



“Your Customers Are The Most Important Asset You Have”

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So it all comes down to this: you must provide a quality product and service. Also, customer perception is key to your success or failure. Without your customers, you cannot be in business, no matter how good your product is, no matter how good your service is. It's that simple. Customers are the most important component of your business.

And since your customers are the most important component, it is fair to treat them as a business asset. The interesting thing about this is that many business owners do not treat their customers as assets. They just let customers come and go, maybe giving more attention to the ones that spend more money.

When they do this, business owners are missing something big. Let me explain it with an example. I consulted for an Internet business that was in negotiations to sell their operation to a larger competitor.

How do you think the competitor was going to pay them for their business?

It turns out that the payment would be in the form of a per-customer payment. I think it was somewhere in the neighborhood of \$300 per customer.

Why did they structure it this way?

Because it makes the most sense. When you think about it, customers are a good indication of the value (and health) of a business.

Now this works best for businesses that are primarily subscription-



based, and generally other parameters are used when calculating the worth of another type of business. If it is a distribution business for example, the gross sales or net profit numbers may be used because each customer varies more widely in their worth.

In a subscription-based business, the monthly net worth of a customer is even more than in a distribution business where one customer may spend \$10 per month and another \$100,000. You can see how the gross sales figure might be more indicative in this case.

In any business, you can look at the customer base and put a “value” on each customer. The key point here is that customers should be viewed as assets and treated as such.

Note that these assets, your customers, do not appear on the traditional balance sheet or income statement, which are probably the two most common financial statements in a business. Even so, they are assets!