



TenStep Supplemental Paper

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Bird In Hand

"It costs five times more to get a new customer than to keep the one you already have". Anyone connected with sales and marketing knows that fairly well. Yet, most sales employees cannot hide their excitement when they come across a new sales opportunity. It is only reflective of their organization's tendency to invest in more efforts, money and time in pursuing new customers.

Undoubtedly, the lure of a new prospect is irresistible. Of course, this possibility should not come at the cost of sidelining existing customers.

The need to train

Chasing new customers is the primary skill of many sales employees. An organization might find it difficult to shift its focus from customer acquisition to customer retention. Training can accomplish this. Through comprehensive training programs, some organizations teach their employees current customer growth strategies. Organizations interested in training their employees should incorporate the following tried and tested strategies into their training programs.

Strategy 1: Train employees to know the customer

Training must begin with educating employees about the importance of customers. Such awareness must begin with orientation.

Typically, orientation training focuses on educating employees about policies, regulations, organization history, job roles and duties. Rarely does it involve educating employees about current best customers, their importance to the organization and best customer profile characteristics. Lack of such knowledge only means that employees, once inducted, can do little to 'grow' existing customers. Experts recommend including the organizations' 'Best Customer Profile' as part of new employee orientation.

What is a best customer profile?

Some organizations rank or rate their customers by focusing on those who generate major sales. However, a more accurate approach to profiling best customers is as follows:

- Study a year's sales data
- Based on this data, rank customers from highest to lowest by profitability, cost to service and gross sales
- From these rankings divide customers into three groups, with group one constituting 'high' or the most valuable customers
- Next, study what is common among the customers in group one. This will help identify best customer characteristics and develop a 'Best Customer Profile'.

An employee trained to use a customer profile will focus his or her efforts on the top order.



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Strategy 2: Train employees to use Customer Preference Profiles

Organizations who reap profits from their current customers recommend training on the use of *Customer Preference Profiles*. Apart from contact details and demographic information, it provides data on gift preferences, social network and family size.

For corporate customers, a profile includes information on key competitors, upcoming projects, corporate objectives and budget plans. The use of such information helps an employee sell more to their best customers. Some organizations encourage their employees to participate in the process of building preference profiles for each of their employees. This exercise increases an employee's awareness of what information is important to boost best sales.

Strategy 3: Training employees to develop ESP!

The main objective of training to "grow" current customers is to teach employees to be highly sensitive to current customer needs. While preference profiling helps an employee with questions such as, "*Why should we sell more to current customers?*" and "*What customer information should we gather?*" that is not sufficient. Sales professionals believe that a part of training is teaching employees to be like detectives! Only then can they accurately decode customer requirements, current or prospective.

Each time an employee interacts with a customer (either face-to-face, or otherwise), encourage him or her to ask certain key questions. Adding information to the candidate's preference profile enhances awareness of best customer needs. As part of training, involve employees in conducting customer surveys and visiting customer sites.

Strategy 4: Train employees to use Customer Activity Reports

A Customer Activity Report details customer relationship history, number of transactions with the customer, transaction value, last purchase date, the candidate's purchasing status (active or passive) and the age of the customer. These specifics are highly useful when organizations match a customer's buying patterns with marketing communication timings. It can also help recapture 'defector' customers. Training employees in using these reports helps them uncover potential sales opportunities.

Strategy 5: Train employees to use the "Share of Customer" tool

Many sales experts believe this tool is as valuable as the Customer Preference Profile. To calculate the "*Share of Customer*," make a grid on the right side, list the entire range of products and services produced, and the potential "*annual customer spend value*" for each line of product/service. If a customer purchases the entire range of products and services, the last column will have the value of the "*total spend*".

The left side of the grid lists the organization's top customers and indicates the products and services that each customer buys with their "*annual spend*". If an existing customer spends \$5000 on a few products and services and the annual customer spend (for all products and services) is \$15,000, the organization has a golden sales opportunity at hand. The organization can extract this additional \$10,000 from the existing customer instead of pursuing new ones.



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More strategies

In addition to training, it is equally important to ensure that the sales force understands that not all customers are equal. Rating customers and focusing on the best is a more sensible approach to improving sales.

Training employees in caring for existing customers can help the organization maintain and improve customer retention rates, reduce sales expenditure and increase sales revenues.