



Know Thy Customer To Grow Your Sales!

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Dimensions of EXCELLENCE™ is based on the four dimensions of performance and organizational excellence. These are the foundation for our development programs oriented to achieving performance and organizational excellence in sales, marketing, and customer service.

These white papers provide concepts and ideas based on the application of these principles of these programs and our work with our clients. We welcome your comments and observations on these topics.

- What would you do if you discovered that over 82% of your customers bought from you only two times----ever?
- What if you discovered that for every 1,000 new customers acquired every year, less than 300 would do business in the following year and after 4 years less than 150 would still be doing business with you?
- What would you do if 60-80% of your top 100 customers changed every year?
- What would you do if after several years, only 15 of your top 100 customers were still in your top 100?

Most of us would panic! Those cynics on the sidelines would call for new sales management! Many of us would think that these companies are failing.

These were the customer buying patterns we discovered for several of our clients, organizations who by most measures were tremendously successful. One was growing more than 40% per year. The other two were growing more than 25% per year. Two were share leaders for their market segments and all were very profitable. These records of success masked problems with their customer base. Problems that, over the long term, could substantially reduce their growth and success.

The management teams of each of these companies did not think that they had a problem until we conducted our *Customer Knowledge Assessment™*. With the assessment, we were able to determine these companies were under-performing. The traditional measures of success were masking the fact that they were not building and retaining a loyal customer base.

Success Masks Under-Performance

Most sales organizations tend to have very simple measures of success: growth in revenue, share and profitability; making quota or target. Some organizations track product lines, others add key account sales and there are others, but most measures of sales performance are very simple, as they should be. In most organizations, until there are problems, little attention is paid to understanding the fundamentals underlying their growth. With each of the examples of very successful companies cited above, significantly better results could have been achieved by understanding the fundamentals of their customer base.

When we asked one company about the performance of their top 100 customers, they proudly stated that it had consistently tracked at about 40-45% of total revenue and that they measured the performance regularly. When we looked at the data, their top 100 did drive revenue; the problem was that every year it was a different top 100!

Another company was rightfully proud of their ability to generate new customers. Their lead generation statistics were awesome! When we tracked each customer, we found the majority purchased once and never again. Our client was unaware that they were spending enormous sums of money to acquire a customer making a single purchase.

In another case, we discovered that by increasing customer retention, we could increase sales growth by 200%! This organization had been ecstatic with 40% annual growth!

Don't let your current success mask the fact that you may be under-performing your potential. It only takes a little time to gain insight about your customers and their buying patterns. Understanding the underlying detail of who your customers are takes only a little

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time yet can provide the foundation for solid sales growth.

Assessing Customer Performance

To begin to understand who your customers are and their buying patterns, you need to ask yourself some simple questions:

- What customers represent my top 100?
- What is the churn of those 100 over the past 5 years?
- What is the trend in annual sales for each of those customers?
- How many new customers do we acquire every year?
- What is their buying pattern over several years?
- What is our customer retention rate? How many customers do I lose every year?
- How many times do my customers purchase from us each year?
- Why do they buy from us? What value do we deliver?
- When they stop buying, where do they go for solutions?

The answers to these are the start of understanding if you have an opportunity to grow your relationships and sales with your customers. Spending half a day to analyze basic trends is all this takes.

Determining your customer-buying behavior is just the start. If you begin to see results like those cited at the top of the article, alarm bells should start ringing. Seeing enormous customer churn, or identifying that many of your customers are buying only a small number of times, or determining that their purchases are declining dramatically, may indicate you have problems. Solving these problems can drive tremendous sales growth.

The problems could be varied and complex. Are your customers dissatisfied with your products? Are you satisfying their needs? Who are they turning to for solutions? Have you lost touch with your customers? Are your sales people maintaining contact? Are you directing all your communications to acquiring new customers and not growing current customers? Are your customers aware of new products that can satisfy their needs? Is your competition outperforming you in satisfying your customer needs?

In the case of the examples above, by identifying the customer buying trends, we not only determined our clients had problems, but we could also identify specific customers to interview to determine the underlying causes for the customer attrition. We could then systematically solve the problems and begin building a loyal repeat customer base.

Make Customer Knowledge Part Of Your Early Warning System

Traditional measures of sales success provide insufficient indicators in whether you are achieving your true potential. Understanding what the performance of each customer, over the life of your relationship is essential to maximizing your performance. Systematically tracking new customer acquisition, customer loss, customer churn can keep you ahead of the game, retaining and growing your customer base and your sales.

Tracking the performance of each customer through the life of your relationship with that customer is a key to maximizing your performance.

Customer Knowledge Assessment™ is a proprietary tool used to help organizations understand the performance trends of each customer. It provides management summaries to identify problems and maximize performance. For further information, contact Partners In EXCELLENCE, (949)305-7146.

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