

Customer Lifetime Value:

Repeat Business is Your Path to Profitability

Abstract

Many industrial B2B companies don't understand their customer lifetime value (CLV) or why it's important. This paper will discuss how to find your organization's CLV, why it matters, and the various steps you can take to improve it. A better CLV means a better relationship with your customers and increased profitability and growth for your company.

CLV can vary based on customer type and segment, and knowing these details helps you focus your resources on your most profitable customers. Many B2B industrial companies struggle with CLV because they don't focus on customer service and maintaining consistent communication with their customers. Solving these problems and taking other steps to improve your CLV is essential for success.

Introduction

As a manufacturer or industrial company, you know that you need customers to buy from you more than once. One purchase is great, but once someone has committed to your products, you want them to move forward with additional purchases.

How can you make that happen? A lot of the answer has to do with understanding customer lifetime value (CLV) and how you can encourage repeat business to improve this vital performance indicator.

What Is Customer Lifetime Value (CLV)?

Although it's hard to believe, a recent study found that [only 34% of marketers](#) were completely aware of CLV and what it meant for an organization. Only 24% felt that their company was monitoring this vital metric effectively.

Customer Lifetime Value represents a customer's value to your business over a period of time. You can find it easily — multiply the average annual profit from a customer by the average retention period.

Your CLV can vary significantly from one type of customer to another, so don't be afraid to break this key performance indicator (KPI) down into various segments. It will be eye-opening to see where your CLV is doing well and where you need to focus on improving it.

Why Does CLV Matter?

The importance of customer lifetime value goes well beyond a dollar figure. Your current CLV will tell you how much you can afford to spend on acquiring a new customer, for instance, and still be profitable.

You can also segment your customer base so that you know which customers are most profitable. Those valuable customers can be treated with an even higher customer service level than you usually provide. You can send special thank yous to them, and you can use this information to help you find additional high-value customers.

Finally, CLV is an integral part of your KPI targets and goals. When you can increase the value of all your customers or bring in new high-CLV customers while letting others go, you can improve your overall profitability.

Common Problems With CLV in the Manufacturing Industry

What are some of the problems manufacturers and industrial companies face when improving their customer lifetime value?

A Focus on Acquiring New Customers

The first is that they don't understand how important it is to measure, manage, and maximize customer lifetime value.

Acquiring a new customer can cost **five times more** than getting another purchase from an existing customer. The success rate of closing a sale with an existing customer is between 60% - 70%, whereas the chances of closing a new deal are generally under 20%.

How much money has your organization wasted focusing on new customers instead of getting repeat business?

A Poor Customer Service Process

Unfortunately, not everyone who works with customers in your organization also follows up with excellent customer service. That means that clients might not understand how to highlight the best parts of the product to their customers or might not know where to turn with questions.

The key is to build a robust customer support process that recognizes the relationship isn't over after a sale — it's just begun.

Start to measure things like the net promoter score (NPS) and customer satisfaction score (CSAT) for each customer. Find ways to improve customer service from the moment the sale closes and encourage repeat buys throughout the relationship.

By considering yourself a partner rather than just a supplier, you can build a much stronger relationship with your clients.

A Lack of Customer Engagement After a Sale

How often does your salesperson communicate with customers after a sale? If the answer is “never,” or “when they call us,” or “when we want another sale,” you have your work cut out for you.

No relationship does well when it's taken for granted or left without communication. From the onboarding process onward, make sure there are a lot of touchpoints with your clients. Ask how they're doing with the new product and offer helpful tips to maximize effectiveness.

You can use an ongoing customer education campaign to engage clients after the sale and maintain the relationship. Liferay's content management capabilities can be leveraged as an excellent tool. You can link product datasheets, articles, and user guides to product pages, allowing your clients to fully understand and market the products to their customers.

If an item has assembly required or is complex, our content management system also allows you to add an exploded product view with mapping to individual parts.

Your education and engagement can include not only helpful tips about how your customers can delight their customers as well.

When you're a valuable source of information and even inspiration, your customers will be much more likely to make additional purchases from you and maintain high NPS and CSAT scores.

How To Improve Repeat Business and Build CLV

Addressing common roadblocks is the first step to getting repeat customers. What other strategies are effective?

Make Your Onboarding Process Simple and Intuitive

A poor customer experience during onboarding can account for as much as [53% of your churn rate](#). That's why you need to make this first taste of your company as sweet as possible.

Ensure that there's plenty of support while equipment is shipped, installed, and tested. You can offer tutorials, live chat, and more that are specific to the onboarding process.

Make sure your sales representatives follow up with customers in the first month and ensure they are doing well with the new equipment. Creating a strong relationship upfront is a significant way to build your CLV.

Create a Robust Customer Self-Service Portal

Many times, a customer doesn't want to call you, wait on hold, and get transferred to ask a question. A quick answer they can find [in a self-service portal](#) is much better. Empowering customers to solve their own problems is essential.

You can create help centers, a list of frequently asked questions, and even build chatbots to work through common problems. This not only speeds up the process of getting the correct answer but also helps your customer support team get fewer calls and emails over simple issues.

Focus on E-Commerce Solutions

Business-to-business interactions have had salespeople involved for decades. However, today's marketplace demands more efficient solutions.

Having an [e-commerce platform](#) allows new customers to discover your entire catalog and search for what they need. It also makes it simple for customers to find complementary products and make additional purchases while improving the profitability of each buy.

For instance, the Liferay platform includes a host of features that can transform how you do business. Information sharing is simpler — you can collaborate and offer product expertise without picking up the phone.

With the right e-commerce platform, you can create a multi-catalog model so that you can serve each segment of your customer base seamlessly. Buyers can create an account or make a purchase without one. Product comparison pages can show detailed information, and you can make personalized recommendations based on what similar customers purchased.

You can also make it easy to request customization, such as engraving or embroidery, and automatically generate SKUs for each new product variant.

The more efficient a sales process is, the better your bottom line will be. You can't afford not to have an easy-to-use online ordering system.

Review Your Processes Regularly

It's common for companies to get excited about new initiatives to improve CLV, but then the enthusiasm fades — along with support for the changes.

Schedule twice-a-year reviews of your onboarding and customer service processes to ensure that your focus on customers (and, by extension, profits) stays strong.

Review your customer analytics frequently as well. Are your best customers this year the same segment as it was last year? If not, you can update your offerings to better serve your new focus demographic.

The ability to shift quickly to changes in the marketplace makes you nimble and allows you to maximize your profitability.

Ask Your Customers How You Can Do Better

All the advice you get from outside sources can make a big difference in your customer service results and your CLV, but nothing will match hearing directly from your customers.

Using customer satisfaction surveys and other follow-up methods will allow you to ask clients how they felt during onboarding, what they think of your service portal, and what problems they have encountered. Analyze this information and act on it.

An ongoing relationship with your customers is the foundation of being able to upsell and cross-sell additional products. The more you know about what they want, the better you can personalize the relationship and the longer you can retain them.

How Is Your CLV Today?

You might know your CLV, or you might never have measured it. Regardless, these tips will allow you to understand and improve your relationship with your customers. High NPS and CSAT scores will let you know that you're doing a great job.

If you're looking for great ways to implement the solutions discussed above, we're here to help. Through easy-to-use business platforms, you can offer your customers a streamlined customer service experience.

[Contact us](#) to learn more!



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