Chapter 1

The Fundamentals of Business Growth: Your AMR Strategy

Strategically, the primary purpose of a business is to Acquire, Maximize, and Retain the right customers. Everything that contributes to this is an investment; anything which doesn't, is a cost!

Because *Built to Grow* is focused on how to deliver accelerated, sustained, and profitable growth in your business, it makes perfect sense to launch straight into the fundamentals of business growth . . . and your AMR strategy. In this chapter, we're going to peel back the layers of the onion, get to the root of business growth and, using simple, practical ideas, give you insight into how you can deliver consistent, repeatable, predictable results in your business.

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The First BIG Idea

Strategically, the primary purpose of a business is to Acquire, Maximize, and Retain the right customers. Everything that contributes to this is an investment; anything which doesn't, is a cost. Which activities in your business are an investment, and which are a cost?

Without customers, businesses don't exist. That's a simple fact which no business owner can dispute. The challenge is that most business owners, business leaders, and entrepreneurs over-engineer their business growth model, making it more complex than it needs to be. They introduce layers of management that stifle and delay decision-making. They create unnecessary systems, processes, and procedures that dilute the focus of their people from doing what they do best: Acquiring, Maximizing, and Retaining customers. Then they wonder why they're not delivering market or industry leading performance and growth!

You see, regardless of your industry, sector, business type, or whether you're in a B2B or B2C environment, there is a formula for success in delivering accelerated, sustained and profitable business growth. However, most business leaders, business owners, and entrepreneurs are either not aware of the success formula and its fundamental principles, or are simply not following it. I'm going to walk you through the success formula and detail the precise steps to personalize and apply it to your business.

Remember our first BIG idea:

> *Strategically, the primary purpose of a business is to Acquire, Maximize, and Retain the right customers. Everything that contributes to this is an investment; anything which doesn't, is a cost.*

Let me break this into a couple of component parts:

1. 'Strategically, the primary purpose of a business . . .'

   Note the key word here is *strategically*. Over the years, customers and delegates have challenged me by saying 'Royston, isn't the primary purpose of a business to fulfil a customer need?' My answer to this question is always: 'Yes, you are 100% right'. However, in the context of your business growth formula, this is a given. Here we are focused on your business growth not your business essence.

   My focus is to help you build a business with the potential to deliver sustained growth, and therefore it is important to deepen your understanding of the fundamental principles of business growth and the levers you can pull in your business to achieve it.

2. '. . . Acquire, Maximize, and Retain the right customers'

   This statement contains the core principles, the hub of your business growth formula. Attract, Maximize, and Retain are three key words, which together form your AMR strategy. Lock those three letters firmly in your mind, as they are going to be a thread that runs throughout this book.

Your AMR Strategy

During good economic times, new business was probably easier to come by, and it didn't really matter if you lost a customer, because there was always another waiting in the wings. However, in a competitive market where multiple providers are chasing the same customers, and those customers are more demanding than ever, a structured, systematic, and sustainable business growth strategy is more important than ever.

Now, you may say *'but what about reducing costs, surely that will increase my profits and therefore help me grow my business?'* Again, this is true, but what I want you to focus on is unlocking the untapped potential of unlimited growth. Reducing costs is finite; you can only ever cut back so far before arriving at a base cost to serve and deliver your customer proposition. It's never a long-term strategy for sustained growth.

Buying other businesses can be another way of driving growth, but with that comes additional cost and usually a significant amount of change to manage.

What I'm focused on is accelerated, sustained and profitable organic, year-on-year growth underpinned by your AMR strategy and the answers to the Four BIG questions. All of which add breadth and depth to the business growth formula.

The Four BIG questions:

1. How do you increase the number of customers?
2. How do you increase the average order value?

3. How do you increase the average order frequency?
4. How do you increase the retention of customers?

The first question addresses the 'A' of your AMR strategy, questions two and three the 'M', and finally question four the 'R'. Which question do you think most businesses focus their time, effort and resources on? It's the first – increasing the number of customers.

While this is certainly key for business growth, the amount of time you should focus on new customer acquisitions isn't the same for all businesses. The maturity of your business and the size of your existing customer base, when aligned to your growth ambition, will determine how much focus you need to place on the 'A' part of AMR.

Having worked with tens of thousands of businesses of all different shapes and sizes, experience tells me that most businesses spend too much time on this question altogether. Only a select few businesses have a business growth strategy that integrates all four questions aligned to an overarching AMR strategy and a deep-rooted understanding of the customer lifecycle.

I always remember reading this headline in a UK business newspaper:

'A million customers come back to energy provider.'

Now, the challenge I have with this headline is: why did they lose a million customers in the first place?

Let me share a compelling story that may suggest they lost those customers because they were looking in all the wrong places. Perhaps the same is true for you.

There's a story called *Acres of Diamonds* by Russell H. Conwell which describes a Persian man named Al Hafed who lived many years ago and was very contented with his life as the owner of a large farm with orchards, grain fields, and gardens. One evening, however, his world is turned upside down when a Buddhist priest stops by to warm himself by the fire and begins to talk about how the world was made. He concludes his story with a description of diamonds, the rarest gems of all. The old priest tells Al Hafed that if he had a handful of diamonds he could purchase a whole country, and with a mine of diamonds he could place his children upon thrones through the influence of their great wealth.

That night, Al Hafed went to bed feeling poor despite all that he had, because he didn't have a diamond mine. Finally, early in the morning, he woke the priest and asked him: 'Will you tell me where I can find diamonds?'

The priest said, 'Diamonds? What do you want with diamonds?'

'I want to be immensely rich,' said Al Hafed, 'but I don't know where to go.'

'Well,' said the priest, 'if you will find a river that runs over white sand between high mountains, in those sands you will always see diamonds.'

So Al Hafed sold his farm, collected his money, asked a neighbour to look after his family, and went off in search of the river on white sands. For years, he wandered, spending every penny he had, until eventually, frail, hungry, and reduced to rags, he gave in to his despair and threw himself into the sea, never to be seen again.

But that's not the whole story. Shortly after he bought the farm from Al Hafed, the new owner led his camel out to the garden to drink one day, and as the camel put its nose down into the water, he noticed a glint of something shiny. Realizing that the object sparkling in the river that ran over white sands through the back garden of the farm was a diamond, the farmer began to dig for them and so were discovered some of the greatest diamond mines in the world, making the farmer wealthy beyond his wildest dreams.

Al Hafed had never seen them because he had never looked in his own back garden. Had he looked more closely at what was right in front of him, and not been distracted by what he thought would be better elsewhere, he wouldn't have suffered poverty and starvation, but enjoyed acres upon acres of diamonds.

There is a danger for every business owner, business leader, and entrepreneur of obsessing about finding new customers, all the while failing to notice the 'acres of diamonds' – the customers we've already invested the time, effort, and money to acquire.

Business growth is about acquiring the right customers through the front door of your business, and building a compelling value proposition that fulfils their needs and wants. It's about delivering your products and services through an exceptional customer experience and maximizing the value and worth of each customer.

And finally, because of the great value and experience you deliver, it's about keeping the back door of your business firmly shut by giving customers good reasons to stay with you for the long term, thus driving your retention strategy.

Your Business Growth Formula: How the Numbers Work

So let's look at how AMR works in practice and why AMR working in unison is how successful businesses deliver accelerated, sustained, and profitable business growth.

In Table 1.1, you can see the turnover/revenue effect of the 'A' and the two 'M's: 100 customers, each of whom spends £100 per year and buys from you twice. A quick calculation shows that you'll have £20,000 per year in revenue.

Now, let's do what most companies do and only look at acquiring new customers. A sound idea, but one that, as we've already demonstrated, is not a true growth strategy alone.

In Table 1.2 look at the second line and you'll see that a 10% increase in customers, without any change to the other two variables, leads to a 10% increase in revenue. Increase one of the variables and you get a linear, incremental revenue uplift.

Table 1.1 The turnover/revenue effect

Number of Customers (A)	Average order value (M)	Average order frequency (M)	Turnover/ Revenue
100	£100	2	£20,000

Table 1.2 The turnover/revenue effect; increasing the number of customers

Number of Customers (A)	Average order value (M)	Average order frequency (M)	Turnover/ Revenue
100	£100	2	£20,000
110	£100	2	£22,000

Table 1.3 The turnover/revenue effect; increasing the number of customers, average order value, and frequency

Number of Customers (A)	Average order value (M)	Average order frequency (M)	Turnover/ Revenue
100	£100	2	£20,000
110	£100	2	£22,000
110	£110	2.2	£26,620

Business growth really starts to become fun when you focus on all three variables of your AMR strategy at the same time. In the third line of Table 1.3, we've increased all three variables by 10%, and you can see how the uplift in growth is totally different.

If you focus on one variable, you get 10% growth. Work all three variables at the same time and you get 33.1% uplift!

Small changes make a BIG difference

You see, the fundamentals of business growth are not complicated. When you have an AMR strategy, underpinned by the Four BIG questions and you work all variables of the formula at the same time, you don't just achieve linear growth. The multiplying effect of the variables working together gives you exponential business growth – hence the 33.1% uplift through just a 10% increase in each of the three variables.

In Table 1.4 you'll see a more realistic picture of differential uplift across all three variables: 23% growth in customers, 16% in order value, and 5% in order frequency. The impact on your turnover/ revenue is nearly a 50% uplift!

Table 1.4 The turnover/revenue effect; increasing the number of customers, average order value, and frequency

Number of Customers (A)	Average order value (M)	Average order frequency (M)	Turnover/ Revenue
100	£100	2	£20,000
110	£100	2	£22,000
110	£110	2.2	£26,620
123	£116	2.1	£29,962

The Profit Impact

This business growth formula is not just a model to drive top line revenue growth. It's no good getting to the end of a financial year to discover you've made no profit. Taking two of our examples, let's work the formula to understand what impact driving the top line in the right way can have on the bottom line profit.

In Table 1.5, Example 1 illustrates £20,000 turnover/revenue, assumed fixed costs of £9,000, and variable costs of another £9,000. Profits therefore equate to £2,000.

In Example 2 in Table 1.5, the turnover/revenue line of £26,620 was created through increasing each of the three variables: number of customers (A), average order value (M), and average order frequency (M) by 10% (as demonstrated in Table 1.3). Now, it is prudent to factor in a slight increase in our variable costs in order to manufacture or deliver the increase in product or services as a result of the 10% uplift. However, as we're only talking about a relatively small increase of 10% across the variables, let's assume no impact on our fixed costs. Look at what happens to our profits. A 231% uplift! Now that is the business growth formula in action.

We still have one final BIG question to consider, the 'R' in our AMR strategy: How do you increase the retention of customers? If you keep your customers for a second year, you can earn a second year's spend (remember in our first example, Table 1.1, 100 customers spent an average of £100 twice per year for an annualized revenue of £20,000).

Table 1.5 The turnover/revenue effect; impact to bottom line profit

Factors	Example 1	Example 2
Turnover/Revenue	£20,000	£26,620
Fixed Costs	£9,000	£9,000
Variable Costs	£9,000	£11,000
Profit	£2,000	£6,620
Profit increase %		231%

Imagine if you retained all 100 customers for five years . . . that would equate to £100,000 of locked-in revenue. This is a dynamic I refer to as Lifetime Value (LTV) and it's the essence of our 'R'. Let's look at how this works in real life.

Lifetime Value (LTV)

What is the lifetime value of a customer in your business? Understanding this is fundamental in creating your sustained business growth model. Let's use a real world scenario, in order to bring this to life: your weekly grocery shop.

An average family of four living in the UK will probably visit the supermarket at least once a week for their main family shop and let's say spend on average of £100 each time. During any average year, they'll probably go on holiday for two weeks, so if we factor this into the model, we can predict they will visit their local supermarket 50 times per year. That makes the average value per year £5,000 (50 times x £100 average spend).

But that's not even close to being their lifetime value. If they are a regular shopper over five years, the LTV to that supermarket is £25,000 from all those £100 trips (50 times per year x £100 average spend x 5 years). Retaining a customer suddenly becomes a very valuable thing to do.

This information becomes a fundamental piece of a very important puzzle: how much to spend on customer acquisition. If you know how much a customer is going to be worth to you over their lifetime, their LTV, you can calculate how much you're prepared to spend to acquire them. Without this insight, you're acquiring new customers blind, adding more pressure to your business model, particularly if you're overwhelmingly 'A' focused.

It also enables us to gain some important perspective. If you lose a customer, you don't forfeit someone who could earn you £100 next week, but someone who could earn you £25,000 over the next five years! Culturally, that is a different way of thinking and certainly should propel you to focus on the importance of retaining customers.

Applying this to your business

What is a customer worth to your business? Not just during year one, but over their lifetime . . . what's their LTV? Be careful not to just calculate the turnover or revenue figure, think about what they are worth in terms of profitability. After all, as we've demonstrated, that's the real measure of success of the business growth formula in action.

Cost to acquire customers

It's amazing when you actually calculate the real lifetime value of a customer, how it changes your priorities. With this clear focus, you can calculate what you are prepared to spend on sales and marketing to acquire new customers. Let's look at some well-known companies to help crystallize our thinking:

Gillette and other leading shaver brands charge a premium for refill razor blades. However, the first purchase you make, the razor itself, is comparatively cheap. They're prepared to sacrifice the initial profits on the first purchase, knowing they will recover them with each successive purchase. Hence during a new campaign launch, a new razor will be heavily discounted by as much as 50%. Of course, all the additional 'back end' products – shaving foam, face wash, moisturizer – are the add-ons focused on maximizing the customer LTV.

Inkjet printer manufacturers adopt the same approach. You buy a printer for virtually nothing, in comparison to what it can do for you, but to keep it running you have to purchase ink refills, which have been calculated as the most expensive liquid on Earth – more than premium vintage champagne!

Websites that offer a premium product, such as LinkedIn Premium, will often allow users to enjoy a month or two for free in order to get you hooked. They make up the cost of those two free months over the next 24 months or even over an open-ended contract with no fixed termination date.

Gyms do the same thing: they'll offer you the first month for free, on the signing of a contract, because over the LTV of that contract, they have factored in the profit margins they require.

In the last two examples, there are usually cancellation clauses, which enable you to stop your contract before your first payment. Of course this is a risk providers face. However, they rely on the laws of probability, in that far more people will activate their contract after their first free month than will cancel, so the majority of projected revenue isn't at risk.

These acquisition strategies work because the business understands the LTV of its customer; they are therefore able to offset a higher cost of acquisition.

Understanding your customer cost to serve

Another consideration, once you have acquired customers, is how much does it cost to serve them?

Nowadays, many businesses use multiple channels to promote and sell their products (i.e. online, face-to-face, or through a contact centre), so perhaps a more pointed question should be: what does it cost to serve your customers *by channel*? The competitive and challenging business landscape has definitely focused the minds of business professionals to interrogate their cost base and understand the cost/profitability of customers more than ever.

This topic could be the focus of a whole book in itself. However, for now, we'll focus on two key drivers of analysing cost to serve: advancements in technology and the changing demand and sophistication of the customer.

It's no big surprise that there has been phenomenal growth in web-based businesses such as Amazon, CompareTheMarket.com, ASOS, and Play.com. This e-business model gives the consumer complete control over when and where they choose to shop. For the business, it can deliver a leading edge 'cost to serve' business model centred on automation, therefore reducing people, bricks and mortar, and infrastructure costs.

A traditional business model may need a rethink, particularly if there is an expensive face-to-face component. A high people head-count and a network of real estate might be critical components of the proposition, yet they drive up the cost to serve. Without an in-depth understanding of cost to serve and conscious decision-making in relation to LTV, AMR, and the Four BIG questions, many business growth models are fundamentally flawed.

The principles of business growth are certainly not complex, and you shouldn't over-engineer them. To help you on your journey of tailoring the business growth formula to your business here are two case studies which apply the AMR formula and are reaping the benefits through accelerated, sustained and profitable business growth.

AMR in Action

Case study 1: McDonald's

When you think of AMR in action, there's a good chance that McDonald's comes to mind because of one simple, yet powerful question: *do you want fries with that?* That simple question is symbolic of McDonald's mastery of customer maximization, but let's be honest, the company delivers in outstanding fashion across the entire spectrum of AMR.

From a modest start at the beginning of the 1950s, McDonald's today operates more than 36,500 restaurants in 118 countries, and employs 420,000 people who serve more than 68 million customers every day. At the time of writing, McDonald's had also increased shareholder dividends for 25 consecutive years, making it one of the S&P 500 Dividend Aristocrats. Let's look at how it applies AMR and the Four BIG questions to great effect.

Acquisition

How does McDonald's increase the number of customers?

McDonald's clearly understands the value of high frequency locations. You're never more than a few miles from one in any major urban area. They have outlets in airports, train stations, motorway service stations and, in many instances, they build on their convenient locations by adding a drive-thru component so customers don't even have to get out of their vehicles. Once inside a McDonald's restaurant, the look and feel is consistent so that customers know how it works and what they can order without fuss. In recent years McDonald's has also been inventive in the way it appeals to different demographic audiences, modifying its opening times so that restaurants can serve early morning audiences for breakfast and late night audiences for dinner, with many outlets operating 24 hours a day.

In recognition of the challenge from 'coffee shop' competitors such as Starbucks, McDonald's has adapted its offering to include the McCafé concept with quality coffee and coffee shop-style food, pastries, and doughnuts. It has also expanded its appeal to a day-time business audience by offering free Wi-Fi and through the design of the restaurant interior. McDonald's attempts to meet the needs of families, children, and adults with birthday parties, Happy Meals, and in-built play zones.

Maximization

How does McDonald's increase the average order value?

The question referenced earlier, 'do you want fries with that?', is the most fundamental factor in how McDonald's achieves maximization. Customers are encouraged, with very great success, to add products, and increase the size of those products, through clever product bundling, Happy Meal, Big Mac Meal, etc.

When fast food businesses came under scrutiny a few years ago, for the perceived unhealthy quality of their food, McDonald's responded by adding healthier options, such as salads, to its menu, maximizing the options available to customers.

How does McDonald's increase the average order frequency?

Increasing the average order frequency leverages the strategies played out in our two previous questions: how to increase the number of customers, and how to increase their order value: maximum convenience of location, diverse menu, product bundles, auxiliary services – Wi-Fi, birthday parties, play zones. Whilst there may be a finite number of visits any one person could make to a McDonald's in a week or month, the key is ensuring it's your business they visit when they crave what you offer.

Retention

How does McDonald's increase the retention of customers?

The biggest retention strategy McDonald's has mastered is the relentless pursuit of consistency. Though there may be nuances to its menus around the world – in Japan there is a Teriyaki Mac Burger, in Germany a three bratwurst McNürnburger, and in Russia you can order a side of breaded shrimp instead of fries – McDonald's customers will be able to find their favourites wherever they are.

Added to this, many McDonald's customers experienced the brand first as a child following a visit with family, the taste of a Happy Meal, the celebration of a children's birthday party, and have remained customers into adulthood. McDonald's sustained business growth is not an accident, but a strategy honed, polished, and designed with deliberate intent.

Case study 2: LEGO®

LEGO® is universally recognized both for its products and for its brand and offers another masterful example of how to deliver accelerated, sustained, and profitable business growth through an effective AMR strategy. The perception of LEGO® in most people's minds is high quality, innovation, and lots and lots of fun. However, it hasn't always been that way for this privately held Danish company that was founded in 1932.

In 2003, Jørgen Vig Knudstorp, today the company's CEO, noted the precarious state of this company that had diversified too much (remember LEGO® wristwatches) and lost its way, describing it as '. . . a burning platform, losing money with negative cash flow and a real risk of debt default which could lead to a break up of the company'.

Fast forward to 2014, and the company posted record results of $4.5 billion in revenue, with an enviable operating margin of 33% before tax, making it the second largest toymaker in the world, second only to Mattel. So what did LEGO® do to turn things around? Well, among the changes were new financial and manufacturing processes, which gave it the control it had begun to lack. While it fixed its operational base, however, it turned to deep analysis of its AMR strategy and the Four BIG questions.

Acquisition

How does LEGO® *increase the number of customers?*

LEGO®, using its core product, the LEGO® brick, attracts new customers through its product range and bundling, its brand endorsements, and the LEGO® experience. LEGO® aims to satisfy the needs of its customers irrespective of their stage of life. They have the human lifecycle, early childhood to late adulthood, catered for.

They have a very clear segmented target market, with specific product strategies for each segment: from simple DUPLO block sets for young children, to the Ultimate Collectors Millennium Falcon from *Star Wars*, which contained 5,197 pieces. Special edition sets, developed around movie franchises with big fan bases, like *Star Wars* and *Harry Potter* for adults of all ages, and *Bob the Builder* DUPLO sets for young children.

Maximization

How does LEGO® *increase the average order value?*

LEGO®'s maximization strategy has been one of the most compelling of any company in history. The tie-ins discussed under Acquisition with the biggest movie franchises have enabled it to develop hundreds of premium-priced themed products with a defined end result: they make something specific as opposed to being open-ended. Those sets are designed to complement one another for example, *Star Wars* fans will purchase several of them in order to create a collection.

How does LEGO® *increase the average order frequency?*

By tying in to movie franchises, LEGO® has evolved a clever strategy because just as fans eagerly await the next instalment in the *Star Wars* series, there will be a brand new range of products to buy. Currently, *Star Wars* fans have more than 400 to choose from, ranging from those with as few as 25 pieces to those with thousands. As the franchises expand, LEGO® creates a fresh desire for its brick sets on a constant basis.

Its successful association with movie tie-ins has led in the past decade to the LEGO® movies, in which both the LEGO® bricks and the iconic LEGO® characters with their claw-like hands, are the heroes. Not only are the movies entertaining to the kids that watch them, they present a whole world of new ideas about how to play with LEGO®, new scenarios to create and, of course, which new kits are required purchases if the kids in the audience are to have the most possible fun with their LEGO®.

Added to that are the seven LEGOLAND® theme parks in Denmark, UK, California, Germany, Florida, Malaysia, and Dubai (three more are planned for Korea, Japan, and China), which represent a great marketing opportunity for sales of LEGO® bricks.

Retention

How does LEGO® *increase the retention of customers?*

By aggregating the Acquisition and Maximization components of LEGO®'s AMR strategy, it has developed an impenetrable Retention capability, constantly bringing customers back for a repeat purchase.

To boost that, Knudstorp's focus on retention led the company to turn its attention to greater customer interaction through focus groups, as it develops new products, and interestingly, a deeper interaction with what it calls AFOLs, the Adult Fans of LEGO®. As a result, customers are more involved in product development than ever before.

LEGO® has also embraced the use of technology, to make it easy for customers to buy again. Internet sales through LEGO® Direct enable customers to make purchasing decisions when and where they want, and buy new products quickly.

The LEGO® numbers speak for themselves:

- LEGO® products are on sale in **130** countries
- The LEGO® club has approximately **4.7 million** members
- There are currently **7** LEGOLAND® Resorts worldwide
- On average every person on earth owns **86** LEGO® bricks
- **10** LEGO® sets are sold each second. During the Christmas season **34** sets are sold each second

- Laid end to end, the number of LEGO® bricks sold in 2012 would reach more than **18** times round the world
- **2.5 million** LEGO® DUPLO elements are moulded daily at the factory in Hungary
- Over the years **650 billion** LEGO® elements have been manufactured
- If you built a column of about **40 billion** LEGO® bricks, it would reach the moon
- In 2012 approximately **22 billion** LEGO® elements were made at the factory in Denmark; equivalent to approximately **2.5 million** elements an hour
- In 2012 approximately **400 million** mini figures were produced. If you put them next to each other in a line, it would stretch approximately **10,000km** – equivalent to the distance from Denmark to Singapore
- **45 billion** elements: the number the LEGO® group achieved in global production
- **457.7 million** dollars taken at the worldwide box office for *The* LEGO® *Movie*
- **110.5 million** dollars raised from domestic video sales of *The* LEGO® *Movie*.

In an ever-changing world LEGO® has maintained its relevance not only to survive but also to thrive as one of the most popular toys of all time.

Making this real for your business: Is it AMR or RMA?

Now, one other interesting dynamic I would like you to think about is that AMR can be approached from two very different perspectives, depending on the maturity of your business.

If you're in the early stages of your business lifecycle, then your focus might be weighted towards AMR and acquiring new customers. If this is the case, then great. Just make sure from day one that you have strategies in play to maximize and retain the customers you bring in and don't fall into the trap of becoming stuck in the acquisition stage. You will never build a high performing sustained business by just being focused on the 'A'. What you bring in through the front door will only compensate for what you're losing out the back door if you're not looking after your existing customers and realizing the value they can bring to you.

If your business is more mature, it might serve you to turn AMR on its head. Start with retention, run an audit of how well you're doing in maximization and finally, aligned to your business growth ambitions, make up any shortfall in retention and maximization through targeted acquisition activity.

The great thing about your AMR strategy is that it is agile, designed and tailored to fit your business, not the other way around.

Developing Multiple Strategies

We've talked about the power of AMR working in unison within the business growth formula. The fun part is to brainstorm ideas against each of the Four BIG questions that underpin AMR:

1. How do you increase the number of customers?
2. How do you increase the average order value?
3. How do you increase the average order frequency?
4. How do you increase the retention of customers?

One of my clients has AMR on their monthly sales agenda and one exercise the sales director does every quarter involves four flipcharts and the Four BIG questions of AMR. The sales team splits into four groups and they have 10 minutes to share their AMR ideas from the last three months. Perhaps it comes as no surprise to hear that within 24 months of the sales director leading their UK business they moved from no. 5 to no. 1 in the global territories league table, delivering double digit growth month on month. AMR simply works!

How many ideas can you generate when you brainstorm all the different strategies you could use against each of the Four BIG questions, aligned to your overarching AMR strategy?

Become Really Curious

Curiosity is a great trait. There are examples of AMR strategy in action in abundance, and I would urge you to become curious about them. I'm talking about TV ads, newspaper ads, online banner ads, and clickable links – even the flyers that come through your morning post. Read them and take note.

Your normal response may be to ignore them, or fast-forward through them, or even think of them as junk mail. Yet each of those marketing messages contains a clue to how the business behind them, thinks about AMR. If you change your response and become curious about them, you might uncover a good idea or an insight that you would otherwise miss.

Some of the best ideas come from what others are doing in completely unrelated markets and sectors to you. The trick is to consciously and constantly think about how you can adapt, adopt, personalize, and apply ideas from elsewhere to your own business growth strategy.

Supermarkets offer loyalty cards and special offers that compel you to make a special visit outside your normal weekly shopping trip, or to make additional purchases that you wouldn't ordinarily make.

An emerging trend, which has turned industries on its head and which is gaining momentum: companies that make money as a middleman, while incurring no costs at all. Think of Uber as a current example: it owns no cars and hires no drivers, but makes money by linking drivers (who have made the capital investment in a vehicle) with customers through a simple app. Airbnb follows the same model: it owns no properties but charges a fee to link millions of accommodation seekers with property owners who have a room or a flat to spare. In the UK, notonthehighstreet has built a business by providing an e-commerce hub to small product manufacturers who otherwise wouldn't have access to large marketing and retail opportunities.

These businesses have acquired large customer bases by building nothing more than an interface and aim to maximize and retain those customers by managing the quality of their suppliers. A ranking of peer review ratings created by the customer themselves often drives this quality review. That's a game changing idea, and it offers a challenge to every business with a big investment in people headcount and infrastructure.

Summary

So now that you have a basic understanding of AMR and the Four BIG questions that underpin the strategy, I want you to consider the personalization for your business. Since we're just getting to know one another, I'd like to start you off with the sort of exercise that is going to be asked of you repeatedly in this book as we get to grips with the principles that will drive your accelerated, sustained and profitable business growth.

Think about the opening statement of this chapter, and then take some time to answer the questions that follow. You may have to research some of the answers, but I guarantee it will be time well invested.

'Strategically, the primary purpose of a business is to Acquire, Maximize, and Retain the right customers. Everything that contributes to this is an investment; anything which doesn't, is a cost.'

1. How do you increase the number of customers?
2. How do you increase the average order value?
3. How do you increase the average order frequency?
4. How do you increase the retention of customers?
5. Which activities are an investment and which are a cost?
6. What's the lifetime value of a customer to your business?
7. Having understood your customer LTV, what's the acceptable acquisition cost of a customer?
8. What's the cost to serve? What does your multi/omni channel solution need to look like?
9. What's your profitability by customer, taking into account acquisition cost, cost to serve, product mix, and lifetime value?
10. Do you have different strategies centred on Acquiring, Maximizing, and Retaining customers?
11. Are they all wrapped together into your business growth/AMR strategy in action?