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FIVE STEPS TO IMPROVING YOUR MARGINS – CREATE VALUE OR DIE - Part 2

Build a large prospect base

There is no doubt that having a large base of prospects helps grow margins through volume and through quality. The more you have the better your chance of converting them and you can be choosy about which ones you really want. On the other hand companies with poor prospect bases are under pressure and as a result do not take business at the best possible margin.

Most companies have three classes of customer;

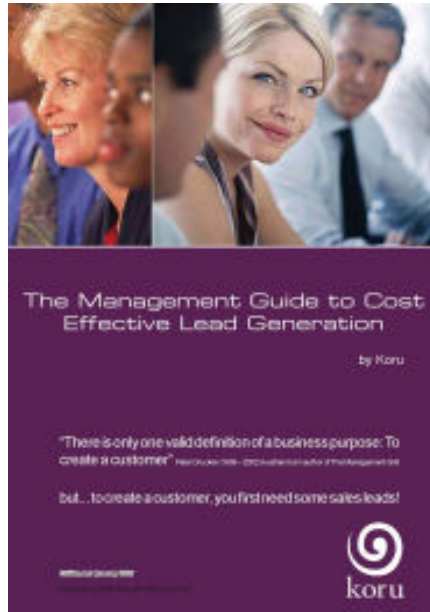
- The first group, often known as key accounts or strategic accounts, comprise the most profitable, or potentially most profitable ones
- “Good” customers (Nobody likes to be a non key customer) provide regular if not spectacular income and also include one off purchasers
- Targeted customers are generally the ones you would like to win or just include a large number of local or national companies.

It is important to carry out this analysis as it provides a steer as to how you go about generating a prospect base. Starting with last group, the first thing you need to do is to create a lead generation programme that will establish contact. This can be done very cheaply and our “guide to cost effective lead generation” has many low cost methods for you to establish contact and identify their needs. The key issue in any such programme is to identify what it is you can do to improve their business performance.

The second group is a where you already have a relationship and the issue here is how you find ways to up sell and cross sell. You probably don't want to deploy masses of resources in this area, rather do it through electronic means or via some form of telemarketing. Once again our guide will help here. It is important to maintain contact with this group as if you are

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not on their radar they will go away. There is some research which says that it takes seven times as much work to win a new customer as it does to get the same amount of business out of an existing one.

The first group, the most important ones can be kept abreast of your developments through any number of mechanisms, but the real benefits come from account planning. There is a myth that says account planning is a chore. If sales people are asked to provide huge account plans that take ages to produce, and that no-one ever looks at, then we would agree whole heartedly. We believe that an account plan can be documented on a few sheets of paper, making them easy to produce and easy for management to monitor and more importantly support. The most important element in producing an account plan is a detailed understanding of your customer's business. This will help you determine where you can deploy your products and services to improve your customers business, and your value to them. In an industry dominated by commodity products and services, you have to create value, if not your margins will erode. This is borne out by research from the CIO Connect Census 2007.

"The outlook for IT spending varies but there was a major trend towards tighter supplier management in 2007. The objective of negotiating tougher terms with suppliers of commodity systems and services to enable more spending on strategic application development and other business change investment programmes was a top priority for 83pc of respondents."

Even if your core offerings are commodity based, by building your prospect base with customer value bearing solutions you will be in a position to manage or avoid margin erosion.

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