

# Is Your Customer Base at Risk?

## PROTECTING YOUR EXISTING BUSINESS IN TOUGH TIMES

BY ED EMDE, EXECUTIVE VICE PRESIDENT, WILSON LEARNING

In a challenging economic climate, you may be finding that prospective customers are strongly focused on downsizing and cost cutting rather than on expanding their business or acquiring the latest new product features. Companies that may have been in growth mode last year are putting projects on hold, reducing capital budgets, and paying renewed attention to cash management.

In the face of retrenchment, it is increasingly costly and time consuming to develop new business. Now, more than ever, it makes sense to keep your existing customers close and invest in expanding business with companies that are already buying from you. But how long has it been since you took a serious look at the loyalty of your current customers—to your sales reps, your solutions, and your company? Have you earned that loyalty by consistently focusing on how to deliver value with each meeting? Have you checked in on how they feel you have serviced their needs? Or have you been taking their business for granted? If you aren't sure of the answers to these questions, your current business may be more at risk than you think. In challenging economic times, your key customers may be far more vulnerable to lower-priced offers and discounting than they were when times were good.

Regardless of how long you have done business together, it is critical to understand and protect your relationship with your best customers—the ones that you count on to meet your goals for a stable stream of revenue and a healthy balance sheet for your company.

***What can you do to protect your base from price cutters, and continue to expand your business, even in these hard times?***

The first step is to reassess your relationship with each of your major accounts and determine how likely they are to consider changing suppliers in the near future. The second critical step is to develop strategies to shore up your defenses and reduce the risk of losing customers to predatory competitors.

### WHAT ARE THEY BUYING AND WHY?

To better understand the relationship with your key customers, answer the following true-or-false questions:

1. Our products/services are critical to how the customer does business. T or F
2. Our products/services are interconnected with the customer's business processes or procedures. T or F
3. The customer has invested in lasting assets (equipment/products) we provide. T or F
4. Price has not historically been a primary concern in this relationship. T or F
5. Execution of delivery, restocking, and other aspects of how we do business are important, but not primary reasons to buy from us. T or F
6. The customer sees great value in unique benefits we provide, such as consulting, sharing information about our technology direction, access to special services, etc. T or F

If you answered “true” to the above questions about key customers, you are fortunate in having strong relationships with customers who will experience high “switching costs” if they consider changing to another supplier. These are costs incurred when a buyer changes from one vendor to another. Types of switching costs include tangible costs such as dollars, people, equipment, and procedures, as well as less tangible costs like potential business disruption or increased personal risk to the decision maker. Switching costs may also include the loss of “added value” benefits the company receives from its current supplier.

Customers facing relatively high switching costs are less likely to change suppliers lightly. Still, even they may feel forced to make that choice if they are downsizing or under strong pressure to cut back on capital investments and find lower-cost long-term solutions.

On the other hand, if you have important customers for whom the answers were “false,” you have business that is potentially at higher immediate risk. If your customers see themselves as buying a commodity that is not highly critical to their business, they probably care most about factors that are not hard to duplicate, such as price, delivery, and product specifications. They find it relatively easy to change suppliers because their switching costs are low. They will experience few business disruptions, and are not concerned about having to make new long-term investments or about losing highly valued benefits only available through your company.

## STRATEGIES FOR PROTECTING YOUR BASE

Regardless of where you feel your current customers are today, you can protect against erosion of your existing relationships, and even expand your share of business. The key is to focus on how you can increase switching costs and reduce the probability of engaging in unprofitable price wars just to keep your current customers.

**LOOK AT HOW CUSTOMERS USE YOUR PRODUCT OR SERVICE OFFERING.** If customers view your offering as a “commodity,” consider how they buy it, use it, and dispose of it or re-order at the end the usage cycle. Can you link to the customer’s ordering and purchasing procedures? Can you offer innovative solutions for replacing or recycling? These kinds of links can be developed with any customer, whether their current switching costs are higher or lower.



**MAKE SURE YOU ARE PERFORMING AT THE HIGHEST LEVEL TO MEET CUSTOMER REQUIREMENTS.** Consider not only whether your customers have invested in dollars, equipment, procedures, etc., but also what other sources of value you are providing. If they care about delivery, conformity to specifications, and quality, is your company aligned with how they need and want to buy? Make sure your company is performing in all areas to the highest standards. If it is not, identify ways to enhance and improve performance on all critical factors.

## ABOUT THE AUTHOR

### ED EMDE

As Executive Vice President of Wilson Learning Corporation, Ed Emde drives Wilson Learning sales, marketing, and service strategy in the Americas. Emde's experience includes prior executive and management positions with several of the leading training and organizational development companies in the industry. In his 20-plus years of experience, he has consulted with senior executives in major national and global organizations in linking human resource and organizational development initiatives to strategic imperatives and business outcomes. Instrumental in transforming organizations' ability to leverage their human performance assets to advance their competitiveness, he is committed to creating powerful new approaches to ensure that retention, application, and behavior improvements are achieved consistently and for an extended period of time.

To learn more about the concepts shared within this article and how Wilson Learning can assist you in addressing these issues, contact Wilson Learning at 1.800.328.7937 or visit [www.wilsonlearning.com](http://www.wilsonlearning.com).

**MAKE SURE THE CUSTOMER IS AWARE OF YOUR VALUE.** Don't assume the customer understands the extent to which your company is meeting and surpassing their requirements with every interaction or order. Arrange a meeting with customer executives to provide an update on what you are doing to help them meet their business requirements.

**LOOK FOR NEW WAYS TO ADDRESS THE CUSTOMER'S CURRENT BUSINESS ISSUES AND CONCERNS.** Ask how you can provide additional value and benefits that will help the customer's business succeed. Consider the expertise of your sales representatives. Since they are the first line of customer contact, they can serve as genuine business partners in solving problems and advancing the customer's goals. Developing innovative approaches that impact business results will differentiate you and your product or service, and will create unexpected value to the customer's organization. Perhaps your company can offer financial arrangements that will provide a solution to a cash flow problem. You might be able to improve how you are delivering products or services to help your customers gain competitive advantage in their own markets.

### CONSIDER THIS:

Most sales representatives spend far more time researching and preparing for calls with new customers than they do on preparing for calls with existing customers. This is because they believe they "know their customers" and that they have already won their loyalty. In fact, rapidly changing conditions are affecting your existing base just as strongly as they are affecting prospective customers. Maintaining a keen awareness of your current customers' issues and concerns and taking steps to strengthen your relationships can make the difference between falling behind and continuing to thrive, even in the current hard times.

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