

GRADE YOUR CUSTOMERS

It has often been said that 80% of a company's sales come from 20% of the company's customers. And a great customer will usually spend more money and be less hassle than all the grades of customers. By providing exceptional service for those people you want to do business with, you will encourage them to keep coming back.

Figure out who your 80/20 customers are. Who brings 80% of your revenue? Who do you spend most time on? Are these the same people? You will probably find that you spend 80% of your time on the 20% of your customers who are the difficult ones. Your goal is to work with only A and B customers, and give your C and D customers a reason to price shop and haggle with your competitors!

Rank your clients by profit margin and factor in the time and effort costs of dealing with them and then consider what an A-Grade customer looks like.

What does A-Grade mean to you?

Ok, so let's have a look at what you consider to be a great customer. Write down their attributes. Think about:

- Buy regularly
- Pay early
- Co-operative
- Know what they want
- Take advice
- A great source of referrals
- They buy across your range
- Geography
- Don't quibble on price
- Make doing business easy
- Enjoyable to deal with

Ideas for B, C & D:

- B – Poor communicators, expect more than they pay for
- C – Don't accept advice; don't build relationships; blame you for their mistakes; low margins
- D – Don't engage; it's all about price; pay later and later

Aim: To Service Only A-Grade Customers

Hints and tips:

1. Know who your best customers are and focus on them to make them as happy as possible to ensure they come back to you time and again
2. Treat them like royalty every time
3. Think of them in terms of lifetime value

4. Offer gifts and rewards for continue patronage, and encourage them to bring their friends

Sack C and D grade customers

Send a letter to any customers that you don't want to do business with. These customers are normally the most demanding of your time, hassle you on price, and then consistently make late payments – and they usually don't need any encouragement to bring their C and D-grade friends either. In your letter politely and simply outline the minimum standards that you expect from your clients. This way they can either toe the line or go elsewhere.

1) Don't say "go away", but make it clear what you are prepared to accept and what you aren't . They should get the message

2) Remember that *any* customer isn't necessarily a *good* customer. Some actually cost you money, and worse, take your focus from the A-graders.

When you no longer have to waste time and resources on unprofitable customer, you can devote your time to customers that serve your business as well as you serve them.