



EXPERTS TONY GATTARI

FIND YOUR HIGHEST-POTENTIAL CUSTOMERS

“Smaller sales can be highly profitable, while larger sales can cost the company a lot to administer or deliver.”

Tony Gattari is founder and Chief Energy Officer of Achievers Group. He is a much-in-demand, passionate professional speaker, business educator, author and corporate business advisor. He has worked with over 140 businesses around the world.

Find him online at www.achieversgroup.com.au, or contact him via email at tony@achieversgroup.com.au or phone 02 9025 3716.

The 80/20 rule, which suggests that 80 per cent of your sales come from the top 20 per cent of your customers, applies to most small businesses. Nurturing that precious 20 per cent means focusing your marketing programs on the customers who drive your company's profitability. A laser-like focus on these high-profit buyers also prevents you from expending too much effort on lower-profit customers. Remember that profitability does not necessarily correlate with the amount of money a customer gives to your business. In many businesses, smaller sales can be highly profitable, while larger sales can cost the company a lot to administer or deliver, and therefore have a smaller profit margin. Use the following tips to unearth who your most profitable customers are.

Calculate acquisition costs

To assess customer profitability, you need to determine how much it costs your business to attract each customer. Many small businesses will be able to get away with a cost of sales analysis that is much simpler than those used at larger companies. Keep in mind that the cost of sales numbers produced through these calculations are averages, to be used for rough evaluations of your customer base.

Calculate cost of customer service

It is important to track your customer service expenses to measure how profitable your current customers are. The equation is similar to the cost of sales analysis. Apply costs for service-related items such as order-taking personnel, project manager salaries and delivery of your product or service to each customer. Estimate the average cost of servicing each customer by dividing by the number of customers you serviced during the year.

If you need help determining key service expenses in your industry, ask your accountant for industry standards. Keep in mind that the cost of service numbers produced through these calculations are averages, to be used for very rough evaluations of your customer base.

Create a high-potential profile

With the two figures above and the revenue that each of your customers provides, you can determine a rough measure of an individual customer's profitability. You can use this information to develop a profile of your high-potential customer. Look for common characteristics and behaviours: do they fit into specific demographic or geographic categories, have certain shared attitudes and values, or make their buying

decisions in a similar way? This profile will help you develop the most effective marketing programs to reach these targets, extend their value to your company, and attract more high-profit customers.

Some businesses might want to go a step further and develop a customer potential pyramid — a three-level hierarchy that breaks out the company's high-potential, medium-potential, and low-potential customers. The purpose of this profile is to look for marketing tactics to migrate customers into the high-profit categories.

Reallocate efforts around least profitable customers

In support of your focus on the top 20 per cent of your customer pool, you should make an effort to not attract unprofitable customers. Identify those customers who cost you valuable time and money and create a profile of them in the same way you built a high-potential profile. To the degree that you can, be sure that your marketing programs exclude these customers, to keep you efficient and profitable.

Since every relationship is an important link to other customers, try to avoid alienating anyone by telling them you don't want their business. Instead, just avoid focusing resources on reaching them.

Now build a lasting customer relationship

One of the ways to build a lasting relationship is to let customers know that you care about them, not just during the purchase, but afterwards, too. For example, send someone a follow-up letter with a business card and encourage them to call you with any problems or questions. Send customers a survey asking about their experiences with your company.

Be proactive about service, too. Go the extra step and provide them with something they didn't ask for but would appreciate. For example, when we send out a packet of information on our company to someone, we always call to see if they received it. We don't have other motives, and if we get voicemail, we just leave a message. Another initiative is to send a handwritten thank-you note when you close a piece of business, saying 'I appreciate your business'. You can also send clients or potential clients a copy of an article you thought would interest them or start providing a guarantee on all your products. A dry cleaner could take the initiative by replacing a missing button without the customer asking and then putting a note on the item saying they had replaced it. ■