

Grow through existing customers

Introduction

This is the first of 3 items on approaches to growing a business. It suggests a number of practical measures for achieving growth by doing more business with existing customers. It explains and helps you to choose between the four options available, namely riding increasing customer demand, persuading your customers to buy more or more often, selling them other products and services as well and stimulating demand. This should be a low risk approach and, as such, the first choice for most small businesses. Finally, it summarises what you should do to pursue this approach.

Is this for you?

Growing your business through existing customers is probably the simplest of the 3 approaches. It is perhaps such an obvious approach that many businesses overlook it in favour of the other 2 approaches. There are many advantages in choosing to grow your business through your existing customers.

- * It is low risk as it requires the least investment of all growth options, and builds upon existing capabilities and expertise.
- * It can produce relatively quick returns on any investment.
- * Existing customers who are pleased with your product or service tend to be less price-sensitive than new customers who have not yet built trust and may require incentives to persuade them to try you out.
- * As a result it may be more profitable.

Before you start

Let's make clear what we mean by 'existing customers'. We mean not just the customers you already have but also ones like them. Think in terms of customers who can be handled using the sales and marketing resources you already have in place. For example, a high quality furniture company obtains leads by advertising in 'home and garden' type magazines. Given a conversion rate of a sale per 30 enquiries, they choose to advertise more frequently in the same magazines to increase the number of enquiries and orders. Some customer may not have bought from the company before but they can be handled in the same way using the same resources as past customers.

Remember, in pursuing growth through existing customers, to ensure that there is sufficient potential to meet your financial goals and that your products or services will remain in demand. As you exhaust the potential of existing customers and as your aspirations increase, you may need to explore the other 2 approaches for other growth opportunities.



It pays to make sure you know which are your key customers and just how profitable your existing customers are. If you need to find out how profitable the various types of customers you have are, take a look at the '10-minute 80-20 rule'. You may also wish to consider the groups that your customers naturally fall into because you could handle different groups of customers differently, for example based on how frequently and how much they buy from you. To find out more about grouping your customers, see the '10-minute customer target list'.

What are the options for growth through your existing customers?

Once you have decided that this approach is the best course for growth, there are several ways in which you may grow the value of business from your existing customers.

Think about each of the following options growing through your existing customers and consider how much each offers potential for you, as well as how easy they would be to implement.

1. Is customer demand growing anyway?

If you are lucky, demand from your customers for your products and services may be growing anyway. The problem for you may not be where to find extra sales but how service the orders you are already getting, or are about to get. Make sure you can satisfy this demand before you consider other options.

2. Can you increase your share of customer's expenditure on your product or service?

This question may be particularly relevant if your key customers buy on impulse (eg luxury chocolates) or are wholesalers, distributors, agents or retailers who purchase your product or service as well as those of other suppliers. Here you are trying to persuade customers to spend more of their purchasing budget with you. You may wish to answer this question in 2 stages:

- * Will they buy more each time they place an order?
- * Will they place more orders?

Customers choose for many valid reasons to purchase from more than one supplier. It may be because suppliers offer different variants of the product or service that are useful to them in different situations, or simply to avoid the risk of relying on one supplier.

For each key customer, consider what proportion of their current spending you are currently winning. If you don't feel that you have sufficient information to make this judgment, call them for an informal discussion on how you could be of greater service. If you are concerned that some of your key customers may not be forthcoming, then perhaps they are not quite as 'key' as you thought and you first need to improve the quality of your relationship with them. For further information on improving customer service, see our '10-minute customer service programme'.



The following table illustrates a number of scenarios and suggests some courses of actions that you might take.

Your proportion of total spend	Why this may be?	Actions you could take
100%	The customer feels confident with your ability to supply and enjoys good trading relations. You're in a monopoly.	Don't be complacent. Seek continually to reinforce the relationship. Don't be tempted to abuse it.
75%	As the major supplier, your customer may have a particular requirement for which another supplier is favoured because of the service they offer. The customer is hedging their bets.	Identify this requirement and consider whether it is practical for you to service it. Build the customer's confidence that you can service all their needs, perhaps negotiating special terms.
50%	You are still a leading supplier, so the key question is how many other suppliers does your customer use? If there is only one other supplier then it is likely that the customer perceives little difference between your products or services and is keen to keep prices competitive. There may be several other suppliers because they each meet different customer requirements.	Find out if one supplier or several are servicing the customer's requirement. If your products or services meet all your customer's needs, look to build a closer relationship by providing price guarantees or a working agreement. If you cannot meet all needs, consider what you would have to do to meet these additional requirements. If you can meet all needs, find out whether the customer is aware that you can. If he is, you may be able to persuade him reduce their administration costs by dealing with a single supplier.





25% or less	<p>You may be a minor supplier because:</p> <ul style="list-style-type: none"> * You only meet part of the customer's requirement * The market leader has a stronger position * The customer has a policy of buying from a variety of suppliers. 	<p>Consider extending your product or service range. Identify your strengths in relation to the major supplier – ensure the customer is aware of these strengths and use them to eat into the major supplier sales. Point of sale material, special promotions geared at the end-user could increase their demand, and therefore that of the supplier. Better stock, delivery, margin or service arrangements could increase your attractiveness to the supplier.</p>
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3. Can you sell them anything else?

This is known as cross selling. It is not uncommon for businesses to find that their customers have become used to purchasing a particular product or service from them and are simply unaware of what else they have to offer. Similarly they may not be fully aware of all their customer requirements.

This underlines the importance of good quality communications with customers and illustrates the importance of:

- * Informing your customers of your range of products and services and keeping them up to date with any changes
- * Developing and maintaining a good understanding of our customer's needs, and keeping abreast of any changes they make through regular review meetings, discussion or through market research

When did you last take the opportunity to update your customers on your capabilities or to check their requirements?

4. Can you increase demand?

Here you are trying not just to get customers to spend more of their budget with you but to increase the amount they buy overall. In other words, you are trying to increase demand.

Demand is the amount of a product or service a customer requires over a particular period. It is important to understand who is driving demand. Ask yourself whether customers or consumers are driving it.



* A customer is the company or individual that pays you directly for your product or service.

* A consumer is a company or individual who uses or consumes your product or service – the end user - even though they may pay someone else.

For example, a manufacturer of yoghurt is likely to sell to a wholesaler or retailer (their customer), whereas individuals who buy yoghurt to eat are the consumers. This distinction is important because, unless you supply directly to the end user, there is more than one source of demand.

In this example, to increase demand the company would need to direct promotions at consumers. They might suggest, for example using a public relations campaign, that people should consume more yoghurt because of the health benefits it offers. You could try to increase demand through wholesalers by offering volume discounts, better delivery services or improved displays. This may turn the distribution of sales (your share of the market) in your favour, but it is not likely to have a great impact on increasing the overall demand for your product or service. So can you persuade the wholesaler to engage with you in some in-store promotions to increase demand?

What should you do now?

1. Identify your most important, or 'key', customers. These are the customers with whom you should focus most of your efforts. For a technique to help you to identify your most profitable customers take a look at the 10-minute '80/20 Rule'.

2. Make sure that you understand for each key customer:

* Who buys - individuals for personal needs or purchasing staff for an organisation.

* Who makes the decision and who influences - often more than five people influence the decision, yet rarely are more than two recognised by the supplier.

* Why they buy your product or service - a customer buying a product or service from you is also buying into a relationship with your business, so quality of service also counts.

* Why they buy from you - common sense says that this is because you deliver well in relation to other suppliers on the things your customer's value most, but how confident are you that this is the case?

3. Decide which option for growth through your existing customers you are going to take:

* Ride the wave of increasing demand

* Persuade them to place more of their business with you

* Try to sell them something else

* Try to increase demand

4. Set a target or objective for the amount of extra sales you will achieve.



5. Think about the ways you are going to achieve your objective. For more information on techniques you can use, click on the items below:

- * Identifying your 'unique selling proposition' to customers (see '10-minute Unique Selling Proposition')
- * Creating a target customer list (See '10-minute Customer Target List')
- * Getting to grips with your competitors (See '10-minutes To Get To Grips With Competitors')
- * Determining a promotion mix (See '10-minute Promotion Mix')
- * Improving customer service to retain customers (See '10-minute Customer Service Programme')

