

Missing the opportunities within



Andrew Scott, Managing Director of marketing consultancy firm Purplex, discusses the “big” factors that influence business growth in a series of exclusive articles.

When companies plan for growth the marketing strategies generally revolve around new customers or new markets. Yet, as many business owners can testify, focus on new customers alone can often result in losing sales along the way and managers can find themselves bringing on customers simply to replace those they have lost.

New business is essential in today's market, but companies that grow consistently and profitably year-on-year do more than just implement great sales and marketing strategies. Creating a specific process of retaining and developing your customers can dramatically improve revenue and profitability.

THE CUSTOMER VALUE PYRAMID

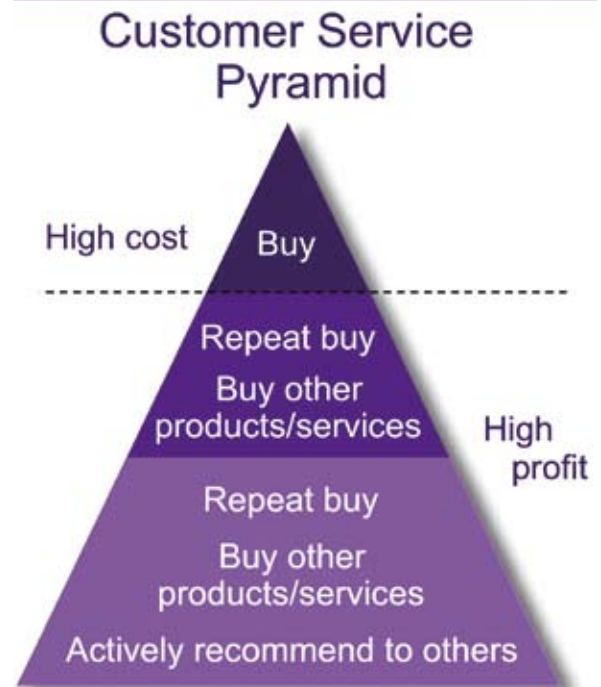
We all know the cost of customer acquisition is high, both in monetary terms and in resources. Companies can devise sophisticated (and expensive) sales and marketing campaigns to attract and win new customers, yet once they are on board attention turns to winning the next customer.

Developing a process to move your new customer through the 'Customer Value Pyramid' can produce immense benefits without the high cost of new-customer acquisition.

The real value of a customer is not what they buy now, but what they could spend during their lifecycle as a customer. What

opportunities exist to increase their spend with you, and what new products and services could they buy from you? Almost all consumers and businesses will know others who could be customers. How much are those customers potentially likely to spend?

A trade customer spending £5,000 per month, for example, will spend £300,000 over 5 years. By working with them closely to increase their spend and by upselling and cross-selling new products and services, this could easily be £500,000. If they recommended and introduced 4 new customers with similar spend, this customer is worth £2.5m to your company. What is more, the new products/services will be better profit margins, because your customer will value the relationship and service you provide and, additionally, there is no customer acquisition cost.



© Purplex Consulting 2011

DEVELOPING THE RIGHT STRATEGY

The vast majority of your staff will take your customers for granted. This is a harsh statement, but in larger companies many won't even know who your customers are, or have any contact with them. In addition, most companies have never outlined a customer retention and development strategy to their staff, so customer relationships are transactional, with no long-term purpose other than to fulfil an order.

The key is to create a customer-centric business, where the entire purpose of the business exists to serve the customer. This may sound obvious, but in many companies today the focus is still on the front end (sign-up) and back-end (delivery and payment).

Processing and delivering an order on time and correct is not good customer service. That is simply what the customer is paying for. It is a transaction. Good customer service is where you deliver value above what they are paying for.

And in this age of technology, the greatest value is still relationships. When your management and staff are genuinely focused on your customers, when they want to delight your customers, your business could see explosive growth. Your customers will increase spend, buy more products and services from you, and recommend you to their friends and business associates.

So where do you start? Your business probably has regular sales meetings, finance meetings and production meetings, but what about customer strategy meetings? This is valuable opportunity to focus entirely on your existing customers to discuss key issues such as measuring customer satisfaction levels, improving the 'customer experience', increasing revenue and up-selling and cross-selling new products and services.

Assess the average lifetime value of your customers, including other customers they may recommend. Share this information with your staff – next time they have a "bad hair day" they may think twice before ignoring a customer request. Then adopt a strategy to move your customers through the 'Customer Value Pyramid' to give your management and staff a clear purpose beyond simply fulfilling orders.

With current market conditions, no business can afford not to chase new business. But don't overlook the potential revenue and profit streams that are already within your business. By following the strategies outlined in this article your business can achieve sustainable and profitable growth while improving customer satisfaction and brand loyalty. Isn't that a worthwhile investment?