

CLIENT CLASSIFICATION ABCD - KNOW WHICH CLIENTS TO RETAIN FOR PROFITABILITY

KNOWING HOW THE 80/20 RULE WORKS CAN MAKE YOU A GENIUS OF CUSTOMER SERVICE.

If you don't know who your best customers are, then how do you know which customers you should sack?

As Business Owners and Managers most of us have grown up with the business concept that the customer is always right. That is garbage...

The right customer is always right for your business. But unfortunately most of us don't know who the right customers are for our business... So we take anyone on board who has a heart beat, without ever identifying the right customer profile for our business.

IDENTIFY YOUR PERFECT CUSTOMER

One of the best ways to identify your niche is to paint a picture of the perfect customer for your business. Which customers do you love to deal with? Which customers are the most profitable and professional? Which customers pay on time and never complain about the price? Which customers do you want to get referrals from?

An easy way to do this is to look at your top 20% of customers, and identify what they all have in common. It could be a common need or amount of money they spend with you each month...or how often they buy from you... or where they live... or why they came to use your products or services in the first place. Are they '30 something', with 2 or more children who live on the North side of town in brick houses with green doors?

This is one of the most important steps in the process....

THE MORE CLEARLY YOU CAN IDENTIFY YOUR PERFECT CUSTOMER THE MORE PROFITABLE YOUR BUSINESS WILL BECOME....

Once you have done this, then you can start to develop a strategy on how you are going to get more customers like these. It will make a HUGE difference in how you market to these people and how cost effective your advertising and marketing will be. History is 20/20 vision and a great information source for your future, only if you use it to your advantage. Every ad that doesn't work or campaign that doesn't get you results is a learning opportunity... but only if you learn from it.

BUYING INFLUENCES FOR YOUR CUSTOMERS

Your current and potential customers are influenced by a number of different buying triggers. These triggers can be used to help determine how you identify your top 20% of customers.

Here are some of the reasons why your customers may buy your product or service. People buy your product or service because:

- It costs less
- It is easy to use or obtain
- Someone has referred them to you or your product
- It is a recognised brand name
- There is additional value they gain from it
- It will solve a particular challenge or meet a particular need
- They trust and respect the person selling it to them
- They want the same results they have received previously
- They get more for their money
- It is a low risk purchase
- Out of habit
- They want to impress their peers

AND IN YOUR BUSINESS THE TOP THREE REASONS WHY PEOPLE BUY YOUR PRODUCT OR SERVICE ARE

People buy for their reasons, not for your reasons. Your goal in business is to find out those reasons and make your product or service more appealing for those reasons. Once you understand your customer base and start to target like-minded customers you will see some buying trends appear. Monitor these trends and design special product offers, and your marketing campaigns around them and your business will become more profitable.

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If you have any questions, please call 0800 CHAMBER (0800 242 623).

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DESIGNING YOUR CLASSIFICATION SYSTEM

As time is becoming one of our most valued assets in the information age, we need to make sure we spend each hour wisely. One of the best ways to do this is to make sure we are spending the time with the right customers. Here are some easy-to-follow steps you should take in order to classify your customer database. This will not only maximise your potential, but also increase your profits.

The first step is to decide on your classification system. There are a number of ways to classify your customers. The system I prefer to use for current customers is A, B, C and D.

The other classifications you could use are for prospects and your general database.

You could use a colour coding system - red, blue, black and white or it could be by metals - bronze, silver, gold and platinum.

As mentioned before, your first step is to identify your top 20% of customers. I think we are familiar with the 80/20 rule where 80% of your profits will come from 20% of your customers.

- A Awesome.....** I want more of these 'Raving Fans'
- B Basic.....** they are clients but we have no relationship
- C Can't deal with.....** they may buy once but have no reason to come back
- D Don't want.....** price shoppers, bad payers, constant complainers

Remember, we are interested in profit...not turnover!

To see if this is true for your business, look at your top 20% of customers and work out how much profit they give you. If you have not done this before it is a great exercise to do for your business.

- Who are your top 20%?
- What do they look like?
- What types of products do they buy?
- How often do they buy from you?
- What types of businesses are they in?
- What is their demographic make-up?
- Why do they buy from you and not your competition?

SERVICE LEVELS AND CONTACT FREQUENCY

This is one area people sometimes have difficulty understanding. The bottom line is you give everyone great service. But for your 'A' customers you give absolutely unbelievable fantastic service. Why? Because they spend more money, buy more products or refer you onto more people than a 'C' or 'D' customer does. And an 'A' customer is much harder to replace if lost to a competitor.

Your very best customers need, and deserve, special attention... such as better turnaround times, a quick service lane, personal recognition or greater frequency of interaction from you via your customer loyalty program. By having varying levels of service it sends a clear and concise message to your team members (staff) as to whom to treat as a VIP, and a clear message to your customers that you recognize and reward people who are loyal.

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