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RETAILING TONY GATTARI

Sacking your worst customers

AS RETAILERS 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 anyone who has a heart beat, without ever identifying the right customer profile for our business.

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? Which customers pay 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 per cent 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 two or more children who live on the North side of town in brick houses with green doors?

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.

Why people buy from you

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 per cent of customers.

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; or
- They want to impress their peers.

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.

Classifying your customers

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.

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

■ The author, Tony Gattari, helped build Harvey Norman's computer business from \$12 million to \$565 million in nine years and has worked with more than 110 businesses around the world through his business development company Achievers Group.

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