

Trump appears to have one of the lowest customer acquisition costs...

Trump's "Customers"

By Gregory Wang | October 10, 2016



Photo by Emma Warren

“It’s Just Business”

First off the bat, this is not a political commentary. I am not anywhere near the world of politics other than watching CNN and Fox like everyone else. But over the last year, as I watched our nation’s politics unfold, it has become clear to me Donald Trump has been in the process of laying a golden egg, or as we would say in business terms, incubating an enormous business opportunity.

Yes, we all know that Trump has tapped into a festering sentiment for some in America – ie. resentment against the political class. Yes, we also know that Trump rallied this sentiment into some sort of a movement that has become his steadfast base of supporters. I’ve observed what he has said in his rallies, on air and in debates ...I always ask myself the same questions afterwards:

“Why doesn’t he tone it down? Why doesn’t he try to appeal to many who are sitting on the fence?”

But, I now get it. It is all about the art of keeping loyal customers. He’s attained a base of passionate followers. It’s not big enough by itself to win this election, but it is BIG! And it is BIG if you think about it in terms of a business and a customer base. Let’s look at some numbers....

- About 13.3 million people voted for Donald Trump in the Republican primaries.
(http://www.realclearpolitics.com/epolls/2016/president/republican_vote_count.html)
- There were over 16.7 million people who voted in the Republican primaries.
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Let’s stop here. The primaries are over... so let’s make some assumptions. Let’s assume he gains no more supporters (ie. the Republicans who did not vote for him, still don’t support him AND no independents support him). It’s just the 13.3 million who voted for him - his core supporters or what I call his “customers”. We know from various media reports that Trump spent approximately \$50 million of his own money (he stated to the press that he would write off or forgive \$50 million in loans to the campaign). So simple math suggests that he “acquired” this loyal customer base for approximately \$3.75 per person (ie. \$50 million divided by 13.3 million). In business terms, this concept can be described as Customer Acquisition Cost (CAC). CAC is regularly used as a business metric. (FYI, I’m just a finance guy, not a marketer - not an expert in the CAC metric, but it’s a simple concept)

Isn’t that kind of low?...you ask. Absolutely. Entrepreneur magazine illustrated some typical industry customer acquisition costs (<https://www.entrepreneur.com/article/225415>):

Priceline.com: \$7

Sprint PCS: \$315

Barnesandnoble.com: \$10

TD Waterhouse: \$175

Entrepreneur magazine defined the above numbers as “the amount of money each company spends on average on marketing and advertising to acquire just one new customer”.

I think 13.3 million customers is a conservative count; but, even at that, he only spent \$3.75 to gain this loyal following. \$3.75 per customer??? That’s cheap! He effectively leveraged \$50 million into hundreds of millions worth of free social media, traditional media coverage, RNC financial

support, donations, Super Pac spending ... and “bought” this customer base in just a little over a year. Business people do this all the time right? We put some money down, seek investor money and/or borrow from the bank. We then use all the money to buy an asset. In Trump’s case, he bought himself an enormous intangible asset – a customer base. And he did it mostly with other people’s resources and ended up with a steal - \$3.75 per customer spent from his own pocket. Better yet, think about this, he has no investors to repay and no bank loans to return. The customers are his without any lien or mortgage.

How big is big?

I’m not going to get into who Trump’s supporters are. We can leave that to another discussion. But how big is 13.3 million customers (13.3 million people who tune into him, listen to his message, support and like him, and will vote for him)?

I pulled some figures off the internet. I cannot attest to exact numbers; but, I think the below are in the ballpark:

	Customers/Viewers
Costco Members	85 million
Amazon Prime Members	~ 60 million +
Sunday Night Football	~ 23.7 million
Trump Customers	~ 13.3 million +
NBC Today Show	~ 5 million +
Kardashians	~ 2 – 3 million +
CNN Primetime	~ 1.7 million +

The above gives a sense of the size of his customer base. And it is enormous!

If we analyze Trump's actions and words from a pure business perspective, he is doing exactly what he should be doing - staying focused on giving his customers what they want (or at least what they want to hear). He acquired a base of millions of supporters with very little money down and he is now doing everything he can to keep them. Losing the election won't cause him to lose his customers as long as he continues to push the anti-establishment, "crooked" Clinton, "America is losing" themes. This is what his customers think, feel and yearn to change. (Again, no politics. I'm not saying if these themes are relevant or not.) In my opinion, he has mastered this so well that he has established an almost cult-like following. He is not only following his customer demands, but starting to drive them. Steve Jobs summed this up best....

"Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves." – Steve Jobs, former CEO, Apple

What business?

Trump has lassoed 13.3 million customers and he secured them at a cheap price. So does he have a future business in mind? Dunno! I have no idea! ... but there's been reports about Trump TV or some form of a new digital media play by Trump. What I do know is that he's got a YUGE opportunity to monetize 13.3 million core followers into a business, a big business...if he loses. Something in the digital media space would make a lot of sense. It's a highly scalable business model that generates advertising dollars so customers aren't the ones paying (fyi, core Trump customers are not in the high income, high education level). Most importantly, if he succeeds in a major new media asset with significant core viewership, he maintains the ability to influence votes and hence retain political sway (much as Fox and CNN do). Even if Trump loses, I would not count him out of the political arena. With a potential new media platform, he will have continued influence in the Republican party... like it or not.

Are these reasons why Trump may view his base more as customers than voters? Is his run for the Presidency also a potentially lucrative brand building exercise? Is it more advantageous to "double down" on every out-of-the box statement and appeal to your base than to be "more Presidential"? In my opinion, Trump's actions suggest that keeping his core customers is his most important focus, more so than expanding his voter base.

When most people start a business, winning customers is usually the hardest and most expensive part of the equation. You've got to spend time and money to attract people, and build trust – convincing them that they need to buy your goods or services. Trump has accomplished this over the past year and a half. If he wins, he's the President of the United States and arguably the most powerful person in the World (at least one of the most). If he loses, he's garnered an unbelievable

customer base that he can turn into a business and thus profit from. In my world, that's called a great hedge. It's a WIN WIN scenario!

Of course, it's not easy to just start a business and monetize a customer base ... I grant you that. There's still a lot of work for Trump to do. So stay tuned. I think the real "art of the deal" is about to unfold AFTER November 8th.



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