

## CUSTOMERS = PROFITABILITY...RIGHT?

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THE  
DISTRIBUTION  
TEAM

Have you ever held a customer appreciation sale? You know the one where you put up flags in your parking lot, send out massive emails to your entire customer base, maybe invest in a mailer, and give out hot dogs (and hopefully sell off some dead stock)? These are really great opportunities to let your customers know just how much they mean to you. Also I am an advocate for free hot dogs any time, any day!

Customers are very exciting. However, new customers are even more exciting! Just like a brand new box of crayons they smell so nice! New customers are teaming with potential and there is no telling what they might buy or who they will tell how awesome your company is. New customers are what you as a business are always hoping for. You can gauge how well your brand is doing because new customers are signaling continued or inspired growth! These businesses are a great opportunity for us to not only bestow those free hot dogs on, but also form a new relationship. This is where you, as a company, really shine. Long after the smoke and grill smells are gone and the dead stock clearance/customer appreciation sale is over, you are ready to service your new customer.

If your business has a walk in counter, those guys and gals are always ready with a smile. They are trained to be filled with knowledge to help guide our glistening new customer to exactly what they need. Every time they walk in, you are ready. Your sales team swarms their purchasing department with the appropriate sprinkling of visits, lunches, and maybe even a golf game. When the Holiday's approach, well we all know how that goes...baskets,

candies, cocktail nights and more! Having been a purchasing and supply chain professional in my past life, I always appreciated that time of year! Pretty soon your new customer is wined and dined and holiday-basketed all the way back to hot dogs in the parking lot again. Your inventory investment team drags out pallets of sale items and the warehouse foreman stokes the grill. Here comes Joe Customer again ready for a deal and shaking the hands of those who have kept him coming back for 12 awesome months.

Question number one; do you know what really happened over the year? Do you feel like you got the most out of your shiny new customer? In a distributorship we teach our counter sales team members to treat everyone of your customers with the same courtesy and high level of service/labor dollars. After all, this is what keeps the customers coming back. This service is the face of your company. This is why your company is considered for big jobs and major contracts during the year.

Question number two; have you ever truly calculated what your customer is costing you? If you are shaking your head at me right now, just give me a few more lines to tell you why this is so important. After a year, your new customer falls into one of three categories. We can call it the good, the ok, and the...not-so-amazing-at-all-ever. (you can call it what you want)

### The Good

This customer pays on time. They order many lines of merchandise on very few purchase orders. Most of the time their orders are way over your minimums. They rarely return or complain.

### The Ok

This customer pays pretty well and their orders are pretty good. Sometimes they order a lot of lines per purchase order and sometimes, not. They pay most of the time in regular agreed upon terms, but sometimes, not. They are fairly consistent with returns and issues and sometimes...well you get my drift.

### The Not-So-Amazing-At-All-Ever

This is the squeaky wheel customer. These are the customers all your departments know the first and last name of at least one if not multiple people in their company. This is the customer that orders many times a day with one or two line items per purchase order, and usually way below the minimum order dollar amount. This is the customer that gets a triple count before their order is taped up. This is the customer that has a special place in the hearts of your accounting team who may call or send collection letters to multiple times a year. Check with your sales team, this may also be your most called on and gushed over customer.

You might be saying, "Danah, this is impossible, all my customers are amazing, money is money." My questions back to you are, really? Have you run a customer profitability report? Does your software even have this report? The answer is more than likely.

Once you run this report you may, as my boss says, want to title it the "Antacid Report". The reason is because the names at the bottom of the report may be the very customers you did not expect. After running this report three times, getting the same

results, and using words that make you glad you have a door on your office, it will be time to take action. First decide where your pain point is. You will need to draw a line in the sand. Regardless of your actions, not every customer will become a profitable customer, but they have value by helping you purchase in volume. Maybe there is a way to make the customers on the middle of your list lose less of your money. The top tier customers really need to be made to feel that they are fantabulous and made to never want to leave you ever - EVER. The very bottom portion of the list needs to be considered for a few options. One of the best ways is firing (no, do not rip off the bottom portion of the list and light it on fire over a trashcan). The best way to do this is not to quit serving them, but to serve them less. One way to do this is to educate your employees by flagging certain accounts in your software. Another way, don't pay commissions on the bottom of this list. Make sure your sales force is spending your money wisely and sending all those Holiday baskets to the right people. (email me for my address...just kidding)

So I leave you with a question: what do you do to get the best out of your customers? Email me and let me know. I am very interested! If you have any questions on how, why, or when to run this report, just ask! Happy Grilling!

*About the Author: Danah Head is an Executive Advisor for The Distribution Team, a firm that specializes in helping distributors become more profitable through strategic planning and operating efficiencies. Danah has an MBA in Technology Management for Supply Chain and completed work for a Masters in Adult Education and Corporate Training. While pursuing education, she worked in different purchasing and supply chain roles within the manufacturing industry. With real world experience and*

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