

Good customers are good for business

10/05/09

“As my company gets ready to grow again, I have to identify what makes a good customer. We have some good ones and some not so good ones, which are costing me money but I can't afford to let them go.

Also, I have no way of analyzing customers to be sure I'm not just reacting to squeaky wheels. Up to now, we've taken on just about any client our sales people bring to the table. Any advice?”

Knowing what makes a good customer, and getting more of them, while weeding out less desirable customers can make a big impact on a company's future. Employees are happier working with customers who appreciate what they do. Profits go up as customers seek out and pay for the value of what your company provides. And it's easier to focus on your company's bright future if customers are encouraging you to go there.

PROFILE AND ASSESS

How to build a stable of good customers? Assess aspects such as profit, cooperation and long-term vision. Teach your sales and operations staff to pursue and serve great customers, and avoid or get rid of crummy ones. Build what your good customers want because it's also what you want.

Profile your existing customers. Scale them from 1 to 4 (low to high), on:

- annual revenue to your company;
- annual gross profit dollars for your company;
- average percentage of gross profit;
- ease of working with them;
- how well they pay their bills;
- additional opportunity for your company;
- going in the same direction as your company;
- willingness to forego competitors, steer business to your company; and
- ability to improve scores if you focus on them.

Add up the scores, see who scores high, in the middle, and at the bottom. Pay particular attention to the last question - ability to improve.

WEED THEM AND REAP

Create a plan to weed out low scorers and get more high scorers:

- ask the high scorers if they know anyone else they can refer you to;
- define criteria that contributes to their being high scorers, such as their company's revenue and profitability, growth orientation and attention to quality;
- look for other companies with similar characteristics;
- develop a set of questions to ask every prospect - look for answers that match how your best customer would answer;
- target low scorers to see if your company can increase their scores; and
- teach your salespeople to run from poor quality prospects.

Get sales and customer service on board with improving customer quality. Show them how weeding out low scorers can result in fewer problems to handle. Point out that more profits means more opportunity. Show your staff how improving the customer base will make their lives in sales and customer service better.

A COOPERATIVE APPROACH

Asses your staff's sales and customer service skill. Low skill salespeople often make a big mistake selling on price. Great customers rarely show up through that method. Asking questions, defining needs, knowing when to step in with a solution and when to refer the customer elsewhere all contribute to bringing on board great customers.

Some salespeople think they have to put up with unrealistic prospect demands and ungrateful people. Tell them it's OK to walk away from a bad prospect. Teach them that it takes a cooperative approach to tap into great customer value.

Make sure your staff has the skill and focus they need to get great customers. Get training to help them improve. Set goals for customer quality rather than volume alone. Review sales performance regularly. Coach people until they routinely produce what you want.

Even if you're not intimately involved in sales, as the owner of the company, make an effort to get to know your company's best customers. They can be a rich source of information and support. They can help you define your company's future.

Ask good customers what else they want or need. Where do they see their businesses in five years and what help do they need to get there. You can do a questionnaire online, or ask your sales or customer service personnel to conduct a survey. Create opportunity to talk about how your companies can help each other.

Good customers make the future of your business brighter and more secure. They provide advice and support. They give great referrals, which helps your company to get more good customers. They often ask for things that lead to your next round of products or services. They challenge you to continually get better at what you do. Who wouldn't want more of that?

Looking for a good book? Try "Building Great Customer Experiences," by Colin Shaw and John Ivens.

Business owners regularly turn to Ask Andi and Strategy Leaders for advice on how to grow profitable, successful companies. They find what they need time after time. Specific advice is available at www.AskAndiBlog.com. Ask Andi is also published weekly in the Westchester and Fairfield County Business Journals and Hudson Valley Business. Written by Strategy Leaders President, Andi Gray, the Ask Andi column is a rich source of advice for owners of established, privately held businesses.

If you are a business owner and you have a question or would like to discuss some aspect of your business, call [1.877.238.3535](tel:1.877.238.3535) or send an email to AskAndi@StrategyLeaders.com.