

Improve Your Core-to-Opportunistic Customer Ratio

There are two types of customers: Core customers, who love what you do and are willing to pay a fair price for it; and Opportunistic customers, who see your products or services as commodities and don't care where they buy as long as the price is right. In many companies, the ratio of core-to-opportunistic customers is 20-to-80, or 20 percent core (providing 80 percent of profits) and 80 percent opportunistic. In thriving, growing companies, the ratio is reversed. Thus, if you want to see a dramatic increase in sales, focus on improving your core-to-opportunistic ratio, says Robert Gordman, president of The Gordman Group and author of *The Must-Have Customer: 7 Steps to Winning the Customer You Haven't Got* (Truman Talley, 2006).

To improve the ratio, look at both sides of the equation, starting with your opportunistic customers. The important thing to know about them is that it's a waste of time trying to convert them into core customers. They are almost exclusively price driven and therefore, don't have the right attributes and values to become a core customer. Second, recognize that some of your opportunistic customers are more trouble than they're worth and your business would be better off if you subtly encouraged them to go elsewhere. These are not arbitrary cuts, but rather a careful culling of those customers who are "difficult to work with, drive your customer service people crazy with their demands, buy only when you're having a sale, and account for a large percentage of returns," says Gordman. Serving these customers is a "short-term win, but a long-term loss."

The next step in improving the core-to-opportunistic ratio is to increase your number of core customers. And the only way to do that, says Gordman, is to identify and pursue what he calls Must-Have customers. These are potential customers who look a lot like your core customers – they're already buying products or services that are similar to the ones you sell, they're paying similar prices and the attributes that are important to them are also important to you – but they are currently someone else's core customers. Gordman offers a two-step process for wooing them:

1. *Understand your core customers.*

Don't do any guesswork here. To truly understand your core customers, go talk to them. Sit down with each of them and ask them these kinds of questions:

- Why do you buy from us?
- What was it about your previous supplier that made you switch to us?
- What is it about us that keeps you from taking your business elsewhere?
- What other products or services could we offer that would make it easier to do business with us?

And so on. Once you have a clear picture of your core customers and understand what drives their loyalty to your company, you'll know what your must-have customers should look like. An Internet search using a business information service such as Hoover's should allow you to compile a list of similar-looking companies.

2. *Interview the must-haves.*

Now it's time to pick up the phone and talk to your must-haves. You'll ask questions similar to those you asked your core customers, but with a twist:

- Why are you buying from your current supplier?
- What made you switch from the previous one?

- What do you like best and least about your current supplier?
- If you weren't using your current supplier, what company would you use instead?
- If you've heard of our company, why aren't you doing business with us?
- What products or services would make our company more attractive to you?
- If we were able to satisfy your needs, would you switch?

When Gordman conducted these interviews for one of his clients, two-thirds of the must-haves answered all the questions in exchange for a copy of the completed industry study. Three of the must-haves soon became core customers and another has the potential to become his client's biggest customer.

Gordman says he guarantees that going through this two-step process will give you a clear understanding of what your core customers value about your company and why your must-have customers do business elsewhere. "You'll also quickly find out if what differentiates you from your competition is actually relevant to your must-have customers. And if it isn't, you'll know what is. That, in turn," he concludes, "will give you the information you need to turn those must-haves into the core customers that will take your business to a new level of sales and profits."