



# A Beginner's Guide to Customer Acquisition

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# Introduction

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Consistently acquiring new customers is critical to the success and longevity of your business. In today's highly competitive marketplace, developing a specific customer acquisition strategy increases the odds of successfully growing your business. While doing so it prevents you from burning through your potentially limited cash reserves too quickly.

This guide provides you with all the information you need to create your strategy, start acquiring new customers quickly and continuously adjust your approach to remain competitive. Plus it contains information showing you how to comply with GDPR and automate large portions of the process while balancing customer acquisition with retention.

So, let's get started!

Customer acquisition is the process of bringing new clients or customers to your business. It includes the entire buyer's journey, from the time they engage with your brand as a lead until they become a paying customer. The length of your acquisition process from start to finish will vary based on your particular product or service. No matter how long or short, the same steps should be included in your process – attracting, converting, closing and retaining customers.

Acquiring customers can have its challenges. Identifying the best methods for attracting your ideal prospects can take some trial and error. Remaining competitive and keeping up with ever-changing trends on a continual basis requires focus and effort. Plus, cost containment is always an issue to ensure your business maintains optimum profitability. But, don't lose heart, new customer acquisition is critically important for continual business growth. In fact **44% of companies have a greater focus on acquisition** vs. 18% that focus on retention. Yet Marketing Metrics found the **probability of selling an existing customer is 60 - 70% versus 5-20% for a new prospect**. But remember, your existing customers were all once new prospects and that's why you must balance new customer acquisition with retention.

# Understanding customer acquisition



Fortunately you have this handy guide to walk you through the process of preparing for and acquiring new customers. And, you'll be able to refer back to this information for additional direction as needed along the way.

# Are you ready to onboard new customers?

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It's important to have certain processes in place before implementing your customer acquisition strategy. These include a lead management process and a new customer onboarding process. Plus it's critical that your product be ready for more customers.

## **Prepare your business for incoming leads**

A lead management process includes steps such as:

1. Identifying and understanding who your ideal leads are and creating their buyer personas.
2. Generating and collecting intelligence about your leads such as where their first point of contact was so marketing knows what types of content they are most interested in and where they click on links to interact with your content or to visit your website or blog.
3. Setting up [lead scoring](#) to determine each lead's potential level of interest in your product or service. Factors used to determine their score include demographic information and behavioral activity. This score dictates what your next interaction with them will be such as lead nurturing content from marketing or a call from a sales rep for example.

4. Nurturing your leads based on where they are in their buyer's journey.

5. Determining how to recognize leads that are ready for a Sales contact and setting up an effective process to hand off leads to Sales as well as how to distribute them amongst your sales team (by territory, industry, or some other criteria). And don't forget to make sure Marketing will be sharing as much lead background information with Sales as possible, along with the leads, to help them formulate the best initial contact approach and conversation.

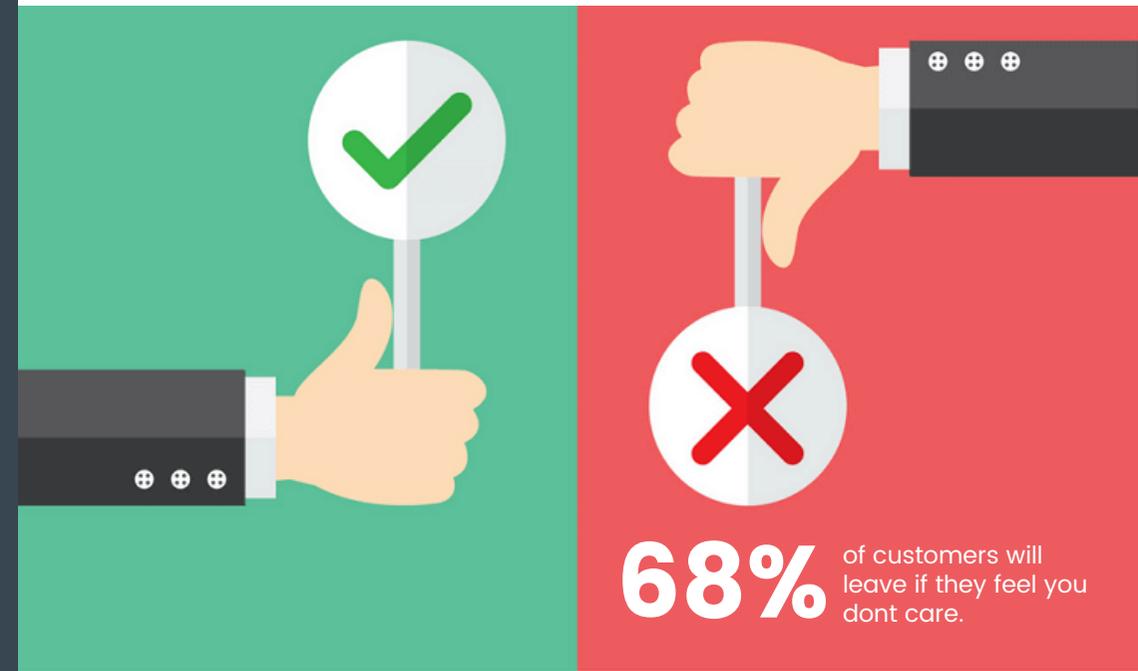
6. Tracking and measuring leads throughout the sales cycle to measure sales and marketing performance, sales ROI and to aid in the continual improvement of your lead generation efforts.



## Create a solid onboarding process

Your new customer onboarding process is the nurturing process that gets new customers acquainted with your product or service. It includes content such as a welcome packet, video trainings, helpful articles and other educational resources. Onboarding is critical to the continual growth of your business. A positive onboarding experience helps new customers confirm they made the right choice by selecting your brand. If it's not a smooth process you run the risk of increased customer turnover due to dissatisfaction with the quality of customer support, the lack of guidance provided during onboarding or if your product fails to meet customer expectations. And higher customer churn reduces company growth, making your onboarding process extremely important.

Start by documenting your onboarding process, creating all related content and asking for customer feedback. This feedback not only allows you to continually refine the process based on customer input, it's important for reducing customer churn since **68% of customers will leave if they feel you don't care**. And, asking for their input shows your customers that you care about their satisfaction and aids in customer retention.



## Be sure your product or service is ready for more customers

The decision to take your product to market and begin onboarding customers is a big decision. You have spent months or years developing your product, so deciding when to initiate your user acquisition strategy should be carefully considered as well.

Some things to consider include:

- Is your product ready for increased demand or more users?
- Have you worked out any bugs that could lead to a poor customer experience?
- If offering a software product, how much activity can your servers handle?
- Do you have enough trained customer support staff to respond to the questions or concerns of new customers?
- Have you confirmed demand for your product through customer validation?

If you answered “No” to any of these, perhaps you should do a soft launch or some beta testing first.



# Is the team ready to take action?

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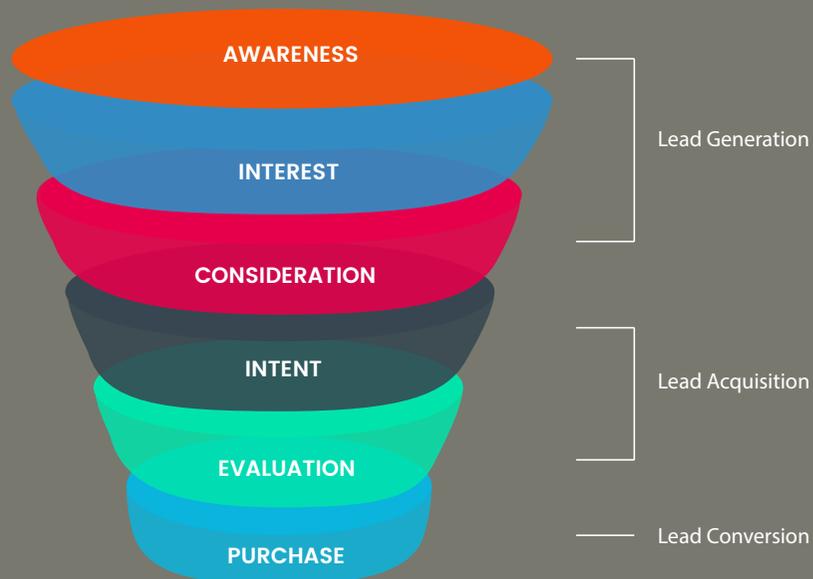
It is critically important to the success of your customer acquisition efforts that you get everybody on the same page. Bring together your Sales, Marketing, Customer Service and Product Development teams. Have them agree on definitions and criteria relating to the process. These include:

- Definitions of what a lead, marketing qualified lead, sales qualified lead, sales accepted lead, opportunity, customer, upsell opportunity and retention opportunity is.
- The steps in your lead management process
- Key Performance Indicators (KPIs) and benchmarks as well -- monthly, quarterly and annual for Sales, Marketing and Customer Service
- Reporting and dashboard requirements for each team as well as how they will be shared internally

Make sure that everything involved in the acquisition process has been reviewed and is understood by everyone in these departments. Each person should know what they are responsible for and how to carry out important processes. Plus, all personnel must have a clear picture of who the target audience is and the importance of always being focused on the customer. This will ultimately determine the success or failure of the acquisition and retention of new customers.

# Attracting & acquiring customers

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There are many customer acquisition methods including paid and free options for inbound and outbound approaches. Of course, there is a cost associated with paid methods and for free options there is not. Inbound marketing is a way to gain the attention of your audience through the use of content, social media, search engine optimization (SEO) and branding. Outbound marketing, on the other hand, is when a company initiates a conversation with their prospects through activities such as cold calling from a list or having a booth at a trade show. Inbound methods are much less costly and typically produce higher returns than outbound techniques. However, the best approaches for your business depends on your ideal customer, available resources and the other methods used in your overall strategy.

## Customer acquisition marketing and the customer acquisition funnel

When implementing customer acquisition marketing methods, your potential customers will go through a process called the [customer acquisition funnel](#) where they are converted to buying customers. This process is based on your [customer journey map](#), also known as your buyer's journey.

To ensure your organization captures a sufficient number of leads to result in enough customers to support continuous growth, you need to provide prospective buyers with incentive to advance through the process to become paying customers. This is often accomplished with various types of content based on where the potential buyer is in their journey. Of course, there are other mechanisms involved along the way as well such as [landing pages](#), [lead capture forms](#) and the four main acquisition channels, including [content marketing](#), social media, search engines and email marketing.

## The 4 main acquisition channels

**1. Content Marketing** is increasingly popular. It involves posting relevant, informative and useful high quality content on a consistent basis to attract and retain website visitors. This content refers to articles as well as eBooks, guides, videos, webinars, case studies and checklists. The premium pieces of content that aren't articles are often used as gated pieces where they are promoted on your social media page or in online advertisements. When interested parties click on the link to receive the special content, they arrive at a landing page where they complete the lead capture form in exchange for access to the desired content.

**2. Social Media** is also an excellent way to start developing relationships with potential customers by familiarizing them with your brand and engaging them in conversation. There are two ways to leverage [social media](#) for customer acquisition – organic (free) and paid (advertising). Organic involves interactions on your company's social media pages and promotion of your free content. Paid social media ads are inserted in your designated persona's social newsfeed, where you promote webinars and gated content. Both options have the potential to drive more traffic to your website.



**3. Search Engines**, such as Google and Bing, can be a valuable lead source for your business. Many small businesses believe they can't compete for traffic there, but it's not as costly or complicated as you might think. And, this removes the pressure to pursue that elusive top search listing through SEO while increasing the number of prospective customers who find your company. So be sure to try [Pay-Per-Click](#) (PPC) advertising in your customer acquisition strategy. It's an easier way to compete with even the largest of companies.

**4. Email marketing** is a key component in the customer acquisition process. It's an excellent and cost-effective way to stay in touch with leads once they opt into your list by providing their email address to you. This allows you to continue providing them with relevant, educational content that answers their questions and solves their problems until they are ready to engage with a sales rep or simply buy your product. [Email marketing](#) is also a great way to gain deeper insights around consumer behavior. Do so by paying attention to which links your email subscribers click to learn which topics are of greatest interest to them. You also want to keep an eye on those who unsubscribe from your email list. It may be an indicator that you need to adjust the content you're sharing with your audience.

It's best to measure and track your customer acquisition efforts continuously from the start, assessing the effectiveness of various elements and their costs. The best metrics to use to determine how to improve your acquisition methods will vary by industry. However, there are a few that are commonly used by businesses to help adjust strategies to increase results. These are a great starting point:

**Conversion rate** is a common growth metric. It measures the percentage of people who completed a process after starting it. To use this measurement, clearly define what you consider the “start” and “completion” of a given process. For example, when measuring the conversion rate for e-newsletter registration, what two events will be your “start” and “completion”? Are you quantifying the percent of website visitors who completed a registration form or the portion of those who arrived at the registration page who completed it? Obviously, these would yield two different rates.

**Customer acquisition cost (CAC)** is a very common metric used to assess the effectiveness of your customer acquisition efforts. It can be used to calculate the marketing cost per customer acquired for a period of time as well as for a specific marketing method being used. This can be used to determine the success of your overall acquisition efforts. Plus it can help determine which strategies are producing the best results.

# Customer acquisition measurements

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**Rate of new customer acquisition** allows you to compare customer acquisition rates for various timeframes so you can determine if your results are improving over previous periods. It is calculated by dividing number of customers acquired over a period of time by the length of the same period.

**Rate of visits to specific product pages** is a way to measure interactions with prospective customers early in the purchase process. It allows you to determine the effectiveness of these product or landing pages and identify potential areas for improvement.

## Measuring the cost of customer acquisition

Customer acquisition cost (CAC) is an important metric to track. It's valuable for measuring the effectiveness of your strategy and adjusting it over time. Plus, it is meaningful to potential investors to gauge the scalability of your business.

## How to calculate customer acquisition cost

There are a couple of methods to calculate CAC. A basic formula may be used to evaluate a specific campaign or strategy used to bring new customers to your business. Simply divide all the associated marketing costs (MC) and sales costs (SC) by the number of customers acquired (CA) to generate the customer acquisition cost (CAC).

$$\text{CAC} = (\text{MC} + \text{SC}) / \text{CA}$$

It's important to also keep in mind the **customer lifetime value (CLV)**. This takes into account whether your product is a one-time purchase, a purchase every 20 years or if it's a weekly purchase. This provides additional perspective when evaluating the CAC.

You should also consider the CAC and how it impacts your profit margins. If the CAC is too high, in relation to the cost of the product, its mark-up and other costs, you could potentially end up losing money. So, a good CAC for one company will not necessarily work for another.

Depending on the particular type of business, you may choose to consider some of the following costs when calculating CAC:

- Total cost of new customer sales support call centers (CC)
- Total cost paid to strategic partners per customer (SP)
- Total amount spent monthly on search engine optimization (SEO)
- Total new customers generated in a year (NC)

In this case, the formula would look like this:

$$\text{CAC} = \left( \frac{\text{CC} + \text{SEO}}{\text{NC}} \right) + \text{SP}$$

# How to improve customer acquisition

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It's advisable to always be looking for ways to adjust and improve your customer acquisition efforts. Here are a few approaches to consider:

**Continuously review the acquisition process.** This can be done by tracking key metrics to determine which methods are working best for your business and which ones you might want to adjust or eliminate. Doing so will allow you to always be improving your strategy so it reflects current buyer preferences and changes in the marketplace.

**Reduce customer acquisition costs.** Some ways to accomplish this include increasing your website conversions, increasing the average value of each customer, implementing customer relationship management ([CRM](#)) and periodically adjusting or updating your strategy.

**Educate prospects.** This is important because people buy from those they know, like and trust. By sharing educational content to help prospects throughout their buying journey, you become a likeable industry expert that prospects will choose to buy from when they are ready.

**Develop partnerships.** Teaming up with brands that offer complementary products or services allows both companies to gain greater exposure at a lower cost. A strategic alliance of this sort introduces you to your partner's audience who will most likely also be interested in your offering as well, resulting in increased customer acquisition.

The [General Data Protection Regulation \(GDPR\)](#) went into effect on 25th May 2018. It applies to the use and storage of personal information of European citizens. All organizations world-wide must act in accordance with this regulation if they want to comply with European law. From a customer acquisition perspective, there are some considerations to keep in mind, relating to this law:

**Are the leads from a reliable source?** It's easy to control your own company's website and landing-page form language, data transfer procedures, lead capture processes and documentation compliance with GDPR. However, these rules make it your responsibility to confirm that any third-party lead vendors fulfilling your paid campaigns are also in compliance. Therefore, it's critical to have plans in place to ensure the media partners, publishers and lead vendors collecting prospect data on third-party sites on your company's behalf are GDPR-compliant. If they aren't, you could face crippling fines.

**Is the information secure and encrypted?** Although there are no specific GDPR encryption requirements, the regulation requires security measures and safeguards. Plus, it highly recommends encryption and the use of pseudonyms for personal data security.

# Make sure your customer acquisition strategies comply with GDPR

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**Is the customer data safe?** Data breaches happen and information gets lost, stolen or otherwise released into the hands of people who were never intended to see it. However, under the terms of GDPR, organizations not only have to ensure personal data is gathered according to this regulation, but those who collect and manage it are required to protect it from misuse and exploitation, while respecting the rights of data owners.

# How Act! helps businesses maintain and acquire new customers

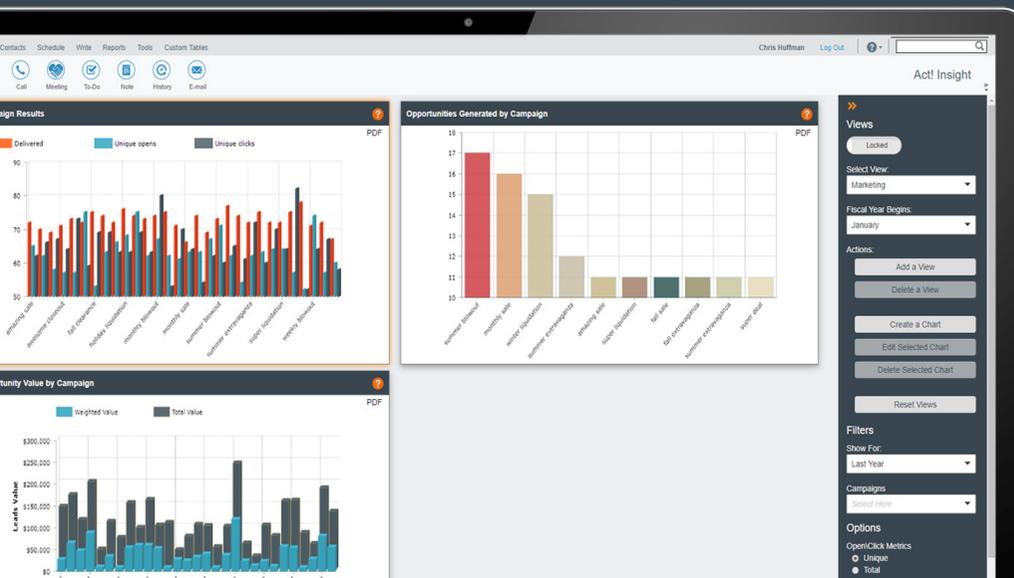
Act! Includes many features to help businesses maintain and acquire new customers. These include:

**Act! Marketing Automation:** This feature of the Act! Growth Suite automates many aspects of the customer acquisition and retention processes so you can easily attract, lead, and engage prospects and customers. It gives you the ability to automate email marketing campaigns, create landing pages and lead capture forms as well as track many key metrics to continually improve your strategies.

**Customer Management:** The integrated Act! CRM makes it easy to capture and view all the details of all your customer relationships with leads, prospects and existing customers. This simplifies all interactions with them from onboarding to customer retention.

## Marketing and Sales management in one platform:

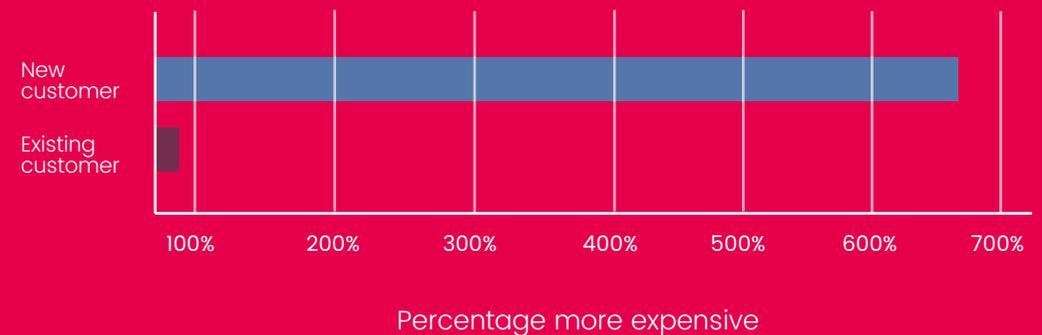
The [Act! Growth Suite](#) includes an established CRM integrated with a feature-rich Marketing Automation platform, giving you everything your company needs to successfully run and grow your business.



Customer acquisition is the process of bringing new customers to your business. It's an ever-changing process that requires careful planning and preparation. Before you start, it's critical to ensure your business is ready to handle new leads, that you have a solid new customer onboarding process and that your product or service is ready as well. And, make sure your entire team is on the same page before starting your acquisition efforts.

There are many methods to attract and acquire customers including paid and free options. The best way to identify the most effective approaches for your business is to become familiar with your prospect and their buyer's journey, then prepare your strategy accordingly. Once you start implementing your strategy, measure your acquisition efforts and adjust for continuous improvement.

# Conclusion





**Need help simplifying this entire process?** Act! Growth Suite includes all the tools you need to get started while saving lots of time, money and frustration.

**Take a free self-guided tour of Act! now.**

Of course, remember that you are never done making adjustments since buyers, the marketplace and your competitors are forever changing. You must adapt to these changes to remain competitive.

It's critically important, too, that you comply with GDPR. And don't forget that it's critical to the long-term growth and sustainability of your business to balance new customer acquisition with customer retention. Doing so will help you contain costs because **it's six to seven times more expensive to acquire new customers than to retain existing ones**. Plus, an **increase in customer retention of as little as 5% can result in a 25 – 95% increase in company profitability**. So, customer acquisition and retention is an important balancing act you'll benefit from mastering.



## Growth made easy

CRM & Marketing Automation built for small & mid-sized business success. With proven CRM and powerful Marketing Automation, the possibilities are limitless! Act! provides the ultimate toolset to build relationships, maximise engagement, and drive business growth.

To learn more about Act! visit  
[www.act.com/uk](http://www.act.com/uk)

Or call us on

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