

# Developing existing customers

# 4

## Introduction

*‘There is increasing evidence that existing customers are far more profitable than new ones’*

Mike Wilson, CHAIRMAN, MARKETING IMPROVEMENTS

Existing customers are increasingly seen as vitally important to company profitability. Let us look at ways to help you keep and develop your existing customers.

## Existing customer health check

Ask yourself these questions:

1. Do you set yourself annual sales and financial targets for each customer, so that you know what you are trying to achieve?
2. Do you set yourself annual development objectives for your top customers with strategies on how you plan to achieve them?

3. Do you really understand the business of each of your customers, especially your major customers?
4. Do you regularly suggest innovative ways in which their business can develop by using your products and services, eg through quarterly business reviews?

**Comment:** Too many ‘no’s here and you could be left behind by competitors. More and more salesforces are shifting from a traditional straight selling role to a business development and advisory role. Yet how can you advise if you do not understand your customer’s business?

**Suggestion:** Write up a plan for at least each of your top ten customers and develop objectives, strategies and an action plan to aim to retain and develop the business. Review progress regularly with your manager. Set up a system of customer record cards (see later in this chapter) to build up your customer knowledge.

*‘We should reward sales people for keeping customers rather than for finding new ones’*

Professor Michael Thomas • STRATHCLYDE UNIVERSITY

**A survey of UK Sales Managers revealed:**

- **Excessive downward pressure on short-term sales**
- **Consequent failure to sell across the board**
- **Consequent lack of competitiveness and future growth.**

*The Sales Direction Survey of Sales Management*

## Call objectives

1. Do you always check what you need to take into each call so as not to forget literature, samples, correspondence etc?
2. Do your sales objectives for each call include consideration of the size of order you will need in order to reach your annual target for this customer?
3. Do you consider information objectives for each call – points you want to find out about the business, the market, the competition or information that might interest or help the customer?
4. Do you regularly seek opportunities to develop your product range with each customer?
5. Do you consider before every call whether it is appropriate to take some development actions on this call, in order to achieve your longer-term development goals for this account?
6. Do you regularly sell concepts as well as products?

**Comments:** ‘No’s to questions one to three are basics which you can easily put right. ‘No’s to questions four to six are more serious and, where present, reflect problems that are widespread in UK sales forces.

**Suggestion:** Before each call, remember to plan:

- D**evelopment objectives
- I**nformation objectives
- S**ales objectives and
- C**heck that you have got all you need for the call.

**Always remember to think long-term as well as short-term about your customers.**

## Unit Descriptor

### **Generate and follow up sales leads**

This unit is an integral part of the sales cycle. It involves the individual in making the initial contact, through a variety of different methods, with potential sales leads and establishing their buying needs. It requires the individual to advise potential customers of any products and services they may be interested in and to take the opportunity to promote those products and services.

The unit also requires the individual to obtain and record information about the contact they have with customers, including their buying needs and any further action that is required and relevant information about other suppliers, and where a customer's interests suggest that there may be opportunity for up-selling or cross-selling in the future.

The individual is also required to establish a relationship with both cold and warm sales leads, by providing them with information and clarifying their buying requirements throughout the unit.

*Extract from The Sales N/SVQ Level 3 (Revised 1999).*

## Call evaluation

1. Do you keep track of total business volume per customer?
2. Do you keep track of sales trends by product group for each customer?

3. Do you analyse each call for what you can learn from it?
4. Do you always make notes after each call on points that will help you on future calls, rather than rely on memory?

**Comment:** Some salespeople in other companies cannot see the wood for the computer print-out trees. Bombarded with data and pressed for sales today, they miss the overall volume trends in some of their customers. Others prefer action to analysis. They are the ones who end up not with 20 years' experience, but with one year's experience 20 times. Others cannot see the point of writing down call details for customers they know well and see often. 'Nor could I', said one salesperson, 'until my manager insisted that I did. I now see the value and do it by choice!'

## Customer records

Set up a system of customer records which:

- Are either paper based or electronic\*
- Have space for basic customer details, contacts etc
- Give an instant record of products used by the customer and those bought from you
- Provide ample space for call comments that will help in future, including ideas for next call objectives.

These will prove invaluable because they:

- Provide a means of tracking product groups
- Increase your professionalism in the customers' eyes by your consistent ability to start each sales call where you left off the last one
- Are easy to use, help you to sell more and develop the business.

\* Filofax produce paper-based customer record cards. Several companies produce electronic sales record and business tracking systems.

*Only one in ten of the UK's top 200 companies recorded how many customers they lost each year.*

*Nearly half conceded their salesforce were not fully equipped to meet the needs of their existing customers.*

PRICE WATERHOUSE SURVEY

## **Customer retention and loyalty**

1. Do you record the percentage of customers you lose each year?
2. Do you know how you compare with the UK average annual rate of loss of existing customers, which is 15-20 per cent?

**Comment:** A 'no' to these questions puts you in company with 90 per cent of UK firms. Research by Bain and Company quoted in the April 1994 Marketing Business suggests that:

- A retention rate of 80 per cent means that customers on average remain loyal for five years
- A retention rate of 90 per cent means that customers on average remain loyal for 10 years.

Whilst you will regularly need to weed out unprofitable accounts that you cannot afford to call on, or have serviced by telephone or by other means, it is obviously important to hold on to existing accounts.

**Suggestion:** Log the number of active accounts you have at the start and end of each quarter. This information should be available from company print-outs or from your customer record cards.

Be especially vigilant for any inactivity in the top 20 per cent of your accounts, who probably give you 80 per cent of your business.

*Research has shown that boosting a company's customer retention rate by two per cent has the same effect on profits as cutting costs by ten per cent*

Forrokh Suntook, Director • BUSINESS MARKETING SERVICE

## **Summary**

And for the final word on the importance of your existing customers...

*Customers are the lifeblood of business.*

*Without them our doors would close.*

**Don't ever forget it!**

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