

Grow Profits From Your Customer Base

Most businesses have put considerable effort, resources and investment into building a customer base over a number of years.

Quite rightly, because it is the lifeblood of business, considerable ongoing attention, management time and cash continues to be spent on the marketing and sales effort to acquire new customers.

Indeed, this is regarded as the sexy and exciting end of the business.



Conversely, experience shows that many businesses spend very little time and effort into exploiting their customer base making sure that it is producing the maximum return for the business.

For example, are high value customers retained, potential high value customers treated differently, and bad customers sent packing?

Experience shows that this is definitely not the case!

The simple 10 step process for you to work through will produce an action plan to improve customer retention and profitability:

1. Spend a little time defining an ideal customer for your products and services and specify their characteristics.

This may cover the needs that are addressed and benefits received, it may cover when and where they buy, payment terms, growth potential and many other areas and may vary for the different products and services that you supply.

2. Review your marketing, sales and operational processes together with incentive plans to make sure that they are targeting the ideal customer.

3. Now review your entire customer base and identify those customers matching the ideal characteristics.

4. Now that you know who your ideal customers are, draw up specific customer management plans and processes to target them.

5. Establish how satisfied your customers are with your products, services and your business overall paying particular note to the ideal customers.

6. For the moment, let us assume that you have categorised your customers as either Very Dissatisfied (VD), Dissatisfied (D), Neutral (N), Satisfied (S), Very Satisfied (VS). Now you have to make up a specific action plan for customers in each group

7. Address the VD customers. Research indicates that the return from doing this can be 20 or more times as great as step 10.

It may mean losing a few customers - those that cost you money!

The returns in this area are produced because these customers are very expensive to service and consume a lot of your time and effort.

8. The next best return, up to 10 times that of step 10, is obtained by targeting the customers at the top end of the satisfied group.

Moving them into the VS group will mean that they buy more regularly, recommend and refer. Importantly, they also become less price sensitive, easier to service and buy additional stuff.

9. The third group to focus on is the VS group. Keep them there!

10. The remaining groups are those that are D or N which, together, probably represent the biggest block of clients.

There is very little return from doing anything specific with this group.

They are probably quite mercenary and buy from you and your competitors and it is difficult to shift them.

There are a couple of other points to bring out:

- Make sure that your marketing and sales strategy is aligned since it is not unusual for businesses to spend a lot of money in recruiting new customers that are difficult to service.
- All of your people need to be fully aware of the implications of the above and ensure that customers are treated appropriately.



The Simple Sales Rules Of Negotiation

How many Sales people really understand negotiation? Sadly too few. Many enter the negotiation cycle without realising they are in a critical part of the Sales Process. Indeed negotiation is not always related to Sales situations.

It is vitally important to recognise when the sales process enters the 'negotiation phase'. Failure to recognise this may be detrimental to your desired outcome, and do the salesman a disservice.

So, what is negotiation? How about: "The exchange of tradables to facilitate an agreement". Simple!

And what are tradables? And more importantly, how many sales men can list them? Tradables are the areas where a Salesman or a Buyer can 'give a little'. The obvious one is price, or more accurately, cost of goods/service. But there are many others too. They can include aspects such as product or service specification, payment terms, delivery and quantity.

Let us look at some sales examples.

The buyer says "Yes, I like the look of your resistors, and if you can get the price down by 10% then we can do business".

"Of course, but I will need you to commit to a 12 month agreement for me to guarantee this price" or "We can meet this price, but we will have to provide the product without the wired connectors".

Another example would be:

Buyer - *"If you can guarantee delivery by the end of the month then we can place an order now".*

Again, the inexperienced may jump at the offer, but the more measured approach would be *"Of course, but we will need to engage our team in overtime to meet the deadline, therefore it will attract a 10% price premium".*

Salesmen naturally believe that the Buyer has the upper hand, particularly as he may have a choice of suppliers. However, if you have reached the negotiation phase, it can be assumed you are winning the competitive battle. At this point the sales man should never underestimate the strength of his proposition.

It is not unknown for a negotiation to break down irretrievably, although with thorough preparation by both sides, this is an unlikely outcome. The outcome of a negotiation and subsequent business deal fall into three categories.

The first, a 'win-win' is the most desirable, both sides feel good about what has been achieved, and it is a great foundation for further business between the two parties.

A 'win-lose' is where one company is delighted with the deal, and the other is regretting the agreement, and feeling 'stitched up'.

Frequently the 'delighted party' is oblivious of the thoughts of the 'aggrieved party'. In this case, unless some remedial work can be done on the relationship, it is highly unlikely that the parties will do business together.



The final outcome is a "lose-lose" outcome. Both parties feel the deal was poor, and such outcomes should be avoided at all costs. However, they do happen due to business pressures, expediency and other compelling issues. Indeed it is highly unlikely that these parties will do business again with each other.

So how do we ensure that outcomes are 'win-win'? Simple - preparation is key. A salesman must know and understand his tradables. A buyer may have different tradables depending on what he is buying. Both parties must accept that transaction value can be talked up as well as down. Typical tradables for a salesman would be:

- ◆ Delivery time
- ◆ Order value
- ◆ Quantity
- ◆ Contract duration
- ◆ Product finish (specification)
- ◆ Packaging
- ◆ Packing and delivery costs
- ◆ Insurance cover
- ◆ Delivery frequency
- ◆ Payment terms

In summary, the best salesmen recognise their tradables, they can recite them at a moments notice and they recognise the simple signs of negotiation. Furthermore, they have an empathy to the needs of their customer in order that all outcomes are 'win-win'.



The inexperienced salesman, who does not realise that the negotiation phase has just been entered is inclined to say "Yes" in great haste to close a deal. However, the more experienced salesman who has a clear understanding of his tradables may respond in one of the following ways:

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