John Coldwell, CEO of Infoquest says it is critical for SMEs to identify and leverage their most profitable customers

BIGGER BANG PER BUCK

"Just who are your most important customers? Are they the ones with the largest spend, the biggest margin or the most profit? Or are they the customers with the greatest potential? Make it clear to the sales teams exactly which type of customers are important, and what sort of mix is required, and why"

JOHN COLDWELL
MD, Infoquest

How do you get the most out of a limited B2B marketing budget – or, as the Americans say, the biggest bang for you buck? The following advice should help:

Lesson 1

If you really are in B2B then you will know all of your customers pretty well because they've been placing orders with you for a while and should continue placing orders with you for a good while longer. But many salespeople – for whatever reason – not only don't like administrative tasks such as maintaining databases but also regard their customers as their customers, not the businesses.
Action Point: Ensure that your business keeps an up-to-date record of the most important decision makers and key influencers. If you must, give the database an unthreatening title, such as 'The Christmas Card List'. Cost: £nil

Lesson 2

Just who are your most important customers? Are they the ones with the largest spend, the biggest margin or the most profit? Or are they the customers with the greatest potential?
Action Point: Make it clear to the sales teams exactly which type of customers are important, and what sort of mix is required, and why. Once this is done, the director of sales can manage how time, effort and resources are spent, making sure that they are in line with your plans. Cost: £nil

Lesson 3

We all need to sell more to stand still because of the nature of customer churn. When pressurised into producing growth plans we must always bear in mind the "hierarchy of risk" map. This hierarchy goes in three stages:

- Low risk is selling more to existing customers.
- Medium risk is selling your existing range to new customers and selling new stuff to existing customers.
- High risk is selling new stuff to new customers.

The safest route to take is to sell more to your existing customers and the easiest way of doing this is through the windows of opportunity.
Action Point: Take the list of your most important customers (the Christmas card list), perhaps also using Pareto's 80:20 rule to refine the list still further, putting the names in the left hand column. Then, across the top, list out the products or services that you offer. This may be nuts, bolts and washers; vales, pumps and actuators; or PR, copy writing and consultancy. Against each item in the matrix, put the estimated level of penetration (or wallet-share) you have with each customer against each product or service you offer. Show this as a rough percentage – 100 per cent or 80 per cent or 30 per cent - something simple that everyone can understand. You might need help from the sales people on this. Cost: £nil

Lesson 4

So far this exercise has cost you nothing but time, effort, and the embarrassment of not having this vital data to hand in the first place. We should now have on a single spreadsheet a list of the decision-makers and key influencers at your most important customers, cross referenced with who buys what and how much of their spend you've got. This list needs to be prioritised a bit further.
Action Point: Take the list of customers and add a column for 'annual revenue'. This can be for last year, or the last 12 months, or even the last six months annualised. Now sort the list with the highest revenue customer at the top. Cost: £nil

Lesson 5

Fine-tuning the list based on the windows of opportunity can have a huge impact on the direction of the business as a whole. It is best to take the whole figure for penetration rather than the individual scores for each market segment, as this next stage doesn't want to get too messy.
Action Point: Create a new column entitled 'overall penetration' and stick to simple percentages such as 50 per cent or 75 per cent. Now divide the revenue by the percentage figure and the result should be the account potential. Sort the spreadsheet again, with the highest potential, shown in pounds, at the top. This should be a list of your softest targets. Cost: £nil

Lesson 6

In general at least two-thirds of customer migration can and should be caught before it happens. If you have a churn rate of 15 per cent, it should be possible to bring that figure down to just five per cent within a few months, thereby putting an extra 10 per cent on revenue forecast.
Action Point: To do this you need to listen to your customers. Find out their little niggles. Find out whether there are any personality clashes between your sales people and their buyers. Discover what is stopping them from giving you all of their business; from passing you on to other buyers of your goods and services within their organisation. And get to know what issues might be driving them to look elsewhere. Cost: £some, but with a huge return when done properly.

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