

# Grow your customer base



Why you should focus on your most profitable customers

Find out how to reach customers

How to generate repeat business

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## How to build your customer base

A dependable customer base is the foundation for every successful business.

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Customers provide you with revenue, give you feedback that improves your offer and tell other people about your business and what you sell.

But this doesn't happen by accident. Building a customer base takes time and effort - above all, it means paying attention to who your customers are and understanding what motivates them to buy from you.

### Who - and where - are your customers?

The first step to building your customer base is knowing who your customers are and where you can find them. Armed with this information, you can manage your customer relationships more effectively to increase sales to existing customers and to acquire fresh customers.

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Customer profiles enable you to communicate with existing customers more effectively and target new customers more accurately.

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### Customer profiling: what you should know about your customers

Knowing your customers' key characteristics will help you decide where, when and how to communicate with them. You're already likely to be clued-up about their age, location and gender, particularly if you sell into a niche market. But there's plenty more information that could be helpful to you, such as:

- The websites your customers visit and any publications they read
- Other products and services they buy
- Why they buy from you and when
- What type of customer spends most with you

If you have just a few customers (you sell to other businesses, for example), you might add specific personal information, such as a buyer's particular interests, to your customer profiles. If your customer base is large and diverse, segment them into groups that share similar characteristics and think about the best way to target each group.

Customer profiles enable you to communicate with existing customers more effectively and target new customers more accurately. Getting this information could be a simple matter of picking up a telephone. Or it might require a more formal approach, such as running a survey in your e-newsletter. It depends on your communication channels.

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## Why you should concentrate on your most profitable customers

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The general rule of thumb for most businesses is that 80% of sales come from just 20% of customers. It's also widely said that it costs around five times as much to acquire new customers as it does to sell to existing ones.

So it makes sense to identify your most profitable customers and provide excellent customer service to ensure they remain loyal and to maximise your profits. But these customers will also provide the foundation for growth: they are more likely to recommend you to others, for example. And knowing their characteristics makes it much easier to identify and target prospective customers who share the same characteristics.

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Identifying profitable customers is an approach advocated by Derek Williams, chief executive of The WOW! Awards for customer service. A former head of the Society of Consumer Affairs Professionals in Europe and a multiple customer service award winner in his own right, Williams puts it as follows:

**“The secret to growth is to have more customers of the type you want to have, to increase your average sale value and to get them to buy more often.”**



## Recording customer information

It's important to record customer information systematically - and you'll need to be aware of data protection rules when doing so. For example, you must store personal information securely and not share it with third parties without permission. You also need someone's permission to contact them with promotional offers.

Many people will advocate a purpose-built customer relationship management system to enable you to do this. But it's likely that your existing accounting software already has the capability to store and analyse customer information.

**Sage One Cashbook** and **Sage Instant Accounts**, for example, both enable you to record essential customer information in a straight forward way that enables you to analyse sales patterns, group customers together and keep track of your interactions with them.

"Customer acquisition and retention is often much more about relationships and staying in contact than it is about product," says Williams.

"Use your software to actively look for reasons to stay in touch and, wherever possible, to personalise your communication. Share ideas and add value, even if it doesn't add directly to your sales immediately."

## Building good relationships with existing customers

As Derek Williams says, communication and good customer service is central to strengthening and building your customer base. But in a world that seems flooded with communication channels, where do you start?

**Customer acquisition and retention is often much more about relationships and staying in contact than it is about product.**

**70%**  
of internet users  
in the UK use  
social media

More than  
**1 in 3**  
social media users  
talk about brands  
online

**36%**  
of small businesses  
use Facebook  
to engage with  
customers

## Reaching your customers

The golden rule of marketing is to go where your customers are. As TV presenter and entrepreneur Sarah Beeny says: "You could have the greatest idea in the world, but you have to get people to see you. After all, you need to have customers before you start worrying about profits."

For many small enterprises, being seen nowadays means being online - online sales grew by 16% in 2011 to £68 billion<sup>1</sup> and some 70% of internet users are on social media<sup>2</sup>. Small businesses have responded - a third now sell online<sup>3</sup> and 36% reach customers through Facebook<sup>4</sup>.

But, as with all marketing, it's no good unless your particular customers are there. In fact, a third of small businesses say the internet is not the place for them<sup>5</sup>. One in four use local business directories and a fifth advertise in print<sup>6</sup>.

The simple answer to the question 'What channels should I use?' is 'ask your customers' - but it's also worth looking at what your competitors are doing.

## Keeping front of mind

Don't fall into the trap of only communicating with customers when making a sale. Concentrate on building relationships so that when your customers are ready to buy they think of you first.

There are many ways to do this: social media and email newsletters are excellent for maintaining regular contact. Many small business owners successfully comment to local media to build their profile. Face-to-face networking, too, is still cited by businesses worldwide as being almost twice as effective as online networking for getting to know customers<sup>7</sup>.

Wherever you encounter your customers, though, always offer them something of value. This may be as simple as answering questions about products. If you're a niche business, the chances are you share your customers' passion for your product, so show them that.



**1 in 3**  
small businesses  
sell online and  
made £68bn in  
2011

<sup>1</sup> Internet Retail in Media Group, 2012

<sup>2</sup> InSites study, 2011

<sup>3</sup> Federation of Small Businesses Voice of Small Business Survey, 2012

<sup>4</sup> BaseKit survey of 500 small business owners, 2012

<sup>5</sup> Federation of Small Businesses Voice of Small Business Survey, 2012

<sup>6</sup> BaseKit survey, 2012

<sup>7</sup> Survey of 12,000 business people worldwide by Dr Ivan Misner for the book *Business Networking and Sex*

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# Customer loyalty:

## How to generate repeat business

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One-off sales are fine, but the chances are you'll want every customer to buy from you again and again. The obvious way to achieve this is to provide a good product or service at a good price and wrap it up in excellent customer service. In fact, almost half of consumers now place more value on customer service since the start of the recession<sup>8</sup>.

They value being valued - and they're unlikely to tolerate a poor experience: 36% will not give a business a second chance if they don't feel the service is up to scratch<sup>9</sup>.

But generating customer loyalty goes well beyond service at the point of sale: "If you really want to stand out from your competition, build a community around your customer that adds value in a unique way," says Derek Williams.

Find out what they really value about your business - and give it to them. Involve them in your business, even down to developing new products and services - nearly half of consumers have said they'd like to co-create products with businesses<sup>10</sup>.

Says Sarah Beeny: "Anything that saves people money or time, anything that makes their lives easier, simpler or cheaper will find a market... Make sure your costs are competitive and you're giving customers - rather than telling them - what they want. You have to be absolutely focused on delivering something of value to them."

## Acquiring new customers

When it comes to increasing the size of your customer base, the first people you should look to are your most loyal customers.

They are your best salespeople because they're likely to recommend you to others.

But what you've learnt about them through profiling and communication will also tell you who you should be targeting next. Basically, you should aim to get more customers that are just like the best customers you already have.

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## Targeting prospects

By simply marketing well to your existing customers, you will very likely start to pick up new ones. To do this, you've had to learn who and where they are, what they value about your offer, when they buy and what communication channels they use.

You can use that same information to deliberately target fresh customers: through offers and promotions; and through generating referrals from existing customers.

## How - and when - to run special offers and promotions

Prospective customers are more likely to take the plunge and buy from you if you offer good incentive schemes. Indeed, the classic offer is the BOGOF - 'buy one, get one free' - which is great if you have unsold stock to shift.

But understanding customer preferences is crucial when making offers and promotions:

- Offering a product or service at a discounted rate when a customer buys a popular related product or service will increase your average sale value.
- Selecting popular products as prizes for competitions and challenges will increase engagement and referrals, particularly online.

Timing matters, too: when are your customers most likely to want what you're offering? Seasonal sales cycles and external events such as national holidays can offer good hooks for promotions. So, too, can the release of new and improved products and services.

Don't just do it randomly - have a reason to make the offer and stress the value that you're giving to your customer by doing so.

<sup>8</sup> Sage Business Index 2011

<sup>9</sup> Sage Business Index 2011

<sup>10</sup> InSites study, 2011



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**Offer good  
customer service**

**47%** of consumers think  
customer service is more  
important in a recession

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# Use your customers themselves to increase your customer base

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“Nobody knows the other players in the marketplace better than your existing customers,” says Derek Williams. “Find ways to get your customers to promote what you do, such as a financial incentive for new businesses. And complete the loop - if a customer gives you a referral, get feedback from the new customer and feed that back to the original one. It all helps to encourage more referrals.”

Referrals are continually cited by businesses as the most effective way of getting new customers. In fact, 76% of consumers cite word-of-mouth as their main influence when making a product choice<sup>11</sup>.

The internet is a particularly rich source of referrals for businesses. More than one in three social media users have talked about brands online<sup>12</sup> and four out of five online retailers reported increased sales after adding comment features to their product pages<sup>13</sup>.

If you're selling or marketing online, enable 'social sharing' on your website landing pages. If you advertise in online directories, ask your best customers to add a testimonial. Wherever new customers are likely to encounter you - online or offline - make sure they're able to read something positive about your business that's been said by another customer.

Offer customers incentive schemes to refer you: a discount given when someone introduces a new customer or an invitation to a product launch, for example. Some businesses use group buying as a way of encouraging people to share discounts with friends on social media sites. There's always something you can offer your customers as a reward for helping you grow your customer base.

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## Branching into new markets

If you successfully occupy a niche in one geographical area, there's every chance the same niche exists in another. Depending on your business model, it may be relatively easy to tap into it.

For example, many local businesses create franchises or set up local bases elsewhere. With the rise of the internet, there are multiple platforms through which you can reach a much more widely spread customer base - even if you're a sole trader selling a service.

As long as you know who your customer is, what they value and how to reach them, geographical boundaries don't necessarily have to stand in the way of expansion.

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<sup>11</sup> MediaEdge survey of 10,000 consumers, 2004

<sup>12</sup> InSites study, 2011

<sup>13</sup> IBM Institute for Business Value survey, 2011



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## Ten steps to growing your customer base by Derek Williams of The Wow! Awards

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### 01.

Focus on the right customers (and just because you're small, don't think you can only sell to other small businesses).

### 02.

Stay connected.

### 03.

Offer extra value - go beyond the boundaries of your own product.

### 04.

Ask for referrals and testimonials.

### 05.

Understand your customers' key frustrations.

### 06.

Keep communicating - through e-newsletters, social media feeds, offers and information that might be of value to them.

### 07.

Know something about them - their interests, their spouse's name, children, pets, cars.

### 08.

Improve your customer service skills - how you communicate, how you present yourselves, how you answer the phone.

### 09.

Ask customers how you can do it better.

### 10.

Create forums where your customers can share information and ideas.

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To find out more please  
speak to your accountant

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