



# Are your existing Customers coming back to you in enough numbers?

## Can you answer these three questions?



1. Do you know how much more it costs a company to acquire a new Customer as compared with retaining an existing Customer?
2. Why is it that buyers do not change the supplier at the first instance of some failure unless it is of fraudulent nature?
3. Should your salespeople build Customer relationships out of business or business out of Customer relationships? What is the difference?

## Can you solve the following three problems?

1. Tom is a sales engineer working with a British company that makes ferrite components in collaboration with a Japanese company. Mr. Kanayama GM Marketing of the collaborator is visiting Britain and has taken Tom along to make visits in the market. Most of the communication happened through a translator so words exchanged were only a few.

Tom asked Kanayama:- "How often does your sales engineer in Japan visit his or her 'A' type of Customers?" Kanayama's reply was "Once a day in most cases but twice a day for some". Tom was very surprised. If he could manage once a week he was happy! So he asked "But what can be done meaningfully by meeting twice a day!!" Kanayama told him 'depending on present status, competitor and strategic effort plan'. What did he mean?

2. During Sales & Marketing conference of an Industrial consumables firm Sales and Sales Admin are blaming each other about loss of Customers as in rebuy. Salespeople say that Customers complain of too many failures and no satisfactory response from the Sales Administration. Sales Admin people say they know for sure that their performance on delivery and quality issues is better than the competitor and it is the salespeople who do not work to a plan to retain existing Customers. Which side are you on and why?
3. Ashok is Marketing executive with PET bottles manufacturer, looking after food and beverages sector. His Customers are medium sized companies with products such as sauce, jam, pickles, and so on. His share with many long standing Customers is under threat due to intense competition. He has just explained to his boss what his strategic plans are with 5 most important Customer firms. The boss made a comment

*that he sees the strategic result objectives but no strategic effort objectives. Ashok was perplexed and asked - what is a strategic effort objective? Can you explain?*

## Rebuy situations

Some B2B industries have Customers buying one-off only. Other B2B industries have a Customer buying continuously. The title question of this article applies to the latter. Further, if the Customer purchase is very large (currently or potentially) it calls for Key Account Management and that is a different topic than this article.

There are many firms wherein each Customer may account for say 3% to 5% of total sales for each given salesperson and typically each of these Customers works with one year time horizon splitting the total purchase between suppliers. Average figure of such Customers per salesperson is about 10, which could be more in case Customers are much smaller. In such cases main thing is to defend today's volume from buying Customers, ensure no loss of Customers and inch towards better share with each Customer.

## Sales and Service contribution

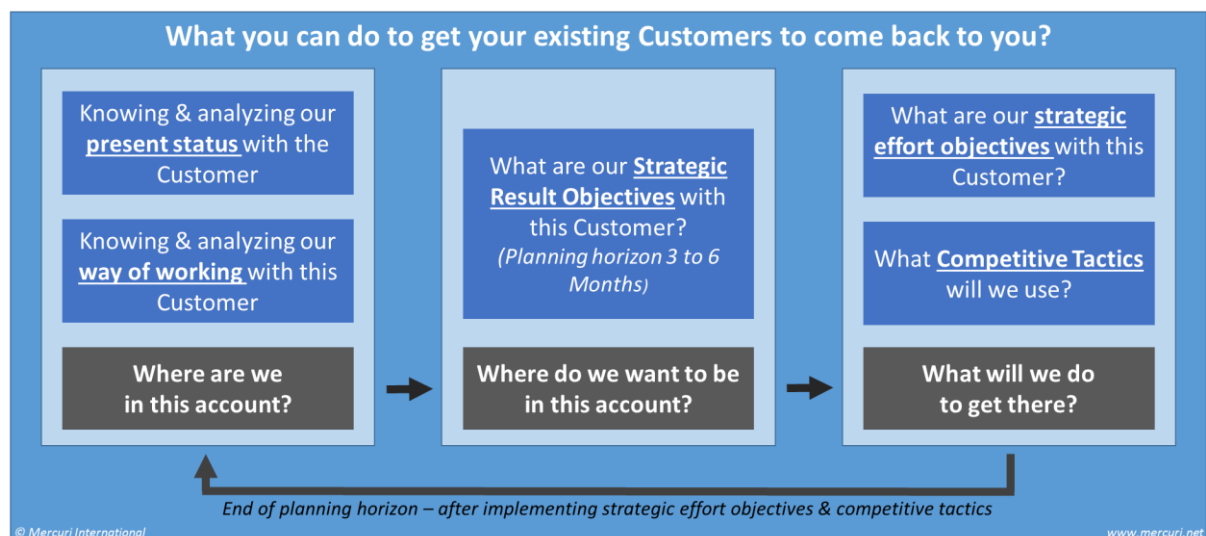
It is true that both sales and service quality of a firm decide how inclined the Customer would be for rebuying from his existing supplier. Generally, purchasers do not switch to other supplier immediately upon one service failure. Salespeople on the other hand have to strategize and fight for rebuy share with each Customer. This is a matter of looking for increase in impact of sales strategy with respect to 4 key aspects.

## Four key aspects for increasing impact of strategic sales work

Key Account Management (which is not the subject of this article) also deals with these four aspects but there are many more things to do in Key Account Management. Here we are concerned with medium sized Customers per salesperson to strategize with each in sufficient detail and defend/ improve own share. Four things to do are

1. Knowing and analysing our present status with a Customer – on 5 to 8 parameters.
2. Knowing and analysing our present way of working with a Customer – in 5 to 8 areas.
3. Deciding strategic result objectives as also strategic effort objectives for each Customer. Planning horizon – 3 to 6 months.
4. Deciding competitive tactics

Here is a framework that captures how all of these elements come together:



Given below are a ready-made bank of options in putting these elements to work. Done diligently, these action options are sure to get your existing Customers come back to you in enough numbers.

## Knowing and analyzing our present status with each Customer

Decide 5 to 8 most important knowledge areas [E]out of following possible areas. Use that list to assess each Customer.

E/D/U	Questions to ask. What is the relative degree of importance of each question? Assess each as essential [E] to know, desirable [D] and useful [U] to know.
	Value of our sales to the Customer
	Our sales value to Customer versus his total purchases
	Trends in value of our sales to the Customer
	How stable or fluctuating has our sales been over the last few years
	Width of our product line (product mix) bought by the Customer
	Product-wise our share with the Customer vis-à-vis other suppliers
	Factors that decide Customer's buying frequency
	Which levels in the Customer organization matter for our type of supplies?
	At main levels.. decision makers & influencers.. how many people do we know well?
	Our position with each of the Customers handled by a given salesperson. (Some possible descriptions are as follows: Are we the main supplier?; Are we one out of x no of approved suppliers?; Are we on the Customer's list for sending all enquiries; Is our terminology used by Customer ...., and a combination of these)
	Customer's overall evaluation about us considering product +service +price
	Future changes in Customer's product-wise purchases
	Attitude of various people towards us. Who is for and who is against?
	A person in the Customer's company who cooperates with us most
	Procedures and practices of the Customer
	Customer's financial situation

## Knowing and analyzing our present way of working with the Customer

Decide 5 to 8 most important knowledge areas [E]out of following possible areas. Use that list to assess each Customer.

E/D/U	Questions to ask What is the relative degree of importance of each question? Assess each action as essential [E], desirable [D] and useful [U] .
	Focus on adequate quantitative level of efforts. ( <u>Number of visits/ sales contacts</u> )
	Ensure adequate number of people from our side who know the Customer well
	What is the level-wise contact from our side to their side?
	What is the depth and quality of contacts?
	Do we formally define our long term objectives/ strategies for Customer? How?
	Do we formally define our short term objectives for the Customer? How?
	How do we keep the information bank about the Customer?
	How is the information about competitor managed?
	Our involvement in training of Customer personnel
	Do we involve this Customer in our product development efforts?
	Is there any shared data between Customer and us
	Do we have a formal way to evaluate our organizational relationship with Customer?
	Internal coordination at our end for people in touch with Customer
	Way of sending organizational communication to Customer
	Follow up systems to monitor results and efforts

### How to build and improve strategies

There are a number of tasks that one has to carry out or coordinate on the way to reach what is being aimed at. Write out your aim well first. Articulation of aim makes it easier to select activities and decide how to carry them out. An example of an aim:- "To increase our sales value (for this Customer) to 1,000,000 per year @ 40% share for us 60% being shared by two other suppliers".

This can lead to good strategic results to be achieved and strategic improvements to be made. Such strategy statements serve to give different activities that you can think of intuitively, a common direction.

#### Some general examples of strategic result objectives (milestones)

- To make the Customer start buying an x product.
- To make the Customer consider us for requirements other than what we are supplying for today.
- To make the Customer accept something in principle. E.g. importance of a quality parameter.
- To make the Customer accept desirability of certain way of working between us and his organization. E.g. who is to be informed about a change in schedule?
- To influence Customer's attitude about the area of what our product serves for him.
- To influence Customer's attitude towards our company or our technology or our competitor.

#### Some general examples of strategic improvement (effort) objectives

- To change the way our offer is made at present.
- To contact new people or departments at Customer's place.
- To use a method for contact not used so far- say a Seminar, a Fair, Reference visits.
- To use other resources from our side ( Managers from other functions, External specialists, Test facilities etc)

#### **A bank of competitive tactics: - choose and adapt to your situation (Also recognize if your competitor is doing it)**

- Focus on products that are easiest to offer.
- Offer a total concept technically or organizationally.
- Invitation to factory for a visit.
- Demonstrations.
- Seminars (Information meetings).
- Education and training.
- Joint technical development with Customer.
- Use other contacts to make inroads into – Purchasing/ Technical/ Top management.
- Use new products to tie up.
- Invent new applications.
- Added services (Technical advice, Financial).

- Improved services (Faster delivery, special activities).
- Focused efforts in areas of weaknesses or past failures or technical problems.
- VIP treatment.
- Give more assurance to Customer.
- Mass contact tactic (e.g. 5 people going for a visit).
- Special mailers.
- Special offers about quality e.g. free testing, extended guarantees.

Can you now go back to the questions in the beginning of this document? Would your answers change? What can you do now to ensure your existing Customers come back to you in enough numbers?

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**Key words / Tags:**

<i>Customer Retention</i>	<i>Customer Loyalty</i>
<i>Rebuy</i>	<i>Repurchase</i>
<i>Sales Performance Improvement</i>	<i>Mercuri Insights</i>
<i>Mercuri India</i>	<i>Sales Training</i>

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