

Do you need more business? Part 4 of 5 - Creating Customers and growing them into Strategic Accounts

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In the first article in this series, I referred to a quotation by Peter Drucker: *“There is only one valid definition of business purpose: to create a customer”*. I also referred to Sir John Harvey Jones who said; *“Most British companies fail not in their attempts to be innovative or creative. Most fail because they undervalue the importance of professional selling”*.

The reason for repeating these two quotations is quite simply that creating customers is the role of the selling operation in a company and if the latter is not working, the former will not happen. In a recent survey conducted amongst the CEOs of SMEs, selling came out as the top issue scored by 82 of the 136 respondents. The next highest score was only 19 for the issue of HR. I could also point you at similar surveys conducted in 2002 and 2003 telling the same story, selling is the top issue for CEOs and apparently not getting any better.

Perhaps the most important key performance indicator for any business is its ability to produce a reliable and predictable flow of new and repeat business. Reliability and predictability cannot be achieved where the relationship with the market is transactional, ad hoc and mainly reactive. That relationship needs to be driven by the supplier, it needs to be well planned, pro-active and executed by experienced sales people. A properly executed sales plan will not only enable you to forecast future revenue, margin and profit but also the associated demand for resources. With a good sales plan you will also have access to leading indicators of business performance.

Organisational Buying Behaviour

A common mistake made in selling is to focus internally on what you do and how you do it, when the most important thing is to understand what the prospects and customers want you to do. You need to understand how they might behave, how they might re-act to you, and what will matter to them most when selecting a supplier.

We recently undertook a research project to look at the way organisations buy and while this topic will be looked at in more detail in next week’s article on Opportunity Pursuit, it does start to become important when creating customers. The customer creation stage is the ideal time to gather information in preparation for the time when you will get to bid for actual opportunities.

There are five main stages in the buying process:

- Stimulus – triggering the desire or need to buy
- Specify the desired solution
- Search for and select a supplier
- Substantiate the selection
- Sign-off and sanction the decision

So, part of the process of developing a prospect into a customer is to use some of the time to understand their buying habits and processes using the above stages as a framework for collecting and organising what you discover. You will find people more open and communicative on many subjects, than they might be when you are actually bidding competitively for a piece of work. For example, at this stage you will be able to find out the way budgets are created and allocated and how deals are actually signed off whereas customers are often cagey about this topic at bid time.

What is a Customer and why is it different from an Opportunity?

This may hurt but, most people that we call customers see us (if they see us at all) merely as a source of a quick fix, there is no relationship, just a transactional exchange convenient to them at that moment. The responsibility for building the relationship rests with the supplier and it is you who must take the blame if your customers are fickle, or spend their time focusing on price and discount rather than the value of what you provide. If you are not perceived in terms of value then you will be perceived as a commodity, as a price, and expendable.

A real customer is an organisation who sees you and your company as an essential part of their business. When planning projects, and other activities, the customer will often contact suppliers before formal tendering starts to warn them there is an opportunity on the way. I have won many projects over the years where I could not meet the customer's delivery timetable or where I have been more expensive than other bidders. On one occasion, I won some £22m of business over a three year period when my price was 35% higher than the next most expensive bidder and 52% higher than the lowest. My customer understood what they would get for the extra money by buying from me – they understood the value.

Building such understanding between supplier and buyer takes time and requires attention to detail and it is this that turns the prospect into the customer and eventually into an advocate for your business. They will evaluate you in terms of your ability to deliver, your reliability and the level of risk associated with using you.

Once a trusting supplier/customer relationship exists, you can work more effectively inside the customer both during the pursuit of opportunities and also between opportunities. In fact, much of the real customer creation work is done when there isn't an opportunity to work on. Once accepted as a supplier, you will be able to build an internal network of contacts that will help you to move around inside the customer's organisation often in places unavailable to your competitors who are less well engaged.

Considering the five stages in the buying process, the further down the list the prospect is when you arrive on the scene to bid for the opportunity, the less control you will have and the less chance you will have of winning. If you have created a healthy customer relationship then you can be there at the beginning and in some cases you and your ideas can be the stimulus. If you are the source of the stimulus, you will have a significant lead over your competitors, as you will be helping to shape and define the need.

Creating Customers – the process

The process of creating a customer needs to be a carefully planned activity. This is done using the Qualification process referred to on a number of occasions in this series of articles. Qualification is a process based on the creation and use of a set of questions that are used to understand the prospect, what they buy, how they buy, why they buy and from whom.

Creating the qualification criteria commences during the Market Focus stage. As a part of the process of defining your proposition, you will have built a picture of your strengths and weaknesses,

both absolute and relative to competition. The other element of the Market Focus stage looked at the market and what customers might want to buy. The two perspectives; what you have and what customers might want, leads to the creation of two lists of characteristics which when cross matched provide a profile of an “ideal” customer.

Let’s take an example. If your proposition is best suited to private companies, in a particular vertical market, with staff of say 100 – 250, and in a particular geographic area, then these factors would be your key qualification criteria. Those criteria in turn lead to the questions that you need to answer both through desk research and in conversation with the suspects and prospect. The more “yes” answers you get, the closer the match to your ideal. Asking these questions is the core of the prospecting work done by your selling teams.

In practice, you should have a lot more qualification questions than the few mentioned above and the more you have the more accurate the process will be as suspects become prospects and then customers. Your qualification system will enable you to identify quickly those organisations who are unlikely to become customers so you can easily qualify them out and move on to more valuable suspects and prospects. Your system should create weightings enabling you to compare different organisations as they move through your qualification process.

Account planning. As you go through the qualification process you are building a picture of your prospective customer which needs to be recorded in an account plan. This does not have to be a complicated document but it must provide a format which encourages the collection and collation of the necessary information to form a plan for how you will campaign that particular customer. This needs to be a real plan of action with steps, goals timescales and money – how much you will sell and by when.

It may seem a little cold and possibly harsh but you must rank different customers based on their value to you. Value is partly about the actual revenue potential but it should also include some other “softer” measure as well. For example, there are bound to be certain customers who are worth having for their prestige value, or they may pay quickly, or they may be a great reference site. Decide your own criteria and build them into your qualification process.

Account networking. As you get to know different people inside the customer, you are building a network of contacts. Regardless of their job roles, they will also fall into certain categories in terms of their potential relationship with suppliers in general and you in particular. The key roles to be aware of are; gate keeper, influencer, information provider, coach, buyer, decision maker, user and budget holder. I imagine that most of these are self-explanatory and you will probably recognize at least some of these roles inside your good customers. It is quite possible that one person could be in several categories and may be in different categories at different times.

It is most important that you create a network plan, based on the roles outlined above, and that you use this to guide you as you develop the customer relationship and later as you pursue specific opportunities.

Strategic Accounts

The above provides a brief outline for the process of taking suspects through the prospect stage until they become customers – organisations who want to give you the opportunity to bid for work. You will use the customer relationship that you have created as the foundation and launching pad for bids for actual pieces of work. The network of contacts that you have built up will enable you to have some influence over how the customer will work with you as a supplier and this will give you competitive advantage.

As you bid for and win successive pieces of work, the relationship will get progressively stronger, but it is very important that you never lose sight of the fact that the customer relationship needs time, effort and commitment, separate from the time spent making sales and then managing the delivery.

Handled properly, this attention to detail will enable you to build some customers into strategic accounts where the relationship becomes symbiotic – a million miles from transactional and well within your control and influence.

Summary

In the next article in the series we progress to the topic of creating, identifying and successfully pursuing opportunities, including the essential elements of quantification, bid planning, understanding buyer behaviour, presenting the business case, and the sales pipeline.