



Measuring account potential & selecting new prospects

How to use customer profiling productively to direct your marketing efforts and sales resources

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HOW TO USE CUSTOMER PROFILING PRODUCTIVELY TO DIRECT YOUR MARKETING EFFORTS AND SALES RESOURCES

Analysing your customers compared to the universe available is a very powerful methodology for identifying under-performing customers and targeting your highest potential prospects. In our view, however, your approach needs to be different between SMBs on the one hand and larger enterprises and public sector organisations on the other.

This White Paper describes how to approach these significant opportunities.

PRINCIPLE AND BENEFITS

The principle is easy to define.

- Match your customer base directly to a proven universe of all organisations, broken down by size (usually, but not invariably, using number of employees) and business activity (normally using a standard code system such as NACE).
- Then for existing customers measure from which you are getting a high or low share of the likely business available, normally by computing revenue per employee.
- While for prospects, find in which segment you have been most successful. Following the military maxim of 'reinforce success, don't shore up failure', then target your marketing $ where your existing penetration is highest.

So if you are obtaining €250 per employee in revenue from one customer but only €10 from another which has the same profile by size and business activity, you should probably be applying more sales effort to the latter. And if you have 40% of the market in



'Manufacturers of Steel Pipe and Tube', but only 5% in companies which make 'Aluminium Die-castings', your marketing efforts will likely be more productive in targeting the 60% you don't have in Steel Pipe and Tube rather than the 95% you have not penetrated in Aluminium Die-castings.

HOW TO DO IT

To make the analysis work, the key requirements are (a) to find business activity and size information for as many of your customers as possible (b) to compare your customer base to a comprehensive market universe.

OBTAINING BUSINESS ACTIVITY & SIZE INFORMATION

The key point here is that the activity and size attributes you have for your customers need to be directly compatible with the market universe you propose to use. There is, for example, little point in trying to use the customers' revenue as a sizing measure if revenue data is not available for your universe – and outside North America, revenue data is both difficult to find and often misleading. Similarly, if you use your own classification system for business activity, you will find it difficult to use a directly comparable universe.

So we suggest you use:

- For business activity, a standard coding system, such as US or International SIC code or the European-wide NACE system. Alternatively, if you are concerned only with one country, and international comparisons are not relevant, use the appropriate national system such as NAF (France), UK SIC, NOGA (Switzerland) or ATECO (Italy). The national systems of the EU countries are in any case compatible with NACE for the first three digits.

- For size, number of employees. The pitfall here is to ensure you have consistent data: is the number of employees correct for a

site; is the number the total for all of an organisation's addresses in the country; or is it the total number of employees globally? We suggest that either the first or the second is most useful, but the key point is to know what you have or are obtaining.

Assuming that you either don't have the data for all your customers or that it is not in a sufficiently standard format, you will need to have your customer data processed to obtain the necessary information. This involves providing your customer data (you need only send organisation and address, although telephone number can be useful to confirm a good match) to a suitable data owner who has a comprehensive database in the countries which you want to cover. Some companies which have comprehensive databases and will do this for you are listed below.

Europe-wide	Dun & Bradstreet, EuroContact Pool
France	L'Européene de Données
Germany	Schober, AZ Direct
UK	Blue Sheep, Market Location
Benelux	Cendris, Graydon
Nordics	PAR, Experian
Spain, Italy	Schober PDM, CRiBiS

As well as adding or confirming business activity and size, they may also be provide data such as type of organisation, parent company, web site or even senior decision maker if these are likely to be useful.

PROFILING AGAINST THE UNIVERSE – SMALL & MEDIUM BUSINESS (SMBS)

This is where, in our view, you need a different approach for SMBs as against larger organisations.

Once your customer data is coded, you will need a universe against which to profile it. This is where, in our view, you need a different approach for SMBs as against larger organisations.

For SMBs, unless you are prepared to licence a chosen supplier's entire database, with full names, addresses and attributes, as your universe, you will use a statistical approach, where you profile your customer data against a statistical analysis of the universe. To do so, you might choose to use a national business statistics agency or a company registrar (such as France's INSEE or Sweden's Bolagsverket). Alternatively, you could licence the statistics you need from a supplier like Dun & Bradstreet or Schober.

When you compare your coded customer data against the universe, the output might look something like the example in Exhibit 1. In this case, the country is Netherlands, and the activity coding the European NACE standard. The segments marked in red (together with the numbers of non-penetrated potential prospects in green) look the most interesting.

Perhaps a more effective analysis is shown in Exhibit 2. Here, we have ranked the segments in order of their relative penetration in organisations with more than 100 employees – which shows that in this case, our company is 24 times more likely to obtain a new customer in the utilities sector than in the market as a whole, based upon penetration of utilities compared to average penetration.

Another way of presenting the data is through the 'Money Mapping' process developed in the UK by Blue Sheep , which uses economic forecasting data by sector to rank customers by their likely future growth and hence attractiveness.

Once your analysis is complete, you can easily obtain, as the basis of your prospecting, lists of prospects in your most attractive sectors by specifying to database owners the business activity codes and company sizes for which you want to licence data.

LARGE ORGANISATION (ENTERPRISE AND PUBLIC SECTOR) SEGMENT

For larger organisations (over 500 employees), we suggest you adopt a different approach. While it is rarely economic to licence an entire SMB database – better to carry out the statistical analysis and just licence the selectively attractive addresses – the same does not apply

to large organisations where the volume of data is much less and the potential of each organisation much greater.

To illustrate the point, look at Exhibit 3. It gives a full list of European manufacturers of farm and forestry machinery with more than 500 employees, together with their size by number of employees (in total and only within the stated country) and, where applicable, who controls them. Just for illustration purposes, we have added at the end of the chart a column showing the total sales to each of them by an imaginary company called 'ABC'.

By matching ABC's sales in the farm and forestry machinery segment to this full database, we can now measure penetration and potential, with a view to deciding where to direct ABC's marketing expenditure and maximum sales effort. As a basis, we can calculate that total sales to these companies is just under €11m, which, since the actual customers listed employ a total of 28,000 people, shows that, on average, customers are purchasing at the rate of €382 per person employed. The very best accounts are purchasing at a rate of over €800 each.

But let's work out where the most attractive potential is, based on the average €382 figure.

To begin with, there are four companies where ABC already sells to another company in the same group, with potential sales of €1.4m, which should surely be ABC's #1 priority:

Country	Company	Domestic # of employees	Parent	Remaining potential @ €382/employee
France	Agco S.A.	1264	AGCO Corp	€482,848
Spain	John Deere Iberica S.A.	1300	John Deere	€496,600
Switzerland	John Deere International	250	John Deere	€95,500
Germany	John Deere Werke Bruchsal	600	John Deere	€229,200
TOTAL				**€1,304,148**

Then, is ABC getting all it can from its existing customers in this segment? These existing accounts are purchasing at well below their potential:

Country	Company	Domestic # of employees	Company 'ABC' annual sales	Customer sales per employee	Remaining potential @ €382/employee
Turkey	Uzel Holding A S	2500	€300,000	€120	€725,000
Poland	CNH Polska Sp. z o.o.	1400	€186,000	€133	€388,000
Austria	PöttingerMaschinenfabrik	755	€75,500	€100	€234,050
Italy	BCS S.p.A.	750	€75,000	€100	€232,500
Germany	GEA WestfaliaSurge GmbH	577	€57,700	€100	€178,870
Poland	POL-MOT Warfama SA	600	€72,000	€120	€174,000
Slovakia	ZTS Strojárne Námestovo	904	€198,880	€220	€171,760
Italy	Emak S.p.A.	500	€60,000	€120	€145,000
Sweden	Alo AB	300	€36,000	€120	€87,000
TOTAL					**€2,336,180**

Finally, what about the non-customers? Which has the highest potential? These eight accounts appear to have potential of at least €400k each:

Country	Company	Domestic # of employees	Parent	Remaining potential @ €328/employee
Germany	Claas KGaA	5700	Claas	€2,177,400
Italy	Argo Tractors S.p.A.	2100		€802,200
France	Exel Industries (Tecnoma)	1740	Exel Industries (Tecnoma)	€664,680
Czech Rep.	AGROSTROJ Pelh imov, a.s.	1300		€496,600
UK	Ransomes Jacobsen Ltd.	1300	Textron Inc.	€496,600
Italy	Same Deutz-Fahr Group	1300	Same Deutz-Fahr	€496,600
Sweden	Komatsu Forest AB	1090	Komatsu Ltd.	€416,380
TOTAL				**€5,550,460**

So, of the 39 companies which are ABC's prime targets, the analysis suggests that they should be prioritising 11 'greenfield' prospects, of which four are inside groups to whom ABC already supplies, and directing sales effort at another nine which are under-performing.

OTHER FORMS OF MODELING

Sales per employee is easy to calculate but not particularly sophisticated. In the case above, if ABC makes components, it is likely that its sales to manufacturing sites will be relatively higher per customer employee than its sales to distribution or office-only locations.

But the basis of many commercially available models is business activity times employee size coding. As a result, it is possible to find models which predict an organization's spend on, for example, IT hardware and software, telecommunications and vehicles (cars, trucks and even fork-trucks). Using models of this type can provide more sophisticated measures of potential and therefore improve your ability to direct sales and marketing effort.

ABOUT CELSIUS

Celsius helps our B2B multi-national customers to gain the best return on their marketing investment by increasing their prospect and customer value. Our direct marketing and database solutions enable them to understand better their target markets, improve sales performance and broaden market coverage throughout Europe and, in many cases, beyond.

We cleanse, enhance, develop and manage customer and prospect databases for our customers and then help them to put them to work – using telemarketing and e- and postal-mailing. Our customers include SAP, Microsoft, Symantec, Continental AG, Cisco, Autodesk and outside the B2B sphere, BMW.

Our main office is in France's 'Silicon Valley' at Sophia Antipolis, not far from Nice, where our staff includes ten different nationalities and speaks thirteen languages.

To learn more, go to www.celsiusinternational.com or call Coraline Sidney on +33 4 92 94 40 00.