

CUSTOMER IQ QUIZ

1. Do your profits come from your products or from your customers?

(If you are an exclusive distributor for a powerful manufacturer that assures that you are profitable, even after selling lots of customers at a loss, the rest of this survey is still important. But, don't expect much luck with fighting the supplier about selling all customers on a profitable basis in order to sell, eventually, more total volume to fewer accounts while losing customers leave to sink competitors.)

2. Who are your "best" accounts? How do you define them? How do your customers?

- a. Do you have economic boundaries for deciding which mode of selling they should currently be with? Outside sales, tele-sales, house/catalog/direct mail, or "whole-tail" cash-n-carry? (Levels "A-D" respectively)
- b. Do you sub-divide them by how much estimated operating profit you currently earn from them? Within the largest sub-group there will most likely be very profitable and very unprofitable customers; do all employees treat them the same or differently?
- c. Do you sub-divide customer segments and strata into why they buy (e.g. emotional loyalty, best total value, or pure price)?
- d. Do you give any weighting of importance to how fast a customer has been growing and how fast they are likely to grow over the next 5 years?

3. Do you agree or disagree with the following statements? Why or why not? How do you know?

- a. The top 20 % of our most profitable customers could generate somewhere between 120 to 150% of our profits; the middle 60% may be breakeven; and the bottom 20% may costs us about 20 to 50% of our profits.
- b. The number of customers that are both high profit and high growth are very few, but they should make an enormous difference to us over the next 5 years if we can retain and further penetrate them.
- c. Two competing distributors in the same geographic area have the same sales volume. Both have about 20% of the total, product-volume, share of market from the view of their common pool of suppliers. Distributor A only has a third as many active accounts, but has an 80% share of their "number one niche of customers" that they have targeted (3x sales/customer). Distributor B, meanwhile, has promoted products to a more diverse, larger group of customers. Who might be more profitable? Why?
- d. If you agree with a and b what is your company doing for the big winners, growers and losers?

4. How do you define, measure and act on customer knowledge?

- a. Do you measure retention and defection rates for your existing customer base?
- b. What are you doing to improve the retention rate of the right types of customers?
- c. What are you doing to make losing customers either profitable or voluntarily leave for another supplier? Do you have a minimum profitability goal or level per customer per niche (strata)? How long do you allow for a customer's lack of profitability to be cured one way or the other?

- d. How do you continually research, strategize and cover as a team:
 - ◆ target accounts
 - ◆ most profitable accounts
 - ◆ biggest losing accounts?
- e. Who are the 1 or 2% of the customers in your number one niche that are the most innovative, demanding customers that will do experiments with you on new, service value ideas (“learning relationships”, “co-created value”)? What are the experiments that you currently have underway? What is the process for how you scale the winning experiments to more customers with similar need opportunities?
- f. Are there other types of either outsourced service providers or miscellaneous goods suppliers that are common to two or more of your most profitable, progressive customers? Can you:
 - ◆ strike a marketing alliance with those suppliers for your shared customer bases
 - ◆ buy them and introduce them to the rest of your similar customers
 - ◆ or, replace them with your own in-house capability?
- g. There are two ways to estimate what your share of a customer’s total volume is. How do you estimate:
 - ◆ share of traditional products sold?
 - ◆ share of expanded supplier spend? (see “f” for a broader definition of customer spend)?
- h. Do you offer special considerations for smaller, profitable accounts who are totally loyal and cooperative with you?
- i. Who are your major competitors for your target niche(s)? What competitive edges do they have over you on a niche by niche basis? You over them?
- j. What are the top 3 specific attributes of your total service proposition to your most profitable, #1 niche customers that differentiate you from your toughest competitor according to your customers’ assessment? How big an edge do you have for these attributes? How sustainable are these edges?
- k. What 40% of your total marketing support expenditures deliver only 10% or less of your target customers’ perceived value benefit? How are you rethinking these poorly focused expenditures?
- l. Do you guesstimate what your total market share of each customer niche is? Why? Why not?
- m. Do you make simple, approximate lifetime profit stream valuations for key accounts?
- n. Who is the customer niche manager whose full time responsibility is to answer and solve all of the questions in item #3? Does this person have profit and loss responsibility for improving the niche’s total performance?
- o. What would happen to the profitability and sales revenue levels of one of your target niches if you raised your prices 1% on average across the niche?

5. For getting all employees to be part of the total service value improvement solution (“alignment”), do they know the answers to these questions:

- a. Describe in detail our number one target niche of customers?
- b. Who are the five most profitable customers within that niche (by memory!)?
- c. What are the exact service metric goals to be achieved to become the best “total value” supplier to that niche?

- d. Define what “lowest total procurement cost (TPC) value” is? How can we offer the lowest TPC if our price is higher than a competitor’s?
- e. How do distributors lower the end-users “total procurement cost” if our price to the end-user is higher than a direct purchase? And, how do distributors lower the “total sales and service costs” for suppliers so that they shouldn’t want to sell direct?
- f. Why is the answer “yes” to whatever a most profitable or target account may request of you? How have you been trained and empowered to see and hear opportunities to help do extra effort, delightful acts for these customers?
- g. How are high pay for your job niche and long-term career security and growth paid for by high service value productivity for which you are part of the solution?

6. To support the company’s effort to marry the right, growing customers within a common-needs, target niche of customers, what is top management doing to:

- a. Have information systems that measure customer profitability and service metric scores that:
 - ◆ force top management discussion about changing traditional mindsets and practices to reinvest the company’s resources into more profitable practices?
 - ◆ (when eventually shared with all employees) will help everyone to re-align on a daily disciplined basis and create sustainable customer service value and profit power?
 - ◆ will allow the company to truly put profitable customers at the center of the business instead of just continuing to talk about it?
- b. Help traditional managers “comfort-zone” and have “dialogue” about switching from a product/sales/geographic volume driven, promotion culture (and metrics and incentives) to one that is re-organized around retaining and better targeting profitable customers within one niche at a time?
- c. Educate all employees about the inter-related opportunities of:
 - ◆ customer profitability insights
 - ◆ better customer segmentation
 - ◆ better definition of “service value” for the right customers
 - ◆ how to achieve higher productivity through better strategic value creation and marketing to reward all stakeholders ever better
- d. Resist putting in supplier product line extensions that aren’t needed by your target customers in order to sell more total volume of the supplier’s line on the fewer, but needed items for your target customers?
- e. Add new incremental suppliers and items to more perfectly tune one-stop-shop, highest fill rate service performance for your target niche(s)?
- f. Resist all supplier channel-loading, product pushing promotions that involve offering buy-now (and more) discounts to end-users, because that message is antithetical to selling customers the lowest, every-day, total procurement cost system solution?
- g. Have fewer outside sales people calling only on (soon-to-be) profitable customers with a minimum level of \$400 in gross margin per month average purchase rate and spending the great majority of their time selling, installing and documenting savings in total procurement cost reduction purchasing systems?
- h. Boost company capability to serve A-D customers within one target niche on a different, profitable basis allowing customers to migrate from level to level as they wish and deserve based on their volume?