zolley

THE WORKSHEET

What a Customer Is Worth

And what you can afford to pay to get one.

WHO IT IS FOR
Any business where a person closes the sale

WHAT IT TAKES
Twelve minutes and a calculator

WHAT YOU LEAVE WITH
One number you can negotiate against

BEFORE YOU START

Nothing in this guide requires you to hire anyone.

It is written for owners of businesses where a person closes the sale (law firms, insurance and mortgage agencies, clinics, contractors, home services) who have never worked out what a single customer is actually worth to them.

If that is you, there is a good chance you are budgeting your marketing as though the first sale were the whole story. That one assumption quietly sets a ceiling on what you will spend to grow. What you buy, who you hire and what you conclude when it does not work all follow from a number you never actually calculated.

Six of the seven sections here are useful whether or not you ever speak to us. Bring a calculator and last year's numbers.

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The number almost every owner gets wrong.

Ask an insurance agent what a new client is worth and you will hear about three hundred and seventy dollars. Ask a roofing contractor and you will hear nine and a half thousand. Both have quoted the price of the first sale, not the answer to the question.

> **That is not what a customer is worth. That is what one of them spent on a Tuesday.**

A customer is worth the first sale, plus everything they buy afterwards, plus the people they send you. Every one of those was bought with the same marketing dollar. **The agent is counting one year out of eight.** The roofer is counting one roof and none of the referrals that follow it. If you count only the first sale you will conclude that marketing is expensive, and you will be comparing years of revenue against a single afternoon of it.

Owners who make this mistake all behave the same way. They cap what they will pay at a number that feels safe, buy the cheapest thing available at it, get what they paid for, and decide the whole category does not work.

The ceiling is the problem, not the price. Almost nobody knows the most they can afford to pay for a customer, so almost everybody negotiates against a number they invented. The next two pages replace it with one you can defend.

The fix is arithmetic

Two worksheets, twelve lines. Six minutes if you know your averages and an afternoon if you do not, which is itself worth knowing. Fill them in as you go, using real averages rather than your best month.

HAVE READY

Revenue and costs

Last year's. Worksheet B hangs off your real gross margin, not a guess.

HAVE READY

Customer count

Revenue divided by customers gets you close enough to line A.

HAVE READY

Repeats and referrals

Lines B, C and E. Approximate is fine; invented is not.

What a customer is worth.

Six lines. Two of them you calculate; the rest you already know or can look up in an hour.

	WHAT TO ENTER	YOUR NUMBER
A	Average sale, first visit What a new customer spends the first time	$
B	Times a customer buys per year Across everything you sell them	
C	Years an average customer stays Including the ones who came once and vanished	
D	**Lifetime revenue** A × B × C	$
E	Customers referred by an average customer Usually a decimal, not a whole number	
F	**Total lifetime revenue** D + (D × E)	$

Two lines people get wrong

Line C. Estimate honestly and low if you have never measured it. The average includes everyone who tried you once and never came back, and a flattering number here inflates every figure below it.

Line E. Almost always a decimal: if roughly one customer in three sends you somebody, that is **0.3**. Most owners skip this line or guess high. Count last year.

If you cannot answer a line

Leave it blank and keep going. A worksheet with two gaps still tells you more than the number you have been using, and it tells you which two things to measure first.

03 WORKSHEET B

What you can afford to pay.

Line F is revenue, not money you keep. This worksheet turns it into a ceiling.

	WHAT TO ENTER	YOUR NUMBER
G	Gross margin What is left after the cost of delivering the work	%
H	**Lifetime gross profit** F × G	$
I	Share of that profit you will reinvest to grow A decision, not a measurement	%
J	**What you can afford per customer** H × I	$
K	Share of inquiries that become customers Booked, showed and paid, not just replied	%
L	**What you can afford per inquiry** J × K (this is the number)	$

Line I is a decision

Thirty percent is an aggressive, sound growth posture: you keep seventy cents of every lifetime profit dollar and spend thirty to go and get another one. Ten percent is a business that intends to stay roughly its current size. Neither is wrong. Pick the one that matches what you actually want, and notice that you have probably never made this choice on purpose before.

Line L is the number to write down. It is the most you can pay for a single inquiry and still be running a healthy business. Carry it with you. Every quote you are ever given can now be checked against it in about ten seconds.

04 WORKED EXAMPLE

An independent insurance agency, end to end.

An agency writing auto and home. A household pays about three thousand a year across both policies, of which the agency keeps roughly $370 (a little more in year one, a little less on renewal). Households stay around eight years and two in five refer someone. Delivery is staff time, so eighty cents of every commission dollar is gross profit. Thirty percent of lifetime profit goes back into growth, and one inquiry in five becomes a policy.

A	Commission per year	$370
B	Times they renew per year	1
C	Years retained	8
D	**Lifetime revenue**	**$2,960**
E	Referrals per customer	0.4
F	**Total lifetime revenue**	**$4,144**
G	Gross margin	80%
H	**Lifetime gross profit**	**$3,315**
I	Reinvested in growth	30%
J	**Affordable per customer**	**$995**
K	Inquiry-to-customer rate	20%
L		$199

WHAT IT TOLD ITS PRODUCERS

$60

The most it would pay for a lead

WHAT THE MATH SAID

$199

The most it could afford to pay

The agency had been bidding at under a third of what it could afford, against competitors who had done the arithmetic, and losing, then concluding the channel did not work.

Nothing about the agency changed in those six minutes. Only what it knew about itself.

Five businesses. Five different ceilings.

The agency is one shape: a modest sum, paid again every year the customer stays. Plenty of businesses are the opposite: one large sale, rarely repeated.

The worksheet does not care. Meet the other four; they carry the rest of this guide between them.

BUSINESS	HOW THEY BUY	LIFETIME GROSS PROFIT	PER INQUIRY
Roofing contractor	One roof, then referrals	**$6,284**	**$471**
Dental practice	Twice a year, for years	**$3,226**	**$339**
Insurance agency (page 6)	Renews every year, for eight	**$3,315**	**$199**
Med spa	Three times a year, 2.5 years	**$2,852**	**$171**
Family law firm	Once, and rarely again	**$2,406**	**$87**

5.4× Between the roofer and the law firm. Same method, same three decisions, wildly different answers, and every one of them correct for that business.

There is no going rate for an inquiry. There is only your number.

Notice what drives the difference. The roofer's ceiling is not high because the sale is big. Their margin is the thinnest here. It is high because a quarter of the people who ask for a quote become customers. The law firm's is the lowest for the same reason in reverse: barely one inquiry in eight signs. **Line K moves your ceiling harder than line A.**

These four are shapes, not books

The five are illustrative: the patterns real, the numbers nobody's accounts. No one can tell you what an inquiry is worth in your industry. Your industry does not buy leads; you do.

Three ways this math goes wrong.

All three are easy to make and only one of them is obvious afterwards.

1 Using revenue instead of margin

Line F is not yours. A business that pays $995 to acquire a customer worth $4,144 in *revenue* may be buying its way out of business. If it only keeps twenty cents on the dollar, that customer is worth $829 and the acquisition loses money before overhead is even counted. Line G is the line that makes the number safe. It is also the one most often skipped, because it is the only one that requires looking at a real profit and loss statement rather than a bank balance.

2 Counting a customer as one sale

This is the original error and it hides in line C. If you genuinely do not know how long an average customer stays with you, that is the single most valuable thing you could measure this quarter. It moves every number below it, and it is the difference between thinking you can afford $50 and knowing you can afford $171.

3 Assuming the referral is free

Line E only counts if somebody actually asks. A referral that happens by luck is a pleasant surprise, not a business input, and you cannot build a budget on it. If nobody in your business asks for referrals on purpose, at a specific moment, then the honest entry on line E is a much smaller number than the one you want to write. The next section is about what that costs.

A useful sanity check

If your line J is larger than your line H, you have made an arithmetic error: you cannot spend more to acquire a customer than that customer will ever produce in profit. If your line L comes out under ten dollars, check line K: most owners overstate how many inquiries actually become paying customers, and a realistic close rate makes the rest of the page more useful, not less.

Where the money is already leaking.

You do not need a bigger budget to find more customers. Most businesses are already paying for more inquiries than they convert.

There are three places it goes. You can price each one using the numbers you just wrote down, which is the point. These are not percentages from somebody else's study. They are your own money, counted.

1 The inquiry that goes cold

Take the roofer. Somebody finds water coming through a bedroom ceiling at 6:40 on a Thursday evening and fills in three forms in ten minutes, because that is what a person does when their roof is leaking. One of the three answers that night.

Every inquiry that goes cold costs you twice: the money you already spent to produce it, and the lifetime profit you will never see. For the roofer that is **$471 gone and $6,284 never earned**, per inquiry, every time. For your business it is your line L and your line H, and you already know both.

Count the inquiries you did not answer within the hour last month. Multiply.

2 The eighty-eight who did not buy

Now the law firm, where this is at its starkest. Of a hundred people who ask them for help, twelve become clients. The other **eighty-eight** are quietly filed as a failure and never contacted again, and the firm paid for all one hundred.

Most of those eighty-eight did not say no. They said not yet, or not sure, or they spoke to three firms and picked one that week. The firm does not need them all back. It needs **five**, over the following year: six percent of a group it has already bought and already knows how to reach.

Five clients at $2,406 of lifetime gross profit is **$12,030**, from inquiries paid for months earlier. That is the cheapest money in any business, and it is the money almost every business leaves on the floor, because staying in touch with eighty-eight people for a year is not something a busy front desk will ever get to. Run it on your own numbers: line H multiplied by however few of them you think you could win back.

The customer who was never asked.

Two lines on the worksheet are not facts about your business. They are decisions.

Line C moves if somebody gives customers a reason to come back. **Line E** moves if somebody actually asks for the referral, at the moment they are happiest rather than whenever it occurs to them.

Watch what a single extra year does to the dental practice. Nothing else changes: same visit price, same twice-a-year rhythm, same margin, same close rate. Patients simply stay seven years instead of six.

THE PRACTICE	NOW	ONE MORE YEAR
Total lifetime revenue	**$5,376**	**$6,272**
Lifetime gross profit	**$3,226**	**$3,763**
Affordable per customer	**$968**	**$1,129**
Affordable per inquiry	**$339**	**$395**

And the shorter your retention is now, the more that one year is worth. The practice gains a sixth; the med spa on page 6, whose clients stay two and a half years, gains forty percent ($171 to $240).

> **Keeping customers longer does not just earn more from the customers you have. It raises the price you can afford to pay for every future one.**

They can now outbid every competitor for the same inquiry and still make more money than those competitors do, not by finding a cheaper source, but by raising their own ceiling while nobody else raised theirs.

That is the whole game: a higher ceiling, not a cheaper lead.

All three leaks have the same shape

None is a marketing problem. Each is something that has to happen as reliably on your busiest day as on your slowest: answering in minutes, following up for a year, asking at the right moment. That is why they leak.

Three honest ways to close it.

You now have a number on line L that is probably well above what you have been spending. Which route fits depends on a single question:

> **Does a person close the inquiry, or does the customer buy on their own?**

ROUTE ONE

Do it yourself

Answer every inquiry within minutes. Follow up for a full year with the ones who did not buy. Ask for the review and the referral every time. All three leaks close without another dollar of marketing. That is entirely possible and genuinely hard, because it has to happen on your busiest day as reliably as on your slowest.

ROUTE TWO · A PERSON CLOSES THE INQUIRY

Pay per lead

Law firms, insurance and mortgage agencies, financial advisors, clinics, contractors, med spas, home services. You are not buying advertising. You are buying qualified inquiries at a price you can now check against line L *before* you agree to it. If the price sits under your number, the arithmetic works from the very first one, and it keeps working whether or not anything else about the month goes well.

ROUTE THREE · THE CUSTOMER BUYS ON THEIR OWN

Managed advertising

Restaurants, retail, e-commerce, hospitality. There is no inquiry for anyone to close, so the campaign itself is the product. It is built, run and measured as one thing, against sales rather than against inquiries.

All five of our businesses land in route two, and they could hardly be less alike: an insurance agency, a roofer, a dental practice, a med spa and a law firm. In each, a person picks up the phone and closes the inquiry (the only thing that question asks). What differs between them is not the route but the price.

WHAT TO DO NEXT

Bring your line L to a free call.

Fifteen minutes, no pitch deck. We will check your numbers against what your market actually costs, and tell you plainly whether the arithmetic works.

If it does not, we will say so. A business whose line L comes out at forty dollars is not a business we can help by pretending otherwise. It is a business that should spend the next quarter on lines C and E, and we will tell you that instead.

What to have ready

Your completed worksheets, or as much of them as you could fill in. The two gaps you could not answer are usually the most useful part of the conversation.

Check your number against the real one.

Fifteen minutes on the phone with someone who prices this for a living, using the worksheet you just filled in.

zolley.com/discovery-call or call (888) 503-3750

Your customers and your numbers are yours: exportable, always. The machine is ours to run.

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