CLOSE THE GAP

DAY 1 WORKBOOK

DAY 1
Math is the Path

Introduction

Welcome! Let’s kick things off with a thought you might not have considered: There are people less intelligent than you who already have what you want. Surprising, right? It's not an insult, just an observation.

Think about this: Have you ever heard the phrase "never meet your heroes"? It means that when you meet high achievers, you'll often find that the differences between them and you are minimal. They might know their numbers a bit better, or they might be a bit more confident or charismatic. But how did they get there? They stepped out of their comfort zones, did hard things over time, and made small decisions that led to big results.

Many successful people aren’t necessarily smarter or nicer than you. In fact, intelligence doesn’t directly correlate to success. There’s even a psychological study called the Dunning-Kruger effect, which suggests that people with lower IQs tend to overestimate their abilities, while those with higher IQs tend to underestimate theirs. So, smart people often move slower because they overthink everything.

If you’ve never had success or come from a background of generational poverty, take heart—you can achieve success. Let's dive into some foundational concepts that will set you on the right path.

Foundational Numbers

Lifetime Value (LTV)

Understanding your customer's Lifetime Value (LTV) is critical. Think of your business more like farming than hunting. Instead of aiming for quick, one-time sales, focus on nurturing long-term relationships.

Let's break it down:

- Imagine you're a maid service charging $250/month.
- Over a year, that's $3,000 per customer.
- If the average customer stays with you for three years, your LTV is $9,000.

Why is this important? When you're in survival mode, it's easy to focus only on immediate expenses. But each new customer could be worth thousands over their lifetime, not just their initial payment. Investing in acquiring and keeping customers can yield significant long-term returns.

Here's an exercise to help you calculate your LTV:

Exercise: Calculate Your LTV

1. Identify your average monthly revenue per customer or however often would work with a customer during a year.
2. Multiply this by 12 or the amount of times they work with you to get the annual value.
3. Estimate the average number of years a customer stays with you.
4. Multiply the annual value by the number of years to get your LTV.

Max Customer Acquisition Cost (Max C.A.C.)

Next, let's talk about the maximum you should spend to acquire a new customer, known as Max C.A.C. Here's the formula: Annual customer value x profit margin.

Example:

- Annual value: $3,000
- Profit margin: 20%
- Max C.A.C.: $600

This means you can spend up to $600 to acquire a new customer and still break even within the first year. Ideally, you'd spend about half of that, but even at full cost, you're still in a good position.

Here's an exercise to determine your Max C.A.C.:

Exercise: Determine Your Max C.A.C.

1. Calculate your annual customer value.
2. Multiply by your profit margin.
3. Aim to spend no more than 50% of this amount on customer acquisition.

Proactive vs. Reactive Marketing

Marketing can be broken down into two main types: proactive and reactive.

Proactive Marketing

- Control over the quantity of deal flow.
- Examples: Postcards, flyers, direct mail, Facebook ads.
- Imagine a magic box where you put in $1 and get $6 back. That's proactive marketing.

Proactive marketing allows you to scale your efforts. If you need more customers, you can increase your proactive marketing efforts to get them.

Proactive Marketing

- Less control over the quantity of deal flow.
- Examples: Vehicle wraps, referrals, Google PPC ads.
- Good but harder to scale.

Reactive marketing depends on external factors. You can't control how many people will see your vehicle wrap or how many referrals you'll get in a given month.

Here's an exercise to help you plan your proactive marketing:

Exercise: Plan Your Proactive Marketing

1. List at least three proactive marketing strategies.
2. Plan how to implement and measure their effectiveness.

Goal, Base, Gap

Let's get clear on what you want. Often, when asked, people can't articulate their true goals. They might say, "I want five trucks," but why? To make more money? To pay off debt? Dig deeper.

Primary Objective

Knowing your target or goal is a huge advantage. It helps you make clear and simple decisions. If something gets you closer to your primary objective, then you do it. If something puts you further from your primary objective, then you don't do it.

Here's an exercise to help you identify your primary objective:

Exercise: Identify Your Primary Objective

1. Write down what you think you want.

2. Ask “so that what?” after each answer until you reach the core reason.

Gap Analysis

Your "base" is your current state. Your "goal" is your desired state. The "gap" is the difference between the two.

Example:

- Last year’s revenue: $300K

- This year’s goal: $600K

- Gap: $300K

Break it down by year, month, and week to make it manageable.

Here’s an exercise to help you perform a gap analysis:

Exercise: Perform a Gap Analysis

1. Document your revenue for the past three years by month.

2. Calculate your goal, base, and gap for the year, month, and week.

3. Determine how many new customers you need each week to stay on pace.

CEO Mindset

Even if you're a solo entrepreneur, think like a CEO. Establish clear goals and understand your numbers.

As the CEO of your company, clarity is essential. Knowing your numbers and having a clear plan will set you up for success.

Here's an exercise to help you adopt the CEO mindset:

Exercise: Adopt the CEO Mindset

1. Start documenting your revenue and goals.
2. Use tools like Revenue Buddy to track and analyze your progress.

Reflection Questions

Reflection is a powerful tool for learning and growth. Take some time to reflect on the concepts we've covered today.

1. What is your primary objective for your business?
2. How does understanding your Lifetime Value change your perspective on marketing spend?
3. What proactive marketing strategies can you implement to control your deal flow?
4. What is your Max C.A.C. and how can you aim to acquire customers for 50% of this cost?
5. How many new customers do you need next week to stay on pace with your annual revenue goal?

By understanding and applying these foundational concepts, you'll be well on your way to achieving long-term success in your business. Remember, confidence comes from evidence. Use these exercises to gather the evidence you need to believe in your success.