

Think Marketing by Susan Henken and Patricia Huff

Get to Know Your Customers

Marketing is a mystery to a lot of people - one of the great business intangibles. A manufacturer can easily look at a piece of capital equipment and calculate the payback on investment the equipment produces. Unfortunately, when it comes to tracking the effects of a marketing, sales or advertising project, many smaller companies find the process complicated, time-consuming and tedious. Buying a new machine can be fun, but writing a marketing plan seems about as exciting as a trip to the dentist.

Yet, marketing is absolutely critical for the success of a manufacturing company. Effective marketing increases profits. The absence of a marketing plan, however, can bring a company to the brink of bankruptcy.

The Right Fit

Many business owners think marketing means generating a prospect list for their sales staff or creating a good-looking brochure. In reality, it means communicating the benefit of your product or service to your customer. Bottom line, marketing means fitting your customer's needs and your company's products and services together in a manner that is profitable for you and beneficial to your customer.

That sounds simple, but you can't achieve the right fit without understanding your customer's business and industry. Do you know who your best customers are? Do you understand what they buy, what margins you make, and why they buy from you? Do you know what your OEM customer makes from the parts it purchases from you? How large is your customer's company? How does your competition treat your customer or potential customer? What are the current trends in your customer's industry, and what are the trends in the industries in which you compete? Answering these questions about your customer and then knowing the customer's needs is the most fundamental marketing project in any business.

Preferred Customers

Compiling such detailed information on your customers may seem like an overwhelming task. I'm not advising that you get to know all of your customers better, just the ones who are the most *profitable* for your company. Remember, no profit - no business!

To give you some practical help sorting through your current customer lists to find the most profitable among them, consider the chart below that uses a simplified format and fictional data. Fill out your version of this chart as accurately as possible using either actual data or an educated guess.

Customer Information***

Customer **	Gross	#	SIC*	Type of	Sales	Products	Product	Product	Customer Profit/ Product
	Revenue			Company		Purchased	Quantity	Cost	
	(Millions)	Employees	Code	(Industry)	Channels	FY	FY	and Profit margin	
XYZ, Inc.	\$10	60	3491	Valves	Telemarket	Gizmo	1,000	\$100 / 10%	\$10,000
PQR, Inc.	\$10	40	3563	Compressors	Distributor	Gizmo 2	500	\$500 / 12%	\$30,000
DEF, Inc.	\$10	45	3679	Components	Direct Sales	SuperGizmo	20	\$5000 / 15%	\$15,000
MNO, Inc.	\$1 M	10	3449	Metal Work	Telemarket	Gizmo	200	\$100 / 10%	\$2,000
ABC, Inc.	\$5	20	3678	Connectors	Direct	SuperGizmo	50	\$5000 / 12%	\$37,500

The first columns in the chart request general information about your customer, and the last three columns request information that will help you determine whether these customers are profitable for your company. It will be extremely helpful if you understand your profit margins per product and channel before completing a chart.

Once you have gathered the information, it is time to sort the chart. In the example, note the following profit margins per product: Gizmo sells for \$100 with a profit margin of 10 percent; the Gizmo 2 sells for \$500 with a margin of 12 percent and the SuperGizmo sells for \$5,000 with a margin of 15 percent.

Prioritize your customer list by profit margin/product/customer. Using this sorted list, the following companies would qualify as preferred customers:

- ABC, producer of electronic connectors (most profitable customer with a per product profit margin of \$37,500)
- PQR, a compressor company (per product profit margin of \$30,000)
- DEF, an electronic components manufacturer (per product profit margin of \$15,000)

By examining this list, you may create a general profile of your company's most preferred customers:

- Gross revenues over \$5 million
- Over 40 employees

You will determine which channels are the most cost-effective (in this example, direct sales and distributors bring the best margins, telemarketing, the least.)

You may find the most profitable Industries:

1. Electronic Connectors
2. Communications
3. Electronic Components

You can use this preferred customer information for a variety of purposes. Join trade associations in your customers' industries for more efficient networking. Or you might develop a prospect list using the number of employees, SIC code and gross revenue of your preferred customers as guidelines to find new customers with similar profiles. Interview your preferred customers and you might find, for example, a more cost efficient distribution channel or new ways to meet important customers' needs. Researching your customers industries will give your company a leading edge when developing new products for these businesses or warn you of upcoming changes in their businesses.

Get to know your customers better and you can refine your product strategy, channel strategy, market development and sales strategy to grow your revenues.

Highland Team can assist you in understanding your customers, finding new segments of customers, and refining your sales, channels and go-to-market strategies and programs. Contact us at inquiries@highlandteam.com or 650-224-6295 and review our expertise at www.highlandteam.com.