

How to Train Your Customers to Be Better Customers

Activating the Art and Science of Customer Loyalty



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Like most businesses, you've likely invested in training for your employees to help them become a greater asset to your company and your customers. But did you know you can also train your customers to be a greater asset to your business?

It's true! Industries such as retail and airlines have known this truth for years. If you are a member of a retail or airline loyalty program, you have received this training. That's because retailers and airlines are power users of loyalty programs designed to enhance the overall value of the product or service and motivate you to make your next purchase.

While distributors are familiar with customer loyalty programs, most don't realize that they can leverage these same principles to get closer to their customers by understanding their needs and understanding what actions to take with customers to influence sales. By doing this, you will train your customers to be better customers and achieve higher revenue for your business.



The Key to Understanding Your Customers

Most distributors have traditionally been myopically focused on the inventory – but many are learning that by turning their focus to their customers to guide and inform their inventory strategies, they can become a better business.

Instead of focusing efforts upfront on buying inventory and then motivating customers to buy that inventory, distributors are learning they can take a different approach focused on understanding and aligning with customer needs for more enlightened sales strategies.

The first rule of training your customers is to know your customers. Customer segmentation brings a new dimension to a business strategy that helps distributors prioritize how to treat customers to make the most of their time and energy and improve that relationship's outcomes.

Customer segmentation is the process of clustering prospects or customers into different groups with customers having a similar type of engagement or similar needs. Customer segmentation is key to understanding the economic value and potential of your customer base to allow you to tailor your offerings accordingly in the areas of product, price, and service.

Not all customers are equal – and applying the same treatment of customers across the board is a practice that can have you either over servicing or under servicing a portion of your customer base. You can't be everything to everyone; under servicing or over servicing the wrong customers can end up costing you a great deal.



Customer Segmentation: Three Factors

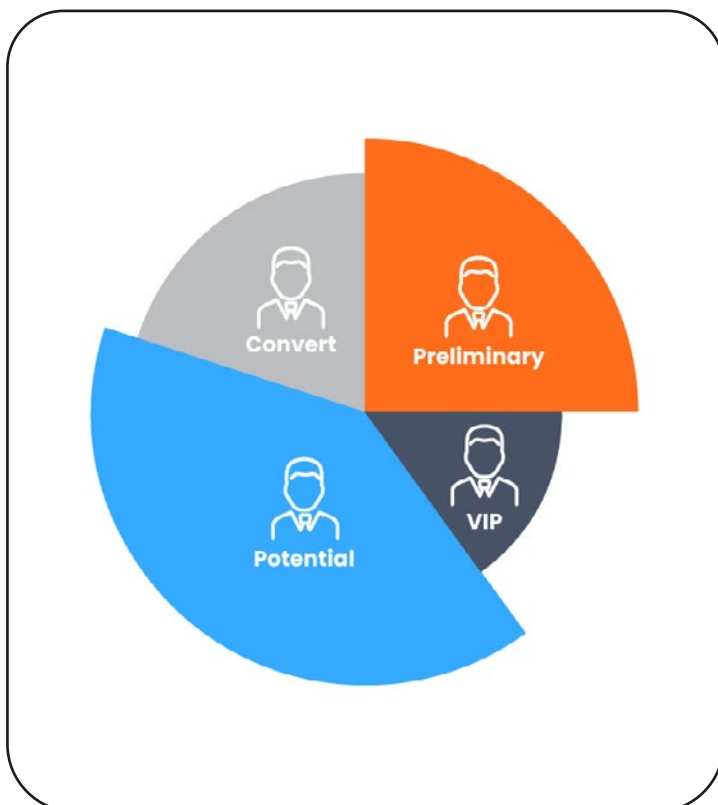
With customer segmentation, you are looking at your customer base by three factors that break down their value and potential to your organization: profitability, cost to serve, and buying power. By categorizing your customers in this way, you can understand what you can do to improve their buying patterns.

For example, you might segment your customers as follows:

VIP: These are highly profitable customers. They maintain a great relationship with your company, drive good volume, and have a low cost to serve. These are customers you want to keep and grow; calling them VIP customers spells out what they mean to the business.

Strategy: Your strategy with this group is to keep them loyal by going above and beyond, not just with better pricing but with better service as well. You'll want to be sure to allocate inventory for these customers.

These are the customers you want to reward their loyalty with gifts, trips, dinners, or even early access to a new product line if these aspects are part of your business processes.



Potential: These customers have solid profitability but lag in relationship and sales volume.

Strategy: The segment name "Potential" is very descriptive of the process to take with these customers. Since they are already profitable, the strategy is to watch these customers for opportunities to grow engagement via improved engagement, leading to increased volume.

Convert: These are customers with good engagement, driving solid sales volume. However, their purchases register low profitability and potentially a high cost to serve.

Strategy: By naming this segment “Convert,” we indicate that we want to identify what is causing the profitability drain on an otherwise good customer to move them into a different category. This is achieved by focusing on more profitable behavior, higher lines per order, better shipping, or other means for cost savings.

Maybe this customer orders often, but the orders are low volume; can you work with the customer to group these orders so that they occur more regularly but less frequently to save shipping costs?

Preliminary: Key characteristics for these customers include low sales profit and volume, no real relationship, and a high cost to serve.

Strategy: With this group, you want to raise prices to offset the high cost to serve. In many cases, smaller customers are not as price-sensitive because their volume and engagement are low, so they are buying from you for other reasons. However, they also may represent your greatest opportunity for account growth. This can be a starting place for many customers that warrant further evaluation. The goal should be to work with them more frequently to better understand their purchasing behaviors.



Visualizing and Realizing Opportunities for Business Growth

When you define your customer segments in terms of profitability, buying power, and cost to serve, you have a meaningful and objective way to categorize your best customers and the greatest growth opportunities.

It's important to have your customers characterized correctly to enable your team to take the right steps to optimize customer experience, pricing, and profitability.

White Cup Pricing allows distributors to visualize and then realize the opportunities within your customer and product segments. With White Cup Pricing, complex customer and product segmentation and pricing analysis that used to take weeks now take minutes.

- Group customers by buying habits, profitability, and cost to serve, not just by size to discover new opportunities to make price adjustments
- Easily view the big picture of segment performance or drill down into customer and product data
- Quickly generate “what if” scenarios to model potential outcomes before committing to overall segment changes

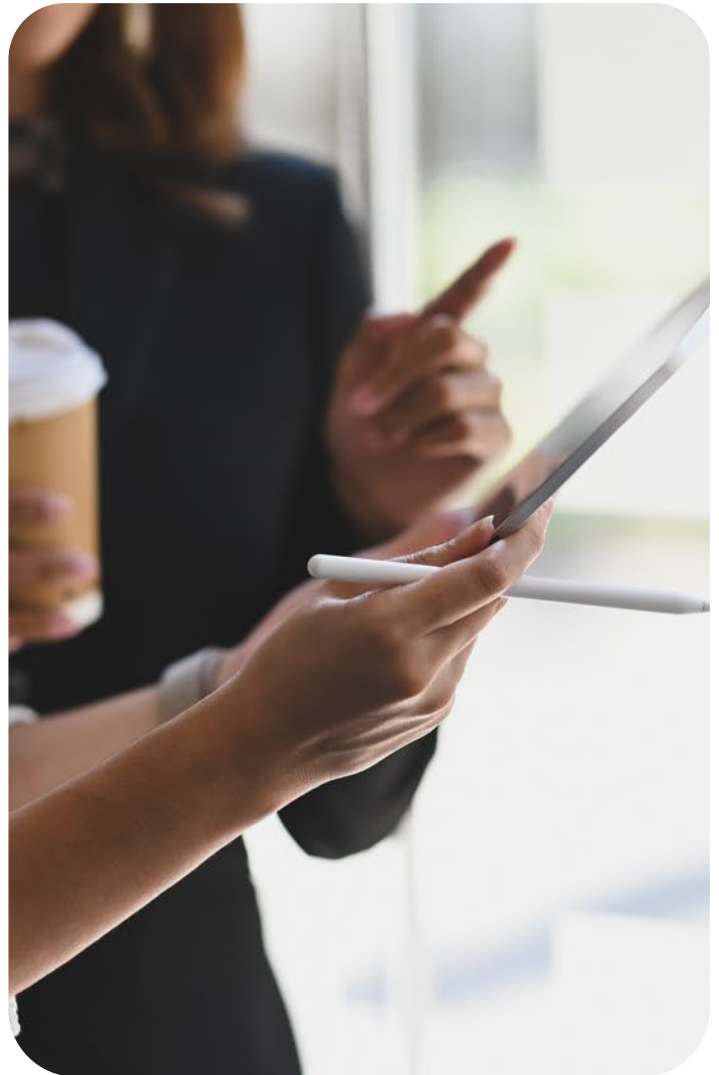


With your customer segmentation properly in place, you can then set the right price for every customer.

- Create statistical pricing for floor, ceiling, and mean targets
- Identify and prioritize gross profit opportunities by customer and product groups
- Set sales cross-sell action plans by analyzing the intersection of customer segment buying data and product groups
- Cross-sell to your customers through buying and product analysis

In the distribution space, you face challenges never before experienced, and your customers are too. It's a whole new world that requires new strategies to unlock new sales opportunities and build relationships based on a deeper understanding of your customers' needs.

Ready to get in the data-driven driver's seat? White Cup's platform consisting of Business Intelligence (BI), CRM, and Pricing enables distributors to make sense of their data and make business decisions that improve revenue performance. We can help you connect the dots of your data across critical business systems, revealing key insights via analysis, and provide the tools you need to take action for revenue improvement.



About Us

White Cup turns a distributor's sales pains into profit gains. Our CRM, Business Intelligence (BI), and Pricing software make it easier for you to sell more, keep more profit and beat the competition. With over 20 years of experience, White Cup is trusted by more than 1,000 customers globally.

To learn more, visit whitecupsolutions.com.

Let's Talk

