

Who are your *ideal* customers?



Once you have done a marketing plan, the answer to “Who are our customers?” should be clear. But it will take more work to define “Who are our ‘ideal’ customers?”.

When starting up, companies are grateful for a sale, because any sale is a validation that what somebody wants what you have developed!

Not all customers are equal

Successful companies know that “not all customers are equal”. In fact, some customers are actually the wrong customers because they cost you money.

- They don't pay on time and cause cash flow problems.
- They return products and require a lot of customer service.
- They are never satisfied; they always want more.
- They complain and sometimes provide negative feedback on social media.
- The price they demand barely covers your cost, let alone margin.
- They treat the sales process as a transaction and are not interested in developing a relationship.
- They have very little loyalty and will move on to the next company that offers them a lower price.

These kinds of customers do not care about strategic value and won't provide you visibility into their long-term strategy – even if they have one. So, if you want to grow, you need to begin the process of disengaging with or “firing” the kinds of customers noted above. Spend your time and energy on finding customers who will help your business grow.

How to find your ideal customers

The customers you want, the “ideal” customers, are those who value what you offer, pay on time, share your values, are great to work with, and are looking for a long-term relationship because your company is strategically important to them (and they are often strategically important to your company, too).

Here's an exercise that will help you identify your “ideal customers”:

1. On an Excel spreadsheet, list all your customers in one column with the most recent fiscal year's revenue you received from them in the next column, and the profit on those contracts in the third column.
2. Sort the spreadsheet, from the customers with the highest **revenue** to the lowest.
3. Highlight, cut and paste the customers that generate the bottom 20% of your revenue into a separate spreadsheet for later analysis.
4. Now re-sort the list of the 80% remaining customers in terms of **profitability**, from high to low.
5. In the next column rate each company in terms of their **strategic importance** to your growth (and the strategic importance of your company to their growth) Use a rating scale of high, medium, or low strategic importance (1 = High; 2 = Medium; 3 = Low)
6. Finally, circle the customers you really **enjoy** working with.

Now, study the list closely and identify the small number of customers who provide you with revenue, profit, strategic alignment, and joy when working with them. Analyse these companies and ask yourself:

1. Are these companies in the same sector(s)? If so, which one(s)?
2. Do the client contacts (our customers) in each of these companies have similar titles?
3. Do we know what problem we are solving for them?
4. Do we know why they buy from us?
5. Would they be willing to be a reference customer and tell other people about us?

Discover more customers like them

Once you have identified who your ideal customers are, what their profile looks like, and their titles, then think about where you can find more customers like them. Do they go to certain tradeshow you should begin to attend? Are there specific target companies (or titles of people within companies) to whom you should send marketing material about your company and its qualifications? Can you write an article about your product and the problem it solves, and get it published in a magazine that your target customers read? Can you get one of your ideal customers to introduce you to someone in a company you have identified as “potentially ideal”?

Once you have figured out who you want your salespeople to target, it’s relatively easy for them to identify and contact those potential customers, schedule a meeting with them, discuss your product or service, explain your differentiators – and why buying the product or service from you, rather than your competitors, is their best option.

Of course, it’s always possible that the exercise outlined above does not enable you to identify any “ideal customers”. In other words, some customers may be providing a lot of revenue, but are not very profitable. Or perhaps those customers that are profitable may not be strategically important to you. Or those that are strategically important may not be providing much revenue or be enjoyable to work with. If this is the case, then you have a serious problem that needs to be addressed immediately, because you don’t have the kinds of customers you need to be able to grow!

Sell to them

Once your marketing team figures out who your ideal customers are, they need to develop a marketing campaign to target them. And then your sales team needs to figure out how to talk with these potential “ideal customers”, validate that your product or service really does meet their needs, and enable them to buy your product or service. Although selling is never “easy”, it’s much easier when you are trying to sell to someone who needs and values what you are selling and has the potential to be an “ideal customer”.

Never take them for granted

Once you have secured an ideal customer, you need to continue to develop the relationship, look for synergies, and never take them for granted. Here are eight steps to building a great relationship:

Step 1: Review the project and clarify expectations (theirs and yours) about what is to be delivered, within what time frame, and the interdependencies.

Step 2: Agree on a protocol for addressing problems that may arise and developing solutions that work for both sides.

Step 3: Communicate with the people involved in the project on the client team and your team. Describe the project, their role in making the project a success, and how both sides will benefit by this project being a success.

Step 4: Schedule a regular time for communicating with your customer, e.g., 10am first Tuesday of every month (or week, if needed) and your own team.

Step 5: Provide status updates, and when something unexpected happens (good or bad), make sure you are the one to call your client with the news.

Step 6: Set aside time once a year to sit down with the client, review the project, and evaluate the working relationship. During that meeting, explore other ways that you can help your client (other projects), and discuss ways your client can help you, e.g., provide a reference or a testimonial, pilot test a new product, participate in a case study.

Step 7: Remember to thank them for trusting you to deliver a product or service that is important to them and their customers.

Step 8: Never, ever take this relationship for granted. Work hard to preserve and extend it.

Finding the “ideal customer” will take some time. You’ll need to analyse your current customers and have the courage to say “good-bye” to some customers who are less than ideal and only want a transactional relationship. But if you do the exercise we’ve outlined and focus on “ideal” customers who provide recurring revenue, profit, and have strategic reasons for working with your company, you will find it much easier to achieve the revenue required to grow your company!

Next article: Assessing opportunities and risks