

GLOBAL FACTS

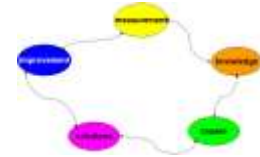
CIGAR BOX 6

BOOKLET 3 – CUSTOMER SATISFACTION: THE PROFIT DRIVER

By Olivier van Lieshout & Roman Pogojev

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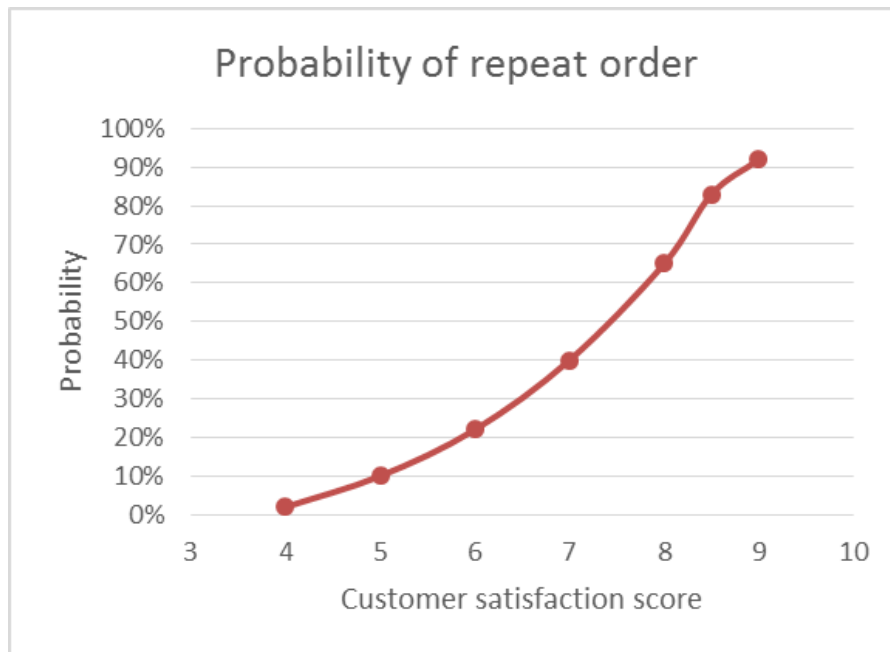
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1 THE CUSTOMER-ORIENTED ORGANIZATION

1.1 The importance of customer satisfaction

FACT: the higher the satisfaction, the higher the probability of repeat orders.



It is not possible to fully satisfy (a large group of) customers, and thus to obtain 100% probability of repeat buying. But the graph above, taken from 10 years of Cigar Box 6 research, shows a very clear relationship between the CSI score and repeat order probability.

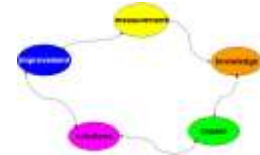
- A score of 6.0 means 20% probability;
- A score of 7.3 leads to 50% probability; thus increasing CSI with 1.3 increases chances by 30%
- A score of 8.3 leads to 80% probability; again increasing CSI with 1.0 raises chances by 30%.

It pays off to invest in improving CSI scores.

1.2 The four P's of Selling

Every organization faces the continuing challenge to win customers and to keep them. Companies which do not do this systematically, get into problems in the long run. Most companies start acquisition from their marketing mix. What are my P's? How should I position myself?

In economic sectors with little, or negative growth (a push-out market), the four P's have been well-defined by nearly all companies. Product, place, price and promotion form no decisive advantage anymore on which a company can win. They can only lose. When one of the four P's has not been filled in strongly, we score minuses in the eyes of the customer. On the other hand, a strong filling of the four P's does not provide extra advantages. The customer does not expect differently. You are only judged on your **mistakes**.



The food market (in Europe) is such a push-out market. The real distinctive capacity of a successful company depends on its commitment to **four other P's**.

- **Presentation.** How do you present yourself at the customer? How do your employees (from driver to administration) present themselves?
- **Personal selling.** How do you approach your customer? How do you establish a 'personal bond' which makes the customer feel unique?
- **Positive word of mouth.** What is the reputation of your organization? How do people talk about your products and about yourself? How do you stimulate word-of-mouth publicity?
- **Personal attention.** To what extent you show sincere interest in your customer? How customer-orientated are you really? And: how customer-orientated are other employees of the company?

These last four P's form the backbone of relationship management.

- Creation of durable customer relationships.
- Acquiring a positive company reputation.
- Obtaining very satisfied customers.

That is what successful exportation to Europe is all about! **Very satisfied customers** buy more and ensure positive word-of-mouth communication. But it also leads to more work pleasure for yourself and for your employees.

From research becomes clear that:

- A bad experience is passed on two-three times more frequently than a good experience. This leads to negative word-of-mouth publicity.
- To make a new customer costs four times than keeping an existing customer.
- Five per cent less customer loss leads to 40% higher returns.

Many inexperienced salesmen and relationship managers think firstly from their marketing P's. What they usually forget is the large role which they must play themselves. And forget the importance of the other employees in making and keeping customers, or in breaking them!

In football terms: you play with your employees (your team members) to score in the market. As salesman or relationship manager you are the attacker. You make the goals. You make customers. But the entire team must cooperate. Consider the other departments as your team members. Together you gain a good result. But sometimes, the salesman has to defend too. Sometimes, a defender may help you to score a goal. Read: someone from administration may have information about a new customer. Or the driver solves a customer complaint.

Winners play total football!

A company that plays football in such a manner is called a customer-oriented organization. Defense, midfield and attack work well with each other. There is good communication. Everyone is busy with the process of continuing improvement. With just one main goal: obtaining **very satisfied** and returning customers.

The graph below presents a customer satisfaction cycle.

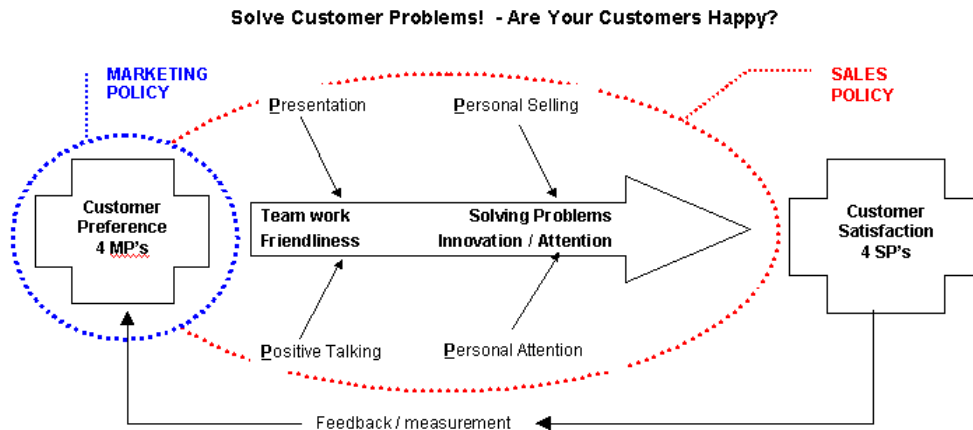
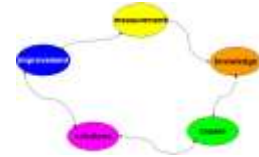


Figure 1 - Customer Satisfaction Cycle

Everything starts with a definition of the four P's of marketing (Product, Price, Place, Promotion): a clear market segmentation and marketing policy. But this is not enough, certainly not in push-out markets. To achieve customer satisfaction and get return orders, the company must also define a sales policy, with 4 other P's (Presentation, Personal selling, Positive talking and Personal attention).

A customer-oriented company has defined all 8 P's. How to become a customer-oriented organization?

1.3 Core competences

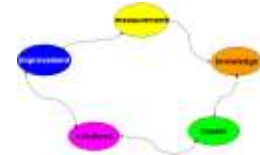
Four important core competences distinguish customer-oriented organizations from not-customer-oriented organizations.

- Customer orientation.
- Customer loyalty.
- Constant improvement.
- Teamwork.

1.3.1 Customer orientation

A customer-oriented organization is a company with superior capacity to understand and to satisfy customers. K. Albrecht determined a list with main sins against good customer treatment.

- **Apathy** is to serve customers with '*No-I-am-sorry-behavior*'. Helping customers is a necessary evil.
- **Denial of responsibility** pointing to another person. 'Please do not come to me, that is not my department'. Another example: 'Waiter can help you me?' Answer: 'My colleague will be with you in a minute'.
- **Coldness** is impersonal, little enthusiastic treatment of the customer.
- **Arrogance** is when the customer is treated as a child. The customer is stupid and understands nothing.
- **Robotism** arises when employees act like machines and do not think. Good intentions are lost in bad implementation.



Customer orientation is more than friendliness. Customer friendliness is service with a smile. It is generally no more than a thin layer of cosmetics. It can embellish good customer treatment. But friendliness cannot improve bad treatment. Customer orientation is solving problems of customers; and to do this with real pleasure. It requires a specific mentality, an attitude which can be only taught to a limited extent.

Customer orientation means that you take the initiative towards (potential) customers. You do not wait until they knock your door with their problems. Frequently it is already too late by then. You initiate appointments. You carry new ideas. You swiftly formulate solutions for the problems before they occur.

1.3.2 Customer loyalty

Customer orientation leads to customer loyalty and to a system of account management. In chapter 3 we will further discuss the subject of account management.

1.3.3 Continuous improvement

Customer-oriented organizations have a well-defined procedure to collect customer information, to interpret and use it. Information on customers is spread within the company and it is being used. All employees cooperate to achieve a very satisfied and returning customer. Continuous improvement is a process, which is continuously in movement. It means ongoing improvement and renewal from a view point of the wishes of the customer. That means:

- Avoid minuses.
- Care for better results.
- Always be first.
- Do product innovation.
- Do what wants the customer.
- Care for perfect accessibility.

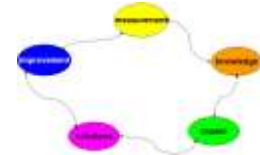
1.3.4 Teamwork

Customer-oriented organizations provide quality. Quality is to provide what the customer wishes and expects. Or better still, a little bit more. The customer assesses quality by the weakest link in your supply process. This is very important to know. Is your invoicing not correct? Is the driver not pleasant? Does the customer have to wait on the telephone a long time before being connected? These are essential matters and influence the quality judgement of the customer. With our employees we work that quality picture. For this reason teamwork is a core competence of customer-oriented organization. Teamwork means that your internal marketing functions well. Everyone cooperates.

Your company can do its external marketing completely well. But when internal marketing is poorly organized, you will not be able to deliver. We must provide what we promise to the customer. But also promise the customer what we can provide.

1.4 Customer satisfaction measurement.

The satisfaction of the customer depends on the company's own performance. How successful is the company in the process of continuing improvement and renewal? Satisfaction is what the customer experience. Therefore also an invoice, a summation, newspaper Article. Our performance is measured



using a satisfaction research. Regular measuring provides reliable information concerning complaints and concerning minuses. These complaints and minuses form the input for further improvement and renewal. Preserved of the existing customer ring by means of strong customer tie is condition survive. It is essential personal give attention. To know the expectations of the customer concerning our performance.

1.5 How do discover customer preferences?

Simply by asking!

- Was everything according to your wishes?
- Filing in a complaint form.
- 0800-number for free complaints.
- Actively search for potential trouble, eavesdropping.
- Form a client team composed of employees from several departments. And let the team brainstorm about the customer.
- Compose a customer panel and periodically ask their opinion.
- Analyze customers who leave.

Listen well within your network. External people frequently hear about your mistakes earlier than yourself.

1.6 Steps in improving customer satisfaction.

Step 1. Start **satisfaction measurement** among customers. Measure their expectations. See Annex 1 for the detailed methodology of CB6.

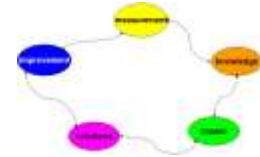
Step 2. Formulate general **satisfaction guarantees** with respect to quality of the product CSI(Q), price CSI(P), service CSI(S) and the relationship CSI(R). In a later stage, these guarantees can be described in more detail for several client groups. See customer segmentation in chapter 3.

Step 3. Translate satisfaction guarantees in **operational terms** which are appropriate in the daily work routine of the employees. Formulate measures for improvement. For example: improve color of the tomato paste to bright red, increase strength of the aroma of apricot juice, increase distribution rate in supermarkets, a faster delivery period, increase the brand reputation, decrease quality deviation, etc. It is important to measure improvement measures periodically.

Step 4. Continuous improvement. Watch your competition consistently. Make sure that guarantees are realized. Tighten up the satisfaction guarantees. Customer orientation leads to customer loyalty and this is the way to create very satisfied customers. Customers for life!

1.7 Questions for chapter 1

1. Is your company a customer-oriented organization?
2. To what extent is external marketing balanced with internal marketing?
3. Have you ever carried out a customer satisfaction research?
4. Can you describe the results and the actions taken?



2 CUSTOMER VALUES

2.1 *Reasons to purchase*

However technically sophisticated or complicated a product can be, the customer always buys for simple reasons. Reasons to purchase are also called: customer values. Customer values are the most important reason for customers to deal with a company.

An example: all people need money. There are different ways in which a financial institution can anticipate on this. So, companies will stress different customer values.

A customer value of a local savings bank can be for example: “personal treatment”. To many people it gives a good feeling, if their savings are accessible in their own neighborhood and if someone in the neighborhood is ready to give advice. To these clients, it does not matter if there is a lower return on investment; after all, it is understandable because of the high costs of local branch offices.

An internet investment bank will have, as its principal customer value, “high return on investment”. Customers, who go there, will not find it problematic that there is no one to talk to around the corner. They know that because of this, low costs are made, which produces a higher output.

A local savings bank and an online investment bank, therefore, have a different approach with respect to several target groups. The degree of consistency, with which customer values are being translated into the organization, and are being demonstrated to the customer, stipulates their success.

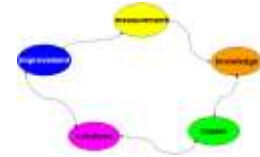
Imagine, your customer value is; good accessibility. However, it occurs regularly that customers ring you and hear: "there are still four people waiting before you". Or that the best parking places have been reserved for the Chief Executive and for the employees. Or that you must talk into an answering machine "after four o'clock in the afternoon". If this happens in your organization, then you are busy with “non-marketing”.

2.2 *Category management*

Customer values must be thoroughly explained inside the organization. This is the task of category management. The category manager must translate customer values into internal company processes and train individual managers and employees, to abide by them.

Customer values must flow in all capillaries of the organization. If your customer value is speedy delivery, then the telephone must be answered at once; a letter must be posted the same day as it was written. But also the director must show model conduct: always come in time, shorten meetings from four to two hours, etc.

Finally, customer values must be anchored into the company itself by ongoing measurement. Choose good performance indicators. For delivery speed these can be: the average transaction time of an order, the number of times that the telephone is not answered within three rings, the waiting time for visitors...



2.3 Positive customer values

Examples of customer values are:

Confidence?	Shelf life?
Status?	Cheap?
Safety?	Tasty?
Convenience?	Color?

Customer values do not directly have an association with specific products. But product experiences, product feelings and product beliefs do have a direct association. They can arise during buying, while in possession, or while using the product.

Do you see the difference between the left customer values and right one? In what does 'confidence', 'status', 'safety' and 'convenience' differ from 'shelf life', 'cheap', 'tasty' or "color"?

The right column values 'Shelf life', 'cheap', 'tasty' and 'color' can be measured objectively. These customer values are physical, functional. The left column customer values cannot be objectively measured. They are perceived by persons. These are emotional customer values, which are experienced individually. Customers buy both because of functional and emotional customer values. Emotional values are frequently more important than functional ones.

2.4 Negative customer values

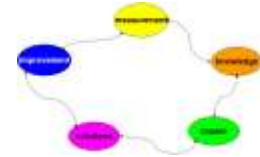
So far, we talked about positive values for a customer. But frequently a customer buys mainly to avoid negative values. Instead of telling customers what the favorable impacts are, you tell them what the bad news is, if they do not use the product/service.

The difficulty is not that a positive customer value does not create the desired response. The difficulty is that a positive value usually does not penetrate deeply enough. They do not show the seriousness of the situation.

Instead, an undesirable customer impact, an undesirable result, is often a more powerful buying motivator or a reason to change supplier.

Example 1: Some time ago a painting company was busy repairing a leaking chimney. When the man was ready, we started the usual "cup of coffee talk" concerning painting my house. The paint was no longer shining and the brown color would no longer be in vogue. He harvested little result. Then, he took me along a window casing, and punched it with a sharp knife. (Perhaps the knife had these been sharpened on purpose?) He said: "Mr. White, if you do not paint these windows before the next winter, you will stand for high repairing costs next year". Then, he got me! I gave him a fast and positive response.

Example 2: Another example relates to a cooperative of farmers growing cotton. These farmers were always accustomed to sow cotton themselves. In March, they plough the land and then sow seeds left over from the previous harvest. This, in fact, costs nothing, except diesel. Precision sowing of cotton seeds means to shoot the seed at fixed intervals. This can be done by an MTZ with relatively inexpensive precision sowing machines. Precision sowing costs farmers money. However, the chance of uneven rise, harvest problems by irregular maturation or harvest loss is much smaller with precision sowers. This was illustrated with photograph of plots of farmers who had already sown with precision planters a year



before. Of these plots, harvest calculations were handed over. This information brought the group of farmers to a fast and positive decision.

With these examples I want to make clear that correct anticipation on negative values, will often result to be the strongest part of the sale conversation. Particularly in a sector in which unpredictability prevails, like in the agrarian sector, customer values which anticipate on avoiding undesirable results or impact are frequently more decisive as a purchase aim.

2.5 Specific customer values

Customer values must be made concrete and specific. General information is the main reason why a sales conversation fails. Most of the sales conversations do not fail because the price is too high, or the competition is too heavy. These are only incidental reasons for failing.

No, when we do not sell, because we do not know with whom we talk.

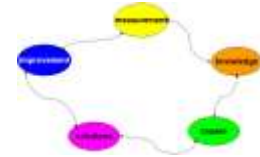
Make customers value concrete. A beautiful example is that of the salesman of agricultural black plastic. He illustrates the firmness of the plastic by accidentally throwing a small plastic bag filled with water to the customer in such a way that he cannot catch it. The bag falls on to the ground but it does not tear. He thereby lets the customer experience that plastic is firm and will not tear.

Or the cattle feed salesman who demonstrates digestibility of the ingredient raw materials by opening a pot of fresh smelling cow shit (of the right structure!).

Working with customer values is relatively simple. It ensures that the organization remains continuously client oriented. It acts as a red wire for all employees and their actions. Employees who are indirectly involved with the customer will become more client-oriented.

2.6 Questions to Chapter 2

1. What are positive customer values of your company?
2. Are these (consequently) being measured?
3. What are negative customer values of your company?
4. Are these (consequently) being measured?
5. Do you have concrete examples of customer values of the company?
6. Does your company distinguish itself in a clear manner from the competition?
7. What are the customer values of the competition?



3 CUSTOMER SEGMENTATION

3.1 Customer Pyramid

Every account manager tries to reach two aims:

- He wants to make new customers.
- He wants to turn new customers into loyal customers.

But that is not enough. There is more! Except customers there are also competitors. The competition pursues the same goal as we: create loyal customers. The account manager must always try to avoid customers going to the competitor. He must be in the fore front; adapt to each customer's expectation.

Information is necessary: market information, opinions concerning your product offer from both clients and non-clients. Information on what the competitor is up to.

Lack of information means losses. An active sales force knows this. It will complete the information needed. A good tool for analysis is the customer pyramid. With the customer pyramid we can graphically analyze the behavior of customers.

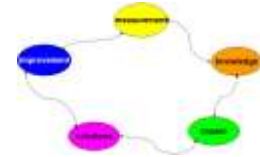
Basic elements of the customer pyramid are:

- **Active customers.** Persons or companies who bought goods or services in a certain period, for example the past twelve months.
- **Inactive customers.** Persons or companies who bought in the past, but not in the past 12 months. Inactive customers are the most important source of potential income. You must find out what prevents inactive customers to become active ones.
- **Prospects.** Persons or companies with whom you have a relationship but who have still not bought. You can e.g. think of people who reacted to a mailing or request product information. Prospects are persons or companies of who you expect that they become active customers in the near future.
- **Suspects.** Persons or companies to whom you could provide your products or services but with whom you still have no relationship. Normally, you will try to activate a relationship and thereafter treat them like prospects.
- **Rest of the market.** Persons or companies who have absolutely do not need your products or services. Although you will earn never money from this group, is it important that you form yourself a picture of them, because then you can see how much marketing time and money is spent on people and companies with whom you will never do business.
- **The rest of the world.**

The real value of the customer pyramid becomes clear if you divide your active customers into categories, for example in terms of sales. One can classify customers in four categories: top, large, modal and small.

You can make a customer pyramid by making a list of your customers and your sales to them. Classify the customers from biggest to smallest:

- **Top customers.** The top 1% of your active customers in terms of sales. If you have a thousand active customers, they are the first the ten on your list.
- **Large customers.** The following 4% of your active customers in terms of sales. If you have a thousand active customers, they are the numbers 11 up to and including 50 on your list.



- **Medium customers.** The following 15% of your active customers in terms of sales. If you have a thousand active customers, your modal customers are the numbers 51 up to and including 200 on your list.
- **Small customers.** The remaining 80% of your active customers in terms of sales. If you have a thousand active customers, your small customers form the remaining eight hundred customers on your list.

This customer pyramid is shown in Figure 2.



Figure 2 - The customer pyramid.

3.2 Statements

On the basis of research among a large number of companies in the whole world, we can derive eight statements from the customer pyramids.

Statement 1. The top 20% of customers is responsible for 80% of the turnover.

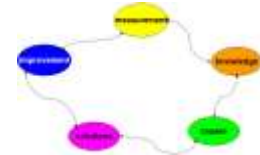
Almost every customer pyramid proves the validity of the rule of 80-20, the Pareto principle. There are exceptions. Some business-to-business (B2B) companies obtain a large part of their turnover from an even smaller number of customers. Some customer pyramids show that if only the top one customer walks away, the company will be bankrupt.

Statement 2. The top 20% of the customers provides more than 100% of the profit.

In other words: you generally suffer loss on the 80%, the smaller customers. When you correctly distribute your costs of production, marketing/sales and other overheads, over all customer segments in the pyramid, it will probably appear that this statement applies also to your company. But calculate for yourself!

Statement 3. Loyal customers are good for 90% of the turnover.

This is probably the most important lesson of the customer pyramid. It makes clear that companies can only survive if they have a fixed group of customers. Because of the importance of loyal (large) customers, almost all companies set up loyalty programs. For example, the frequently flyer program of airline companies.



Statement 4. The largest share of the marketing budget is spent on non-clients.

Although companies acquire approximately 90% of its turnover from loyal customers, no less than 60-80% of their marketing money, is spent on communication with non-customers. The question is if this is clever?

Statement 5. 20% up to 30% of all customers has to the potential to move up in the customer pyramid. Although most of the companies lose money to their small customers, this does not have to lead to a large-scale clean-up. It might chase them directly into the arms of the competition. First, the small customers are good for 20% of sales. With that, they make a contribution to the fixed costs and therefore to economy of scale advantages. Secondly, small customers can have the potential to rapidly move up to the top of your customer pyramid. This does not happen because of a sudden and dramatic growth in their demand, but because they are big and walk away from a competitor. In other words, a small customer in your pyramid can be a top customer in the pyramid of your competitor. If he changes over to you, their turnover with your company can improve just like that.

Statement 6. A net upward customer migration of 2% can result into a sale increase of 10% (and in case the fixed costs remain the same, the profit can increase by 50 to 100%).

Every year, some of your active customers will leave. Some prospect and suspects become new customers. Some customers fall down in the pyramid, whereas others go up. The customer pyramid shows how important it is to realize a net upward migration of your customer portfolio at the end of the financial year. That leads to income increase.

Statement 7. Satisfaction of customers is of critical importance for upward migration in the pyramid.

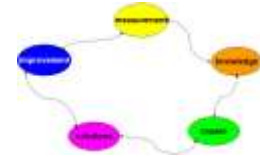
From all researches it becomes clear what enormous impact satisfaction of customers has on the profit. Customers in the category 'very satisfied' (CSI score 9) place a new order six times more often than customers who were only 'satisfied' (CSI score 7). In the competitive environment of today, with high demands for product and service quality, buyers and consumers do not expect less than a CSI score of 7. Therefore, if your customers tell you that they are 'satisfied' you must watch out.

Statement 8. Marketing & Sales is responsible for customer satisfaction.

If you ask marketing and sales people what they do for a living, they will probably say: "we identify and satisfy needs of customers". Or: "we sell products and services". Or: "we develop and maintain client relations". But ultimately marketing and sale people are responsible to influence both existing and potential customers' satisfaction. They are responsible to:

- identify (suitable) prospects from a pool of suspects, whereby the rest of the world remains, as much as possible, outside consideration;
- acquire new customers;
- reactivate inactive customers;
- upgrade existing customers whose share in the company can be improved;
- keep customers who have reached the top of their expenditure level.

In chapter 1 we have seen that marketing and sales are not the only departments to influence, customers. Other departments in the company and even outsiders influence customer behavior in a favorable or unfavorable manner. And it is possible that their influence on customers is larger than that of marketing and sales. This now, is the importance of account management.



3.3 Account management

3.3.1 Customer satisfaction

The aim of account management is improving the long-term relationship with customers; raising customer satisfaction, improving CSI scores. The account manager does this by tackling those matters, which have the largest impact on the satisfaction score. They improve the turnover and increase the profit. The main principle of account management is that different types of customers (accounts) require a different type of treatment.

Account managers must know their customers well. And they must know their products well. In all steps of production, people work on product properties (attributes) and all of these influence satisfaction. For this reason, the account manager must know well all the steps of the production process and maintain a good relationship with the responsible people in these departments. The following aspects play an important role:

- More people maybe involved in purchase and sales decisions than the person you have been talking to.
- The perception of quality is influenced by the quality of the relationship with the customer.
- The account manager is a creative problem solver; he can assess the situation of his customers well.
- Decision structures are frequently more complex than initially thought.

3.3.2 Category management

If you supply a large number of products to a company, it becomes impossible for one account manager to know all products. In such a case the product portfolio is subdivided into product groups, also called categories. For each category, a category manager is appointed, who shares the responsibility with the account manager(s). The category manager is responsible for improvement of the satisfaction of all customers in its category. The account managers are responsible for strengthening of the relationship with their customers. See figure 3.

Steps in process	CATEGORY 1 fresh products		CATEGORY 2 long shelf life		
	large bread	small bread	biscuits	pasta	pastry
procurement					
production	X	X	X	X	X
quality control	X	X	X	X	X
packing	X	X	X	X	X
distribution	X	X	X	X	X
sales	X	ACCOUNT MANAGERS			X
payment & after sales	X	X	X	X	X
CSI retailers	R	R	R	R	R
CSI consumers	R	R	R	R	R



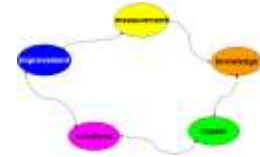
R = Responsibility of Category Manager
 X = Coordination by Category Manager
 = Responsibility of Account Manager
 = Coordination by Account Manager

Figure 3 - Account management and Category management in a large company



3.3.3 B2B market.

In the business to business (B2B) market two forms of sale exist.

- The first one is aimed at procurement officers of the buying organization. The usual method is one-on-one conversations between the seller and the buyer. The emphasis is on motives, assessing buying signals and on handling counter arguments. The sales person's aim is to 'get the order'. Frequently, it ends up being a price negotiation.
- The second form of sale is aimed at management and owners. Here, the usual method is to create a strong relationship. The seller provides confidential information, helps to think strategically. The account manager is not a salesman, but a strategist, an organization consultant, a man of confidence. High up in the organization it makes no sense to spend much time on prices, sales conditions and so on. High up in the organization, sales are frequently much easier and the sales order is generally larger. Also there is more loyalty.

This last form of sale is in fact what we call account management. We develop long-term relations with the consumer. We create good inter-company functionality. That means a reciprocal investment over a longer period in terms of people, vision development and service. Each year we carry out an in-depth account analysis, a CSI. We make an account plan with a strategy and objectives. These are further developed into actions, proposals and a communication plan.

3.3.4 American terminology.

Finally, a short classification of types of sale from American literature.

- **Hard selling.** The salesman tries to sell in a manipulative way and force the sales.
- **Soft selling.** The salesman tries to honor the interests of the customer and forgets his own (short-term) interests ;
- **Smart selling.** The salesman combines the interests of buyer and seller ('win-win');
- **Consultative selling.** The salesman positions himself as a consultant or problem solver; as a result of which he develops loyalty with the customer.

3.4 Questions to chapter 3

1. How is the customer pyramid of your company structured?
2. Who are your prospects at this moment?
3. Who in your company is responsible for account analysis and who makes the account plan?



4 MAKING NEW CLIENTS: ACQUISITION

4.1 Steps to be taken

Acquisition means to find new clients and turn them into loyal ones. Acquisition is a planned process carried out by the sales person; it is a crucial component of his daily work. Acquisition is like 'pioneering'; like trying out new things, new routes. The sales person has to be a pioneer, creative. He goes on adventure; prospects new roads to new clients.

Acquisition means working on future turnover. It is a must for every sales person and account manager. To lose existing clients is normal; it happens to all companies, everywhere in the world. Some clients stop with their business, others find a more attractive competitor. Also when a company changes ownership (e.g. a son or a daughter inherits the business, we must prospect. A new relationship must be built up with the new owners.

From research among procurement officers of SME companies, it appears that:

- only 17% of clients run away because of the price (even if this is the argument the old client gives you, usually price is not the real reason)
- 92% gets too little attention from the sales person.
- 88% gets no new initiatives from the sales person.
- 77% of planned meetings and agreements are postponed or cancelled.
- 25% of errors / mistakes are not being corrected satisfactorily.
- 59% believes they are not treated fairly.
- (P.S. Of course respondents could give more than one answer)

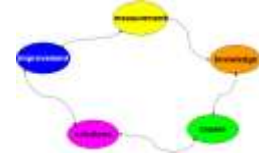
Out of 100 dissatisfied customers, 70 will react passively: first they reduce their repeat orders and gradually buy less and less and then stop completely. Only 30 clients will actively come to you and say: "what you are doing is wrong".

Attention from the sales person is not enough. He has to recognize the real problems of a client and take initiatives to solve them. Provide solutions, or at least directions for solutions, and follow-up. It goes without saying, that a sales person must be creative and possess the needed technical skills and know how to formulate solutions.

4.2 The 5 Steps

The acquisition process is done in 5 steps.

Step:	Advice:
1. Choose List your prospects in order of priority.	If possible, segment your market.
2. Know Collect as much as information as possible about your prospects.	Get the right names and (email-) addresses Build up a network of relationships around your prospects.



Step:	Advice:
3. Click To click means: to make a first relationship.	Make a correct judgment of the character of your prospect (e.g. use the four temperaments of Hippocrates ¹). During the first appointment: listen, listen, listen!
4. Sell Selling means offering relevant client values. Make the company's client values very concrete for each single new client.	Use the Seven Rules for a Successful Sales Talk (see paragraph 4.3 below)
5. Tie and satisfy Selling does not automatically mean 'repeat selling'. Tie and satisfy creates a very satisfied and returning client.	

In the next paragraphs, I will explain these 5 steps in more detail.

4.2.1 Choose

Choose real prospects. Many sales persons obtain new clients by coincidence, by luck, by recommendation. This is called '**cold acquisition**'. The time spent on cold prospects is usually a waste of time. Visits to these cold prospects may even lead to adverse effects, if the 'new client' already has a strong relationship with one of your serious competitors. One positive result from such a cold visit maybe to get information on who your real prospects can be. It is known that inexperienced sales people often acquire on the wrong addresses, with the wrong people. This will result in limited success and frustration. Therefore, choose your clients in an accurate manner; chose the ones with good perspectives, those where you can beat the competition.

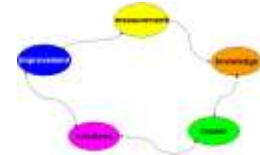
The needed information, however, does not lie on the street. You have to obtain it through people in a reliable network, from people with eyes and ears in the region, such as drivers, distributors. Also your existing clients can be a reliable source of information. And make sure, you are well informed yourself about new clients coming to the city, mergers, trade fairs, study & association meetings etc. An active network is critical for an active sales person. You must invest about 20-40% of your time in developing and maintaining it.

4.2.2 Know

As said above, prior to acquisition, we must have sufficient information about: a) the company details of the prospect; b) the entrepreneur as a person; c) who are his current suppliers (and their +/- points); d) future perspectives of that company.

In some cases you will conclude that it is better to drop the prospect. This preparatory 'research' is very important but relatively easy when we have a strong network. Despite many warnings to prepare oneself, it still happens often that we 'pop in' unprepared. ('Let me just give it a try'). In 8 out of 10 cases, you come in the wrong moment, people are too busy. Even if they might be interested, you loose the moment. Choosing the right time and the right day is critical. Make a solidly planned appointment

¹ http://en.wikipedia.org/wiki/Four_Temperaments



and you will feel yourself more self confident. Remember: every new client has the potential to bring XX turnover for YY years...

Acquisition is like fishing. You throw your fishing rod in the water and wait until you see the 'dobber' move: a fish is interested. Don't lift the rod at once, maybe she is just sniffing and did not yet bite. But you know she is attracted, she is interested. Wait until the 'dobber' goes down: patience, patience, patience and then hook the fish. Gently lift the rod and keep the line straight; keep the tension, she may not escape....

Acquisition is like fishing. You try to raise first attention and wait before arranging a meeting. Don't rush at once, maybe the client is just sniffing and evaluating whether or not it is of interest. Make an appointment for a first discussion. Listen, listen, listen and be patient to find out if a prospect is 'warm'. In other words, if he is sufficiently interested to say goodbye to his previous supplier. If there is real interest in the client values that you have to offer. A good sales person feels exactly when a prospect is warm!

4.2.3 Click

Clicking a client is like hooking the fish and keeping the line straight; keep the tension and don't let him escape. Build a relationship of confidence. Usually, your client has had a long-term relationship with another, competitive supplier. Maybe both in business and private life, they were close. In such cases it is not easy to switch. It may feel like a divorce. Changing is then not easy (which, on the other hand, is good for the clients YOU have).

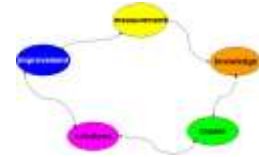
You must present yourself in such a way that the client gets the feeling that you have something of interest to offer, both in business terms (you are a professional) and privately (you are a nice person to go out with). You must understand the degree of closeness that a client desires: in fishing terms: sometime, especially with large fish, you must let the fish swim about for a while (but keep the line tight) before pulling it in. In other times, with small and agile fish: you must hook at once, otherwise the fish is gone.

Again, especially for large prospects: be patient: your time will come. Create a good feeling, confidence, make sure you have a 'click'. Remember, you are building a new, long-term relationship, for mutual benefit. This is the basis for a successful sale. If a prospect likes you as a person, you have gone half way. Top sellers are capable of creating a click in a matter of minutes. They do this not just by words, but mostly by body language. Their non-verbal communication is a very powerful tool.

In this phase of acquisition it is important to discover the true bottlenecks; e.g. in the quality or cost price of the product that a client wishes to manufacture. Ask questions, think and try to formulate general solutions, without promoting your product too openly. What is the desired situation? How can we reach that point by cooperating together? Remember that YOU determine which client values are important for the customer. And YOU determine the process, the path along which the prospect will say goodbye to his old suppliers. Of course you keep track of all appointments and you write visit reports; discuss progress with management and together determine the right sales strategy.

4.2.4 Selling

Your prospect has gained confidence in you and your company. There is common ground and a basis for cooperation and a successful sale. You may sometimes reach this stage after the first meeting but that is rare. Usually it takes a few weeks or months and serious work and preparation of cost price calculation, offers, counter offers. We have reached the phase where we are about to pull the rod out of the water and land the fish. In this phase we call the prospect to be 'hot'. It is now or never.



The prospect has decided to say goodbye to his old supplier. It is time to change. The question is: will he choose you or an alternative supplier, one of your other competitors? Quite regularly, sales people who first created the change behavior in the client, don't get the order: a competitor gets it. Remember the 7 rules for a successful sales talk.

When a prospect is hot, you must increase the frequency of meetings/contacts and not let the pressure go: don't lose the fish. Don't let your competitors benefit from your preparatory work.

4.2.5 Tie and satisfy

In the description of the sales pyramid in chapter 3, we have demonstrated the importance of loyal and very satisfied customers. And that you, the sales manager, together with the other staff in your company must always be busy to tie your clients by satisfying their needs. With new customers your relationship will be characterized as 'give-and-take'. It is still a weak one and the competition knows that. From research it has become evident that in 6 out of 10 cases, a client who changed to a new supplier, does change again with a short period. Hence the importance to build loyalty.

4.3 Seven rules for Successful Acquisition

In the scheme below I have listed the seven rules for holding a successful sales talk.

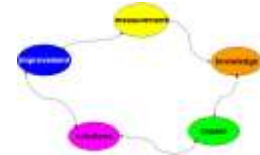
SEVEN RULES FOR A SUCCESSFUL SALES TALK

Rule 1: Knowledge. Prior to a sales presentation, ensure that you are very well prepared. Have thorough knowledge of the situation in the client company and adapt to their style of communication; watch the dress code: They formal; I formal. If you have only limited knowledge of the client: ask questions and listen, listen, listen. Make notes.

Rule 2: Timing. Do not offer solutions in the beginning. Do not waste your time on clients with problems but who are not interested in a solution. Or who are interested, but have no money to pay. Take time to identify the real problem and to specify the cost/budget that a client has in mind for its solution. Only after this has been concretely determined and after the client has shown an interest in a solution, only then can the real sales talk begin.

Rule 3: Positive language. Use clear wording, don't show off with unnecessary technical terms to impress your client. It will have a counterproductive effect: it will create distance. Use examples from the region where you have been able to solve a similar problem. Let the client check references. **Use positive words, not negative ones.** Avoid 'less losses, but say 'more yield'; not 'less cost' but say 'more yield'.

Rule 4: Quantify advantages. Try to sell product advantages instead of product properties. Show advantages in a graphic manner: use paper and pencil; write clearly; do not scribble. If you use a power point presentation, make sure you leave a printout. Try to leave a 'dirty' printout a 'dirty' brochure. Dirty in the sense that it contains notes, additional drawings, a calculation or a thought. A clean folder will be thrown away 5 times easier, than a 'dirty' folder! Make sure the key advantages have been clearly specified.



Rule 5: Interim summary. Immediately after you have given a price, or a price indication, summarize the advantages. The last thing to say must **never be the price**. If your price is higher than the competition, try and reduce the absolute value by giving a price per kg (which may be lower!) or per day, per hectare, per worker. Create a sense of value in the client's mind.

Rule 6: Objections are buying arguments. The real hard sales, starts from the moment that the client presents his objections: this is not good, that is too complicated. Every sales person knows: these objections are buying arguments. If you can overcome these objections, nothing will stand in the way of the client buying. An objection, is a point for clarification, for discussion, for convincing the client that you understand him and that you have the right solution. A client who does not have objections, is usually not interested. Or he did not understand you and you have to try the sales talk from another angle.

Resistance to buy, is a logical consequence of your own sales arguments; listen very carefully to the client and be attentive to non-verbal messages: watching out of the window, his watch or mobile phone (negative); raising eyebrows when you say something new (interest, positive). Never answer too quickly, think first, ask for more information and reveal the reasons of buying resistance. Only after all objections have been cleared, you can strike a deal.

Rule 7: Action plan. Every sales talk must be closed properly. Even if you're granted a little bit of time ('an elevator pitch') make sure you briefly summarize and agree on **WHAT'S NEXT?** Who will do what by when? Every client type has its own style of communication, close in the same style. A proper closure activates a sales process and helps to start your next meeting.

Finally, a few last hints:

- Acquisition costs time and money.
- Don't overdo it; don't try too many at the same time.
- For each prospect maintain a graph (hang it on the wall) and indicate in which phase you are.
- Use colors to indicate if the prospect is 'cold', 'warm' or 'hot'.
- Adapt your contact frequency and sales talk to changed situations; be flexible and creative.
- Know when to press on and when to say goodbye.

4.4 Questions to chapter 4

1. Must all five phases of acquisition be implemented by the same person?
2. How do you find new prospects?
3. Who are your network informants?
4. How do you maintain them?
5. Have you ever made a 'cold call'?
6. What were the results?