high users and apply these learnings to the lower users.



# HOW DO WE INCREASE PRODUCT PENETRATION

To increase the profit from our customers we need to increase product penetration. If you look at the margin map, there are three key customer segments.

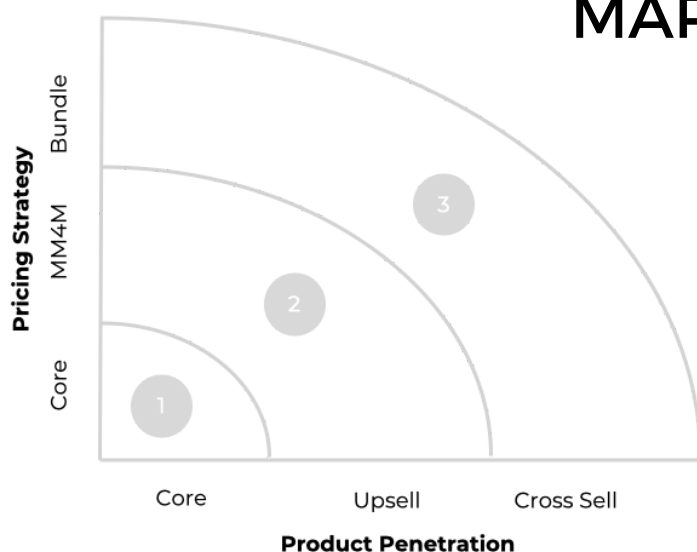
The first is **core**, which is where we have a customer probably worth one product. So how do we upsell that customer? We want to increase the frequency of purchase and we want to upsell to that existing customer.

The second area is upsell, where a customer has a product or service and we encourage them to buy in larger quantities.

We want to leverage that, through Much More for More Pricing Strategies and we want to drive basket size. This strategy is about giving the customer significantly more value for a small increase in price.

And then finally, we want to move the customer into adjacent or complimentary positions. Oh, sorry. adjacent products, complimentary products, and we'll talk a little bit about upsell, cross selling and bundling.

## MARGIN MAP



1

Strategy: Increase frequency of purchase and upsell

2

Strategy: Leverage much more for more pricing to drive basket size

3

Strategy: Bundle with adjacent / complementary products



When looking at upsell and cross sell strategies, two of the best examples around today are McDonald's and Apple.

At McDonald's, if you ordered a cheeseburger and fries, they used to ask if you wanted to 'upsell' your fries from small to large, or if you just order a cheeseburger they upsell you to double cheeseburger.

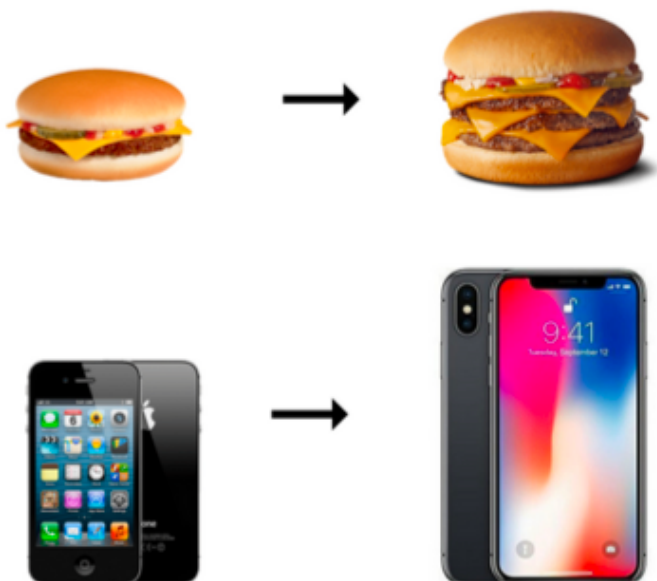
If you walk into an Apple store looking to buy a 64gig iPhone, you may get upsold to the 128gig. These are both an example of an UPSELL - the same product, but increased functionality or increased size.

A cross sell is offering a bundle of products that are complimentary. For the McDonald's example, they now ask "do you want the combo with that?".

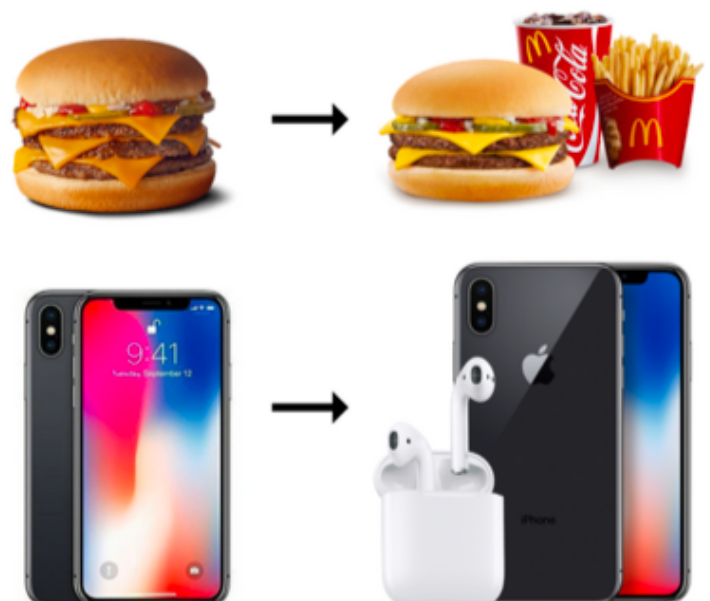
If you intend to just buy an iPhone, you may walk out of the store with the ear pods as well as a case.

Part of REPEAT is understanding where your customers are, understanding the 80/20 principle and building strategies to upsell and cross sell to those customers.

## UPSELL



## CROSS-SELL



# 2

## THE SECOND STEP TO GREAT MARKETING



## 2. RETAIN

### Create Raving Fans

Creating Raving Fans is paramount as happy customers are more likely to spend more **AND** more likely to tell their friends to purchase from your business.

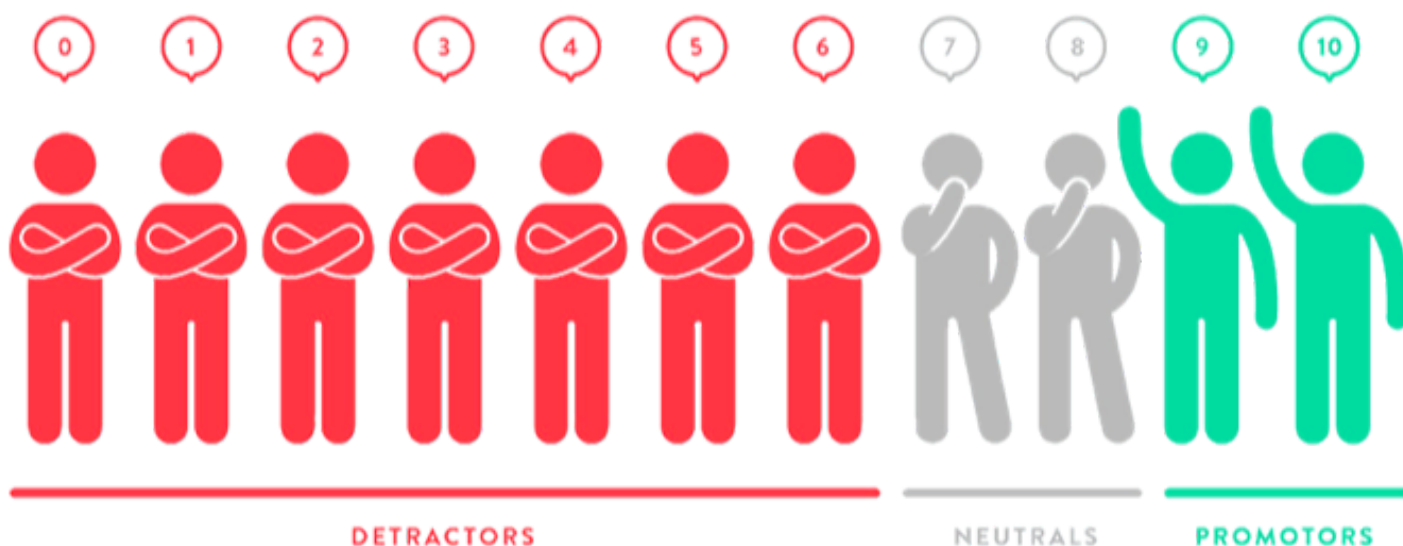
The simplest measure that has been around for a number of years is Net Promoter Score (**NPS**). This score is based off the very simple question, "how likely are you to recommend this product or service to a friend where they rate it out of one to 10 - zero being very poor and 10 being very happy".

The scoring is based on the number of detractors (which is the zeros to sixes), the percentage of promoters (which is 9 and 10s) and you subtract the percentage of the detractors from the percentage of promoters.

This gives you the Net Promoter Score. Based on product penetration or profitability, you can group your customers into four segments - friends, raving fans, hostages and strangers.

Then you can start to deliver strategies specific to each segment.

$$\text{NET PROMOTER SCORE} = \% \text{ PROMOTORS} - \% \text{ DETRACTORS}$$



The reason why NPS is important is a happy customer (Promoter) is likely to spend 2.6 times more than a satisfied customer (Neutrals). A **promoter** will recommend your business to an average of three to four people.

They are also five times more likely to purchase more goods and services, and seven times more likely to forgive you for errors. Lastly, they are, **nine times** more likely to try a new product or service they love.

So how do you encourage your customers to be **promoters**?

Moving your customers from detractors through the passives neutral stage to promoters, will help grow your business significantly.

A study by InfoQuest revealed that a client who is fully satisfied contributes 2.6 times more revenue than one who is fairly satisfied. The most successful companies know how significant the customer lifetime value is – so, they dedicate their resources to increase their CLV.

We have written a comprehensive NPS guide which you can [download here](#).

LOYALTY MATRIX



Proactively managing churn is extremely important for growth within your business, as you'll spend a lot of money to convert new leads into customers, so when you do, you need a plan to retain and keep them.

Studies have found that on average an 1% improvement in customer acquisition, results in a 3.32% increase in bottom-line revenue. Meanwhile, an 1% improvement in customer retention results in a 6.71% bottom-line improvement. That's double the return on profit.

Companies with high churn rates constantly scramble to fill a leaky bucket, focusing on increasing acquisition. When your budget is spent in this way, there's nothing left when you go to buy patches for the holes.

In other words, you'll end up stuck in a perpetual cycle of acquisition, losing customers, acquisition, losing customers....

By spending more money on retention and less on acquisition, you'll create a positive feedback loop. The customers you bring in will stay longer, meaning you spend less on bringing in new customers and more on keeping the ones you have happy.

Marketing Metrics outline that the probability of a successful sale with a new prospect is 5-20%, while the probability of a successful sale with an existing customer is 60-0%.

Which is better for your bottom line?





# 3

## THE THIRD STEP TO GREAT MARKETING

# 3. REFINE

The last R is Refine and that’s about simplifying your business.

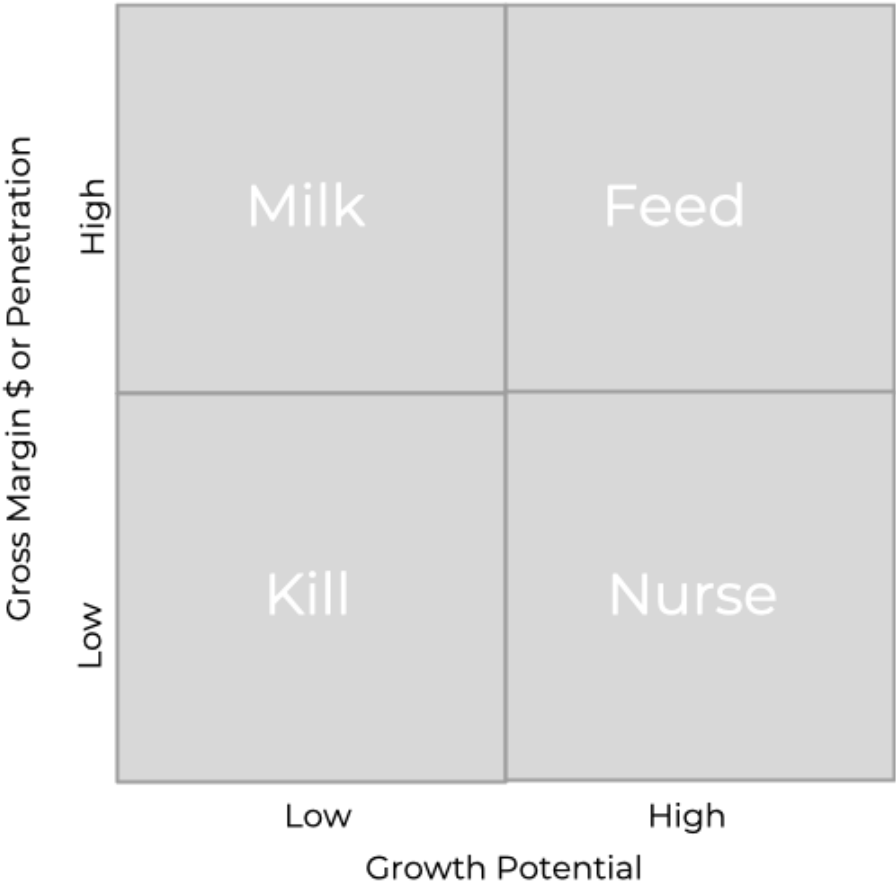
You're bound to have a number of products or services in your business that just aren't performing as well as others. It can be helpful to make a map, very similar to the BCG matrix, to see where the growth potential of your products and the gross margin (penetration) of those products sits, and you will see there are some products that you can and should eliminate. There are products that you should 'milk' and continue to sell, and other high growth opportunities that you should leverage the products that you're milking.

That way, you can feed them to grow.

There are two types of simplification in business:

- **Price and Proposition.**

You have to decide if you want to be a very simple business (from a pricing point of view) and drive cost out of the business, meaning high utility for the customer. Or do you want to incorporate proposition simplification into your business?



Price simplifying really comes down to making the product much simpler to produce and deliver, so its price is ~50% or less than the current price. By doing this, you allow your product to be available to a mass market. Some examples include fast food chains, IKEA, and dollar store's.

Some examples include Apple products, like iPads and iPhones.

By focusing on one area, either price or proposition simplification your business will be positioned to be much more competitive to others in your market,

Proposition Simplifying is reducing the **complexity of a product to make it easier to use and/or more useful.**

This process is not always easy, but it will be well worth the effort because it will lead to your marketing strategy to be more efficient and effective.

This leads to increased ease and therefore satisfaction of use, and builds a customer base who are willing to pay a premium price in exchange for that valuable product.

You have hidden profits from your existing customers sitting in your business today, and you can unlock those hidden profits by implementing this R<sup>3</sup> Framework.

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**Great companies understand their business success is directly linked to their customer success.**

- Kursten Shalfoon





## **Repeat**

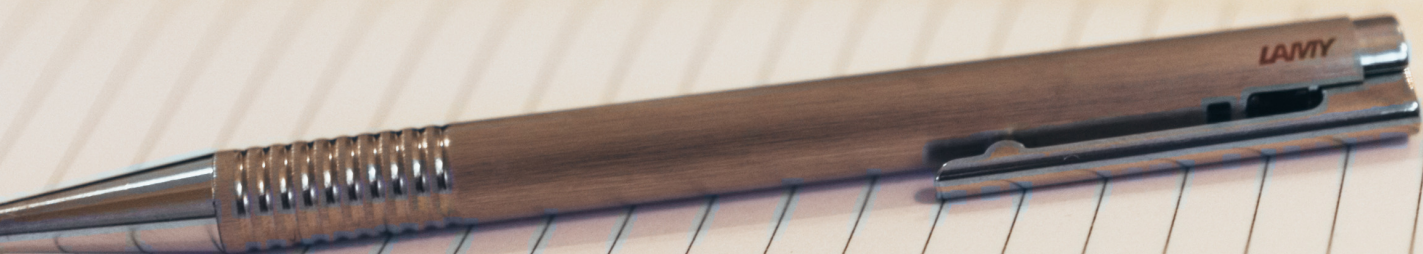
Increase sales frequency and basket size to existing customers

## **Retain**

Create raving fans and drive referrals

## **Refine**

Simplify your products/service and service delivery





# NEXT STEPS

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# GOLDEN RULES

- 
- 01** Your customers are your most important asset in your business treat them like it.
  - 02** You need to understand the customer lifetime value of your customers so you know how much you can invest in them.
  - 03** Have structured plans to upsell and cross sell to your customers and move them up the value ladder.
  - 04** Your customers will tell you what's wrong with your business if you ask them, so ask them.
  - 05** To manage churn you need to understand why your customers are leaving, once you learn why, you can fix it.
  - 06** Do something with customer feedback.
  - 07** 80% of your profit comes from 20% of your customers.
  - 08** 64% of your profit comes from 16% of your customers - know, understand and love them.
  - 09** Segment your base deliver personalised experiences and offers.
  - 10** You will be trying to do too much - simplify your offering.



# WHAT'S NEXT?

## What results can you expect by implementing these strategies?

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You will get a simplified business. You will get increased customer profit. And you'll have more satisfied customers. Most importantly, your marketing will start to work and will start to deliver profit. You will discover where your money is being spent effectively, as well as areas that you can refine and restructure your marketing spend. You will get the business you know you deserve.

## How is your business doing?

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knowing where to find your Hidden Customer Profits is the key to unlocking them. I have written a complementary eBook that has a checklist of the 10 Keys to Unlocking these profits. You can see what your business capability is and where you need to focus your efforts. You can download the eBook [here](#).

## What can you do moving forward?

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Start to implement and better understand your business' product penetration. Start to understand what your customers are currently thinking and how you can turn them into raving fans. Finally, you need to understand the product restoration matrix, and start to remove some of your most ineffective products and services.

The good news is, my business can help with all of these steps.

If you want to fast track implementing the 3R framework, I can help you understand how to apply these principles to your business. You don't need to reinvent the wheel as we can help you implement the R3 steps and start taking some of the money off the table.

[Click here for a free 45 Minute Strategy Session](#)

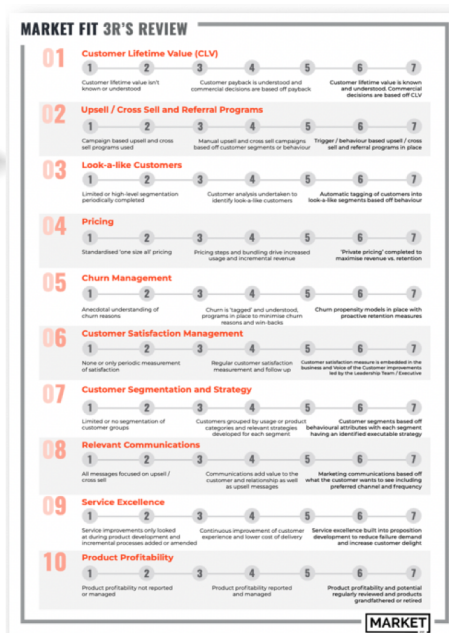
**WWW.MARKETFIT.CO**



# 10 KEYS TO UNLOCK CUSTOMER PROFITS

You have hidden customer profits within your business. Knowing where to find them is the key to unlocking them.

This companion ebook and checklist will tell you exactly where they are. Click below to download your free copy



# TESTIMONIALS



AMP hired Kursten to develop our customer value proposition, we needed was an expert friend. I really appreciated the speed at which we were able to work, we didn't spend a lot of time talking about things we already knew or that we agreed on. With the team, Kursten were very present and visible. Finally, you not only delivered the outcome we needed but were able to coach the team so when you did leave, AMP has an ability to tackle it again.

**Anna Livesey**

Head of KiwiSaver, AMP



Digital Island have ambitious plans to accelerate revenue and customer growth. We have recently been investigating how to grow multiple new sales channels and concentrate in the areas that will provide the biggest return. Kursten and his team helped us to evolve our strategic thinking and identified gaps in our approach. By better understanding our business priorities we have implemented a number of initiatives that are propelling our growth. If you are looking for a partner to help you boost your business potential I would thoroughly recommend Kursten and Market Fit.

**Leon Sheehan**

GM , Digital Island



Kursten has played a vital role in not only helping us understand how to attract the right customers, but secure long-term contracts that are meaningful for both parties.

**Craig Steel**

Principle, Steel Performance Solutions





# TESTIMONIALS



When I first took over my role at ACG Education, leading the marketing and sales functions across a diverse set of educational businesses, I had to bring a number of different teams together with a re-defined strategy, operational model and complete overhaul of the way our teams worked to be agile and nimble and achieve our goals. Kursten helped me define what capability and team we needed, and helped me kick start some key projects that would set up the foundation for our marketing going forward. Kursten was invaluable in providing resources and recommendations for key specialists that became critical to the success of the key transformation project. His team of highly specialised experts are professional, knowledgeable and easy to speak to (no jargon with his team). More importantly, Kursten was always available for a quick chat to bounce ideas off which I found invaluable.

**Ana Maria Rivera**

CMO, ACG Group



Kursten's coaching helped me focus on where I could achieve the greatest leverage for my business. The result has been my monthly revenue has grown by 63% in twelve months and is on track to grow by another 50% in the next twelve. That's a game changer. Kursten challenged me from the very start of my journey, providing mentoring where it was welcomed and coaching where it was required. His simple strategies and techniques for dealing with problems helped me cut through the noise and fast-tracked business growth. What I particularly enjoy about working with Kursten is his level of commitment to acquiring a deep level of understanding of my business, which means he's able to tailor his coaching and support to the to each specific problem I face. And his commitment and energy inspires me to match it. Best of all, he's always first to pick up the phone to celebrate wins.

**Jarrod Bennett**

Director, Luminate Limited





# UNLOCKING HIDDEN CUSTOMER PROFITS

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