

How do I ... get the best value from my customers

Being in a position to focus on your most valuable customers might sound like a luxury. But every business finds that some customers are more valuable than others. This can be for a range of reasons, from the size of their purchases to the relative ease of managing their account. Successful businesses are generally those that identify who their best customers are, build relationships with them and work to bring in new customers with a similar profile.

This guide outlines how to identify which of your customers are the most valuable to you. It also provides tips on selling more to them and attracting new high-value customers.

Step 1: Learn about your customers

Your customers are a valuable source of information, so you should aim to collect data that lets you identify your customers and how they behave. This will vary depending on your customer profile. If you sell to individual consumers, you might want to know about their age, gender, income and so on. For businesses, you might want to know what industry they operate in and their size.

Understanding your customers will also help you to sell more. The more you know about them and their needs, the easier it is to identify opportunities to sell them new products and target them with appropriate offers. You can tailor product offerings and provide personalised treatment. Finally, understanding your customers helps your planning. You can predict what they will buy, estimate how much stock you need, etc.

You should also try to find out what they think about you and your products and services. For example, learn what they like and dislike and why they choose to buy from you. If you have just a few important customers, it's worth getting detailed feedback from them. Companies that sell to individual consumers sometimes use customer surveys. If you sell online, you can use your website to capture some information automatically.

Step 2: Segment your customers

The right information will let you build up a useful profile of your customers. This typically includes the following:

- Who they are - the age and gender of individual consumers, or industry and business size for corporate customers
- What they think and believe, what interests them and their opinion of you and your product
- Their purchasing behaviour - which products they buy, where they buy them, when, and how they pay

Profiling your customers in this way helps you group them into different segments, each of which can be approached separately. For example, you might produce customised products or services for different segments. You can also focus the way you market to different groups of customers.

Segmentation can also help you sell more effectively by improving your understanding of customer needs and how your product can satisfy them. It may also show opportunities for developing product ranges and for cross-selling other products that fit the profile.

The more you know about your customers, the more effectively you can market to them. Advertising and other promotions can be more effective if they are targeted. You can ensure that each customer gets the right marketing messages, at the right time.

This also affects the type of media you use. For example, if you market to 15-24 year olds, you might consider marketing via text messaging, using "viral" emails or by sponsoring music events. Viral marketing or "refer-a-friend" email campaigns allow people to forward on promotional emails to friends, thereby increasing market reach for your business.

Step 3: Create customer database

It is not enough to collect information, you need to store it, too. The most effective way is to use a central database. You then need to decide what information different employees might need, and how to make it available to them.

Technology can help. For example, you can share correspondence and other information on your computer network. Using caller recognition, staff can view an incoming caller's details and purchasing history before even answering the phone. Integrated IT systems help different parts of your business to share what they know.

You must ensure that any confidential or important information is protected against misuse or accidental deletion. Remember, that you must also comply with data protection rules for any personal information on existing and potential customers you collect, keep and use. It is also important that you keep accurate and up-to-date information. It's a good idea to update records regularly, taking care to delete duplicate entries. If possible, you could also consider giving customers online access, so that they can update their own details themselves.

Technology can also help you set up automated mail shots or emails to go to different customer segments. E-commerce software can allow you to offer discounts to particular customer groups, or send selected customers "e-coupons" to use in your online store. The right database can also enable your customers track deliveries through your website or provide customer training.

Step 4: Analyse customer value

Analysing your customers allows you to identify those who best fit your business priorities. These will depend on your strategy - for example, if you are launching a new product your aim might be to build sales as quickly as possible, whereas if you have cash flow problems you might value customers who pay quickly.

However, most businesses want customers who are as profitable as possible. Customers tend to be more profitable if they:

- buy high-margin products

- pay full price without negotiating discounts
- place a small number of large orders rather than many small orders
- do not cancel or amend orders
- pay on time, without being chased for payment
- do not require extensive after-sales service

By analysing your records you can assess how profitable each customer is. In some businesses, just a few customers are responsible for almost all the profits. Some of your largest customers might be among your least profitable. You may even find that there are some customers you would be better off without.

You should also try to look ahead. For example, a business customer that is expanding might become more profitable for you in the future. It's important to anticipate changes and how they might affect different customers. Selling more to existing customers is far more cost-effective and profitable than finding new ones.

Step 5: Focus on your most valuable customers

- Tailor your products and service to meet their specific requirements. If a customer prefers delivery before noon, organise your delivery schedule to make sure that happens.
- Consider offering preferential terms to them, such as bulk discount, etc.
- Offer them gold standard customer care. Identify and resolve problems quickly and always live up to your promises.
- Keep in touch. Organise events where you can update them about your product and service portfolio development. Let them know when their service contracts need to be renewed or when better deals become available.
- Build personal relationships with key decision-makers. Use this relationship to learn about the changing needs or emerging demand of the customer as well as to learn their opinions and suggestions about your products and services.

Step 6: Be ready for change!

Understanding who your most valuable customers are helps focus your efforts, but at the same time, diversification is important.

It's risky to lay back and rely on just a few, existing key customers. A change in circumstances could mean that all of them reduce their purchases at the same time or the value of their custom drops due to change in the exchange rate etc..

As markets change, you should regularly review your customer data to see if a particular customer segment becomes less profitable as customer requirements may change (for example, as individual consumers become older).

Keep an eye on customers' future potential. Continuously review how valuable your existing customers are and if other customers may increase their turnover with you as they grow. It may be worth nurturing a relationship with a small customer with high growth potential. Working with your customers can also help you identify ways to develop new and improved products.