

# REACHING THE RIGHT CUSTOMERS & EXPLORING ALTERNATIVE GROWTH STRATEGIES

## Article Key:

CHOOSING THE RIGHT CUSTOMERS

MARKET YOUR PRODUCTS WHERE THEY ARE  
DEMANDED!

THERE IS ANOTHER WAY



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# CHOOSING THE RIGHT CUSTOMER

## ALL CUSTOMERS ARE NOT EQUAL

**G**ood relationships are the linchpin of successful businesses. Of all the things a business must invest in (real estate, products, stock, employees, etc), investing in the right clientele is perhaps the most crucial. The kind of relationship you forge with a specific type of customer can mean the difference between a mediocre and a sterling performance. But none of this is easy.

Finding and choosing the right customer is a challenging task for small and large businesses alike. Yet, the consequences are great, if managers waste time and energy on the wrong kind of customers. The wrong kind of customers are those who are not really interested in the services that you have to offer, or whose demands create more headaches for you than profit. In short, the kind of customers you will not grow with. Business owners will have to learn that all customers are not equal and forging strong relationships require clear communication – “Assumptions are the termites of relationships”. ~Henry Winkler.

Producing a great product or having a quality service is just a part of the challenge; delivering this product or service to the customer that demand it is even more important. When a business has identified its clientele, it should invest in these relationships wisely, with respect, decency, integrity and honesty.

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### SIX CUSTOMER SELECTION CRITERIA:

#### 1. Build a customer pipeline.

“Figure out who your ideal target is. If you cannot reach your target customers because of concerns, take measures to resolve them. *Get creative, find a way and you will find customers for life*”.

**DotComSecrets.com**

#### 2. Identify whether customer is easy to deal with.

Money should not be the only motivation for building customer relationships. Delivery of quality services could be impeded by constant disagreements and personality clashes. *The relationship should be mutually beneficial.*

#### 3. Pay attention to writing on the wall.

The same level of scrutiny that you apply to establishing personal friendships should be used as you screen potential business contacts. Usually, if you have a bad feeling about a relationship, it just might be the case.

*“The first time someone shows you who they are, believe them”.* ~Dr. Maya Angelou

#### 4. Stay clear of bad paying customers.

Customers that have poor payment patterns from the start of the relationship may not be the best for your growing business. Even if they are high volume purchasers of goods and services. *Your business needs cash flow!*

#### 5. Recognize and screen-out disorganized customers.

A disorganized customer can waste valuable time, contribute to delay in service delivery, increase project expenses and drain your energy. *Don't jeopardize your reputation.*

#### 6. Realize no customer is indispensable.

Schmoozing is powerful tool used to establish and maintain business relationships. However, be ready to stand up to a troubling client. If you have to beg to keep the client, how objective will your service be? *Fire that bad customer!*

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Business owners have the challenge to manage scarce resources, continually foster innovation and motivate their employees, with a view to growing their businesses. Consequently, realizing from the front-end that certain relationships could serve more as detractors from their goals, could save them a lot of hassle in the future. ■

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# MARKET YOUR PRODUCTS WHERE THEY ARE DEMANDED!

DON'T CAST YOUR PEARLS BEFORE SWINE

Recently, I performed a consultation to create a business plan for a potential client who was exploring a new business venture. During our discussion, I realized that the client purchased a number of advertisements in various local papers to promote the

new business. A similar incident occurred, while at an entrepreneurial seminar, where one business owner, without understanding their customer base was exploring advertising options.

Is this the right way?

## PEARLS ARE SCARCE RESOURCES!

If we lived in a world with unlimited financial resources, we would be able to execute various trial and error marketing and advertising initiatives and not have to worry about their implications.

However, in the real world, where a number of entrepreneurs survive on shoestring budgets, marketing and advertising decisions have to be viewed more strategically.

## DO YOU HAVE A CLEAR MARKETING PLAN?

Entrepreneurs cannot attempt to market their businesses blindly. Rather, they should first ask the critical questions - while illustrated in the diagram on the left and the discussion that follows - as they contemplate their readiness for the market and the cohesiveness of their marketing plans.



### Is my marketing plan cohesive?

A marketing plan can be a small document of three to five pages or a large document of over fifteen pages. Whichever route you decide to take, there are core issues and questions that every market plan should cover. Usually, the more simple and cohesive a marketing plan is, the easier it is to implement. Entrepreneurs should understand that a market plan must be a flexible document that can be enhanced as execution gives *hindsight visions*.

### What are the products, services and value statements?

The right conviction and knowledge of your products or services could help to spring-board your customer base. Understanding the benefits and shortfalls of your products and services will aid you with the management of your value proposition and the optimal assignment of resources to achieve competitive advantages.

## **Who are the target customers and present competitors?**

You cannot market your product successfully if you do not know your customers and competitors.

Performing the relevant market segmentations and customer analyses will help you to determine to whom and for what prices your products can be sold. Let us consider the company - GAP, Inc. The GAP has been successful segmenting its markets: offering products under the banners of Banana Republic, Old Navy and the GAP to different demographics.

## **What is the right price, location and branding?**

The right or optimal price to charge customers for a product should be based on a thorough market analysis that is compared to the total cost of production. The market analysis will help business owners to (i) determine competitors' prices and (ii) assess the average price that a consumer is willing to pay for the value being offered. Additionally, understanding where the products and services will be positioned in the market and how you will achieve brand awareness is also important.

## **What resources are needed to achieve the marketing goals?**

Designing great marketing programs can be a resource draining exercise affecting financial and human capital. Business owners have to prioritize their marketing goals, assess the impact of their selected programs on overall growth and employ additional resources to bolster areas in which their initiatives are most successful.

One big decision that business owners usually have to make is whether to outsource or execute task internally. Learning what works for your products and services and being flexible can help to keep your ship afloat!

## **What results are expected?**

The goal for creating a marketing program is to win - winning new clients and increasing profitability. It is important that your expected results be SMART -

specific, measurable, accurate, realistic and timely. Understanding your goals, objectives and achievement time-lines will better equip you to evaluate the success of your marketing efforts.

Don't cast your pearls before swine – get your products and services before the people that desire them and are willing and able to pay for them. ■

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*Articles were written by Kevin Howell, Managing Director of Anchor Business Consultancy, LLC. Mr. Howell was a Manager in the Mergers and Acquisition Advisory Group at Ernst & Young. After which, he worked as a Senior Director of Business Development at Broadridge Financial Solutions. Mr. Howell has consulted with clients across multiple industries, including, but not limited to, manufacturing, consumer products, financial services, health-care, online gaming, and information technology. He currently is an Adjunct Professor at Monroe College at the School of Business. He holds a MBA with a concentration in Finance from the University of Rochester, Simon School of Business.*

# THERE IS ANOTHER WAY

## ORGANIC VERSUS GROWTH BY STRATEGIC ALLIANCES

Managers use a number of methods to grow their businesses. Some focus more on mere organic growth, while others create partnerships, strategic alliances, pursue mergers, acquisitions and divestitures to improve the profits of their businesses.

Large Companies like SunGard have spent big bucks on acquisitions in their efforts to maintain a diversified portfolio of products and strengthen their market leadership in the following areas:

- Trading, treasury and risk
- Wealth management and brokerage
- Benefit administration and insurance businesses

During the 32 months ending August 2008, the Company has undertaken approximately 30 acquisitions at a cash value of approximately \$600 million – this represents an average deal value of \$20 million. Additionally, the Company has spent upwards of \$800 million in software development from 2005 to 2007 and has established various partnerships with IT software and solution providers.

It is not surprising that the company has reported cumulative average growth rate (CAGR) for revenues and earnings before interest taxes and depreciation (EBITDA) of 8.7% and 9.9%, respectively, for the periods ending December 31, 2005 (FY05) to trailing twelve months ending September 30, 2009 (TTM09).

### PERFORMANCE RELATIVE TO ITS PEERS

SunGard's emphasis on both organic and growth through various strategic options have led to the Company's prominence amongst its peers. The Company is the market leader in most of the areas that it provides solutions.

### LESSON TO LEARN - LET'S START THINKING LIKE MEGA BUSINESSES!

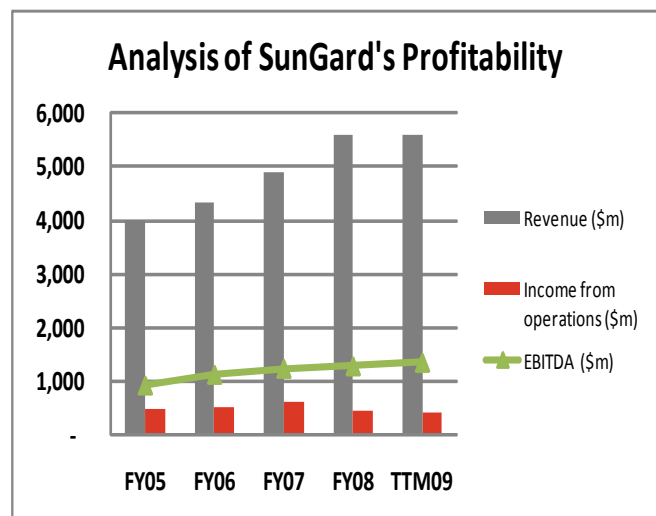
It is said that more acquisitions result in failure

rather than success. After considering this fact, the opportunity still exists for businesses to achieve tremendous revenues, EBITDA and synergistic growth from acquisitions. "Strategic Buyers believe that success will be realized with acquisitions that fit within their long-term strategies. They understand that the right deal structure, integration process, management team and sufficient working capital to engineer the strategic plan will bring them success"<sup>1</sup>.

Instead of the constant flogging of the "dead horse"- attempting to grow your business through solely organic means. Consider one of the following:

- Potential acquisition of a competitor, supplier or a partner
- Divestment of a low profit segment
- Spin-off from a stifling parent company
- Strategic alliance or partnership with a customer, supplier or even competitor and benefit from some level of revenues and costs sharing

One of these options, may be your company's ticket to substantial and sustainable profitability. ■



Source: SunGard's Financial Statements

1AnchorNews - November's Publication - Article - "Can Anything Good Come Out of Nazareth Synergies"



# ABOUT US

## WHAT WE DO?

Anchor Business Consultancy, LLC offers business development, coaching and training services to small and mid-sized businesses. Visit our web site for more detail of the services that we provide.

## WHAT IS OUR VALUE PROPOSITION?

Our executives have worked and consulted with top tier global financial, legal and accounting firms and boast significant professional and educational experiences.

## WHO DO WE SERVE?

We focus mainly on small and mid-sized businesses in the manufacturing, industrial, information technology and consumer products industries. However, we are open to establishing relationships with clients in other industries.

## WHAT IS OUR APPROACH?

Our approach focuses mainly on understanding your current financial issues and providing several solutions and options to resolve them. We understand a combination of short-term fixes might solve your problems. However, we also explore and recommend long term objectives and undertake strategic overhaul of your company that will guarantee your future success.

## WHAT IS OUR PRICING METHODOLOGY?

We offer various pricing options to our clients. One-off projects are based on hourly rates. However, for long-term relationships, we work on a retainer and a contingency fee based on predetermined success metric.

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