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You Probably Don't Know Your Customers All That Well

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If your objective is to increase the number of customers you serve, a prudent way to start is by taking a closer look at the customers you already have.

If that sounds odd, consider that the customers you already work with are presumably happy with the work you perform on their behalf. If you use what you know about them and what you do for them as a model, you can more effectively identify other prospective customers with similar traits. In addition, the better you know your current customers, the more likely you'll be able to keep them satisfied. That's important, because the cost of acquiring a new customer can be six to seven times more than retaining an existing customer.

However, far too few companies take the time to analyze the source of their revenue. A great example is the professional services firm we worked with recently. They already had a healthy roster of clients, but they were eager to see that list and their revenue grow. As we began to discuss strategies, it became apparent that the firm had little in the way of marketing intelligence about its customers. They were proud of their response to client requests, but when asked about what those clients wanted the firm to be, they were unable to hazard any consistent guesses. When we asked which clients were the most valuable to the firm, they struggled to pinpoint names.

So before we invested substantial time and effort into developing marketing strategies for them, we recommended they profile their current clients and the work performed on their behalf. We spent a half-day guiding them through a detailed analysis of their entire client base, looking at the types of projects, the revenue, the demographics, psychographics, and behavior. We set up whiteboards and started listing characteristics. Then we grouped the clients into several categories. For example, there were clients that offered high value and a good fit with the skills of their employees. There were those who seemed to be a good fit but weren't as profitable.

The whole point of the exercise was to help them think about who they did business with and why they chose to perform the work they do. You may do work with some customers just to help you make payroll each month, and that's okay. But you don't want to work exclusively for that kind of customer. Nor do you want to try to be what everyone needs at any particular moment.

While the firm's leadership saw the value of going through the process, they were also wise to involve key professionals throughout the team. Those were the people who had the most direct contact with clients, so they brought a different, often more practical, perspective to the profiling.

As the profile took shape, the firm's leadership could see that there were certain types of clients that offered a good match with their team's expertise and were also profitable. That profile gave them a framework for targeting similar companies. It also showed them client relationships that weren't particularly profitable and were of little value to the firm. In between those two extremes were clients who presented opportunities for additional higher-value business.

Besides providing a useful summary, the profiling process triggered discussions among the leadership team. Where did they want to concentrate their efforts? How did they want to be seen in the marketplace? Were they doing the wrong kind of work? What would it take to shift a client that was happy with the firm but relatively low in value into a higher-value position? The answers to most of these questions were not obvious, but the conversations were valuable, as they revealed differences in opinions among the firm's professionals and the management team.

Discovering those differences is critical when developing a strategic marketing plan, because the team won't embrace or support an effort that runs counter to their vision of the firm's talents and the best areas for growth. As the old adage suggests, you won't make much forward progress unless everyone is rowing in the same direction.

Studying clients was only the first part of the profiling process and how the firm used it to grow and improve. In future articles, we'll explore how they solicited useful input from clients and the degree of courage required to ask the right questions about your business.

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