

HOW TO SQUEEZE MORE PROFIT OUT OF YOUR CUSTOMERS!

Ask any small business owner to come up with ideas on how to market their business and they will say adverts, brochures, leaflets, direct mail etc. Whilst all these are great ways of promoting your business they all cost money! What if I could show you a better and more effective way of marketing your business? In this article I am going to share with you some key strategies to get more business and ultimately increase your profits.

The biggest mistake businesses make is to focus all their marketing effort and budget on getting new customers. Research has shown that it costs up to 6 times more to get a new customer than to retain or sell to an existing one. And this is the key. Concentrate on selling more to your existing clients. Simple! Squeezing more profit out of your customer base is a cost-effective way of increasing your bottom line.

So, let's look at the steps you can take to tease more profit from your client base.

Pareto's Law

No doubt you have heard of Pareto's Law? You may know it better as the 80/20 rule. In a sales context if you examine your sales pattern, you may find that 80% of your profit comes from only 20% of your customers. While the percentages may vary slightly, as a principle it generally holds true. Yes, it may come as a bit of shock to find out that most of your profit comes from a handful of customers, but armed with this information you can now create a plan to earn more profit!

So, the first step to squeezing out more profit is to identify your top 20% profitable customers. Obviously, to do this you have to have a database, which keeps track of who orders what and how much. What? You don't? Keeping track of your customer's dealings with you is essential. Get a database up and running ... today! The effort in setting this up and keeping it up to date will be quickly paid back.

Get them buying more often

Having identified your top earners, the next step is to focus on how you can get them to buy more frequently. Increasing their ordering frequency may sound a bit simplistic but that's the beauty of it ... it is! The trick works especially well if you are in the retail or supply business. The idea is to catch the customer in advance of them needing your product or service and offer it either before they know they require it, or before they go to a competitor.

So how does this work? Let's take your customer Bodge Ltd. You go through their purchasing history (from the database you have now set up!) and you see that every 6 weeks or so, they re-order. But some months there are gaps, suggesting that they may go to competitors on some occasions. Make a note in your diary for one week before you would expect them to order again. When the time comes, pick up the phone and say, "Mr Smith, I imagine you must be getting low on widgets? Would you like me to send your usual amount or do you need more?"

"Wow" thinks Mr Smith, "This company is sharp!" Result? One happy customer; an order that may have gone to your competitor comes to you; one extra cheque to bank!

Have a think about how you can apply this technique to your business. Try it out.

Increase the average order value

As well as getting your customer to buy more often, why not get them to spend more? They may be buying one product from you, but a complimentary product, which you also supply, from a competitor. Be bold; ask him for a bigger share of the pie! Try to resist cutting your margins to secure a deal but instead, see if you can tailor the product to meet his needs. Can you change your delivery system? Can you provide better after-sales service. Explore all these avenues to see how you can get more business. If you do have to cut your margins, work out how much overall extra profit you will get if the average order value goes up.

If you have an extensive range of products, you may be surprised to find out that some of your customers are not aware of the full extent of your range. Part of your strategy to squeeze out more profit should be to ensure your customer knows what you sell! When did you last call with your customer with the sole aim of chatting through your range of goods or services? You could be amazed by how little they know!

Talk to them

Too often the only contact a business has with its clients is when they receive an order. The customer hears nothing until the next order is sent in. To get your profitable customers to do more business, find any excuse you can to talk to them. Make an effort to contact them on a regular basis. Ask them what they want from you? What do you have to do to increase business with them? Would a new addition to your line fit in with what they want? Question, question, question! Even if nothing comes out of your conversations immediately, at least they know you are interested in them. This all builds loyalty to you and your business.

Love them!

As well as taking the time to pick up the phone and ask for more business, why not just call to say hello? A call to check levels of service, and to see if everything is okay, can still reap benefits.

If you spot something in a magazine or newspaper linked to one of your customer's line of business, cut it out and write a note - "Saw this and thought it may be of interest to you." A simple thing, yet it shows they are important to you.

Referrals

As well as aiming to get your existing customers to give you more business, why also ask them to introduce you to one of their business contacts? This way you leverage more profit out of them by tapping into another business - all without spending a penny on advertising! Referrals can be very powerful. They carry the stamp of approval for your business from the referrer. This is a great example of squeezing profit out of your customers.

Don't ignore the others

By concentrating on the top 20% of your customer base you could be danger of losing a potential diamond hidden in the other 80%. Set some time aside to develop this part of your business. Go through your database and select a few customers who you think, with a bit of courting, could become a 20% business. Put a plan in place to woo them!

Squeezing more profit out of your customers can be done. It takes planning, effort and a little cheek! It's about building and strengthening the relationship, so they enjoy doing business with you.

Don't take them for granted and watch your profits grow!