

## Developing New Accounts

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New customers and more sales are essential for profit and growth. The small business owner-manager especially should have a specific program for regularly developing new accounts. This publication presents a systematic approach to finding, getting and keeping customers whose sales volume produces profit for you.

### Developing New Accounts

The problem of developing new accounts is a common one. A frequent lament of sales managers is "we just don't have enough new accounts to provide the volume we need." In most companies a five percent improvement in sales volume will have a most favourable profit effect. It will equal or exceed, for example, a comparable percentage improvement in costs of material and services, productivity, inventory management or control of receivables.

How to acquire the accounts to provide such added volume becomes a matter of prime importance to survival and growth. In a great many businesses, small and large, the matter of new customer acquisition is approached in a haphazard, intermittent, unplanned and uncoordinated way. The results are understandably often less than satisfying, more expensive than expected, and generally inadequate from the standpoint of contribution of profit.

Useful insight into the problem of getting new customers can be obtained by considering the sales department as a purchasing function, spending company resources by investing in customers and sales volume. The controls, systems, thought and effort devoted to finding the right source of materials, provide for the most effective and evident management concern relative to its purchasing activities. Disciplines are established and controls are in place to measure supplier and purchasing effectiveness. Alternate bids are secured and potential suppliers critically tested for quality and service. Capital expenditures are closely evaluated. Yet the problem of investing to get a new customer, one who is expected to deliver profitable sales over an extended period of time, is often reduced to a simple charge to the sales department of "more customers!"

In most cases the investment in customer acquisition is heavy, scattered, unmeasured and unplanned. The money spent on this type of effort consists of advertising dollars, sales, salaries and expenses, phones, samples, administrative time, and often expensive engineering costs.

The alternative to the shotgun approach to customer or account development is usually less expensive and substantially more productive. It involves some straightforward initial analysis and planning inexpensive enough for the smallest business. It may likewise involve a change in attitude and emphasis that says that the business of investing in a customer ought to be a selective, investigative, consistent, and planned process, worthy of the closest attention of the

managing sales executive. Finding and developing a worthwhile customer is a different objective from simply "more sales" or "more accounts".

The procedure involves ten steps, formalized to the degree necessary for the needs of the enterprise. These are:

- specify;
- quantify;
- identify;
- qualify;
- convince;
- service;
- collect;
- measure;
- expand;
- repeat.

The first seven are initially critical. A substantial account that does not pay is no "customer".

### **Specify**

The first step is to decide what kind of customer is needed. This involves a brief customer "specification". No one just buys steel or a machine tool or a truck. The kind of steel, its characteristics, and its yield are matters of instant concern. Are we trying to buy a simple drill press or a numerically controlled multiple spindle processing unit? Does the truck have to carry one tonne or ten tonnes, and what is to be hauled? Good analysis of the strengths or deficiencies of your present customer accounts can help in preparing your customer specification.

The Customer Specification Might Read: Must be within 100 miles. Must be potentially capable of repeat purchases of product "X" totaling \$50 000 per year. Must appreciate value of services as opposed to being strictly a price buyer. May be an intermittent process operation where downtime is a critical concern. Frequent changeovers. Quality conscious buyer. Pays promptly on terms. Probably in the Standard Industrial Classification (SIC). May currently be using product supplied by National or Atlas. Size indicator: at least 100 employees, reasonable in-house maintenance program, evidence of sales growth. Objective: profit contribution rate of 30 percent.

Or the Specification Might Be Simply: Companies in the meat processing industry, in Saskatchewan, Manitoba, Alberta, (beef, lamb, pork, fowl) engaged in slaughter and/or portion pack, handling over 100 head/day equivalent;

Or: Independent distributors of products associated with the material handling industry in major trading centers in the Prairie region, having a sales force of no less than five, and carrying recognized domestic truck brands calling on local industry, particularly food processors. Must have repair facilities.

### **Quantify**

How many this quarter or this year? "To provide the type of business required, two new accounts with volume potential of \$50 000 each are needed in each of the remaining quarters of the year, plus five new smaller accounts in each quarter with a potential of \$25 000 to \$30 000 annually." Or, "Need an average of three new small machine accounts in each territory, each quarter, with potential of supply sales of \$2 500 each per year following installation."

Comment: The new growth is admittedly a necessary consideration for growth. Some businesses however become so concerned with the new account syndrome that they overlook the very real, often untapped, potential of existing accounts. By proper attention to maintenance selling, accounts on the books can be upgraded, expanded to new applications, and in effect, become new for all practical purposes. The maintenance aspect of selling is often minimized because the battle has been won - the customer is on the books. Neglect gives your competitors the opportunity to develop a new account by taking away one of your customers. In most cases, developing an existing account is much less costly than acquiring a new one.

## **Identify**

Having specified and quantified the type and number of accounts wanted, the next step is to identify and rough screen the most likely candidates in the most direct and least expensive way.

A few days devoted to secondary research can prove rewarding. The precise method depends on the scope of the project, the number of required new accounts, and the geographic area involved.

For the smaller local business, the telephone directory is an obvious, available, and well organized reference for new accounts. In fact, a study of the directories for several cities provides a fast, comprehensive, and specific source of information for the significant trading centers in a region.

Such listings display products and services offered for sale, the nature of the services offered (like wholesaling, retailing or manufacturing), the specific location, phone, and postal code reference. If the listings are regarded as definitive, with a little deduction, you could determine what such firms buy for resale or buy as original equipment for use in their businesses.

For example: Acme Rat Exterminating Products: Rentals, Service, Parts - Rat Poison, Roach Spray, Ant Bait, Bird Repellent, Rat Guards, Animal Traps, Chimney Screens, Sprayers (all types), Electric Fly and Mosquito Killers, etc., including map, address, phone, and brands handled.

Under "Mailing Lists", the business pages also give substantial listing of sources that provide listings of various types, often very specific as to Standard Industrial Classification (SIC) number, address, and names of relevant contacts. Purchase of one or more lists across the developed specification provides a fast way to be selective.

All things considered, like today's average cost of \$75 - \$100 for an in-person industrial sales call, the time and money devoted to even modest preplanning data research is well spent.

Lists that can be bought generally key on SIC numbers that, depending on the number of classification digits, give names, size indicators, etc.

Other useful and readily available secondary sources of names are directories of associations, clubs, laboratories, manufacturers, Chamber of Commerce releases, mail order catalogues, and the like. The limit is only imposed by the extent of creative imagination of the research. The various desks in the federal and provincial offices and the public and university libraries are extremely helpful. Often license, permit and registration data are available and useful.

A typical listing of forging users for example would include these SIC numbers: 3623, 3624, 3629, 3711, 3713 and 3714. Each listing would look like this:

Data SIC Number    Area Code    Telephone Number  
Company Name  
Street Address  
City, Province    Postal Code

Listing 3714                      000      000-0000  
XYZ Motive Co. Inc.  
123 Any Street  
Saskatoon, Sask.    S7K 3J8

## **Qualify**

One of the better sources of new accounts among existing users of a product or service is your direct or indirect competitor.

Examination of the sales literature, catalogues and trade releases of a competitor often reveals a pattern of distribution, a listing of good reference accounts, and often the details of best applications. Review of competitive advertising likewise points up many useful areas of concentration, selling methods, and coverage of what competitors regard to be their major markets.

Placing yourself in the role of a buyer of your own product or service is useful in identifying a competitor's influence points, likely user references, other applications that might not have occurred to you. Your own representatives can be helpful. In other words, shop around for your own product and see who else touches end users in the distribution process. Each is a potential source of useful information. A frank discussion with some of your good customers will produce names of their competitors who might become your customers as well. Even on a limited basis such efforts are most rewarding.

Your purchasing agent can be a most useful source of qualifying information because the agent talks to sales representatives who talk to your competitors. In the field of selling, detailed attention to your competitors' activities can be as equally rewarding as attention to your own customers from the standpoint of identifying new customer opportunities, advantages, deficiencies and needs. The cost is reasonable - an open ear.

When the list is reasonable - identified, broadly qualified and manageable, the personal contact or specific qualification phase begins. This takes time, but the effort will be spent on a modest group of targets that have been screened against your broad specification, qualified roughly at minimum cost and have a high probability of productivity.

Good mailing lists tied to selected group targets can help identify new accounts. By a proper offering (i.e., to conduct a free survey, to provide a sample, to solve a specific problem, to offer a study result, to provide a modest prize for best new applications, etc.) a user response can be obtained. From these responses you can qualify the potential of prospective new accounts.

Learning more about your end users can also uncover buyer habits and identify characteristics indicative of a larger group. For instance, return warranty or registration cards could give you this information from comments or answers to a few basic questions about the product by users. This information can be matched to a larger group, expanding your viewpoint.

Look also for customers among users of alternative products or services to yours. For example, users of plastics are currently converting to die cast for various reasons. Gray iron castings can often be converted stamped parts or forgings. Automobile buyers are acquiring motor bikes and supermarket shoppers are buying less at the store and eating out more at fast food restaurants. Such habits may bring back some lost customers or make you vulnerable to pressures from indirect competition.

## Convincing

Convincing a potential user to try your product or service is the next step after you have found and qualified your prospects. This step is the pay off for all your efforts and investment to attract qualified customers. Convincing the potential user to try your product or service is often similar to qualifying customers according to your specifications.

You search in a specific market area for customers that are stable companies with solid needs for your products or services. They will do repeat business and pay their bills. And you are able to come to terms and do business with them.

Keeping customers involves giving service, getting paid, measuring account profitability, expanding customer buying, and then repeating all the steps to get and to keep good customer accounts.

Remember, treat old customers the way you service new ones and you may not need so many new ones.

## The Profit Evaluation

How did you do against the measure you set out for yourself? Is the trend better? Are your new customers delivering the quality of volume that you want? Tracking your progress is very important. Let's say you were shooting for no increase in fixed costs and \$70 000 more profit contribution on the bottom line from new accounts.

Chart your actual results:

New Customer	Net Sales Volume	Variable Costs to Make and Sell	Contribution to Fixed Costs and Profit \$	%	Evaluation
A	\$100 000	\$90 000	\$10 000	10%	Poor
B	50 000	30 000	20 000	40%	Excellent
C	100 000	70 000	30 000	30%	Satisfactory
D	80 000	72 000	8 000	10%	Poor
	\$330 000	\$262 000	\$68 000	20.6%	Average

There is more to getting new accounts than just chasing the volume they produce. Obviously the quality of the volume is more important. Measure your required standard, not just for the amount of volume, but for the profit yield of the volume and the trend for the future.

The new customer development method proposed here emphasizes the who, what, why, when and where of volume rather than merely the how much. This takes thoughtful planning, detailed research and screening, and some expense but you do get profitable results.

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Source: U.S. Small Business Administration

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For further information regarding starting a business, contact the

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