Targeting The Very Best Prospects

Here's today's question: How do you wade through all of the myriad possibilities and decide who your best prospects for new business really are? Very few quick printers have the resources—time and/or marketing budget—to reach out to every company or organization in the area in which they do business. So the real issue here is *target marketing*...applying your resources to the most likely prospects in order create a maximum amount of new business with a minimum amount of expense and effort.

To do this right, you have to consider two things: first, who's likely to buy a worthwhile amount of your kind of printing; and second, who's likely to be interested in buying it *from you.*

Targeting From Outside

There are a number of theories on how best to identify large printing users *from the outside.* By that, I mean through an outside salesperson's research, or by specifying certain criteria when ordering a mailing list. Most of those theories revolve around the idea that larger companies—in terms of sales volume and/or employee count—will automatically be bigger printing users than smaller companies. The prevailing wisdom seems to be that progressive quick printers should target their marketing efforts on companies with 20 or more employees.

I disagree with that strategy for two reasons. First of all, it's been my experience that sales volume and employee count are not especially good indicators of printing use on a local level, and that's the level at which most quick printers operate. Secondly, I've never felt it important—or especially wise—to focus your marketing efforts only on developing "big" customers.

Let's look at that issue first, and while we're at it, let's consider how to define a "big" customer. I know quick printers who have unquestionably "big" customers who spend as much as $300,000-$400,000 each year. I also know quick printers who happily consider someone who spends $5000 each year as a "big" customer. The bottom line is that there's no across-the-board definition of who's "big" and who's not, so maybe a more appropriate question is how small a "fish" you consider worth catching through your sales and marketing efforts.

I can't tell you what the answer to that question is, but I can tell you how to figure it out. Let's start with the assumption that you're considering a direct mail program, and that you're willing and financially able to mail to 1000 prospects each month for an entire year. Let's also make the assumption that your direct mail program will result in 35 new customers coming on board during the course of the year. Finally, let's assume that the total cost of this full-year mailing program will be $6000.

(By the way, I'm not saying that you should expect a 3.5% response rate from a mailing program. I'm using 35 new customers as a conservative projection of the kind of response you might get. I'm *always* conservative in this type of planning, because I'd rather have a client end up pleasantly surprised by better-than-expected results than overextended by unreasonable expectations.)

Return On Investment

The next issue to consider is ROI—return on investment. If you're spending $6000 on this mailing program, how much new sales volume will it take to make the whole thing worth doing in the first place? Your tolerances may be different, but I'd be willing to accept a 10-15% "acquisition cost" in the first year of doing business with a new customer. (Remember, the real victory in gaining a new customer is not what it does for sales and profits in the short term, it's the "lifetime value" of that customer. Remember also that we're not talking about investing 10-15% of your total volume in the search for new customers. The $6000 proposed cost of this program represents less than 2% of total sales volume for an "industry average" sized printer. Finally, remember that the volume you get from new customers is *incremental* volume, and it's almost always more profitable than it looks.)

With a 15% "acquisition cost" tolerance, you'd be looking for a total of at least $40,000 in new volume from the 35 new customers we're projecting. Divide those 35 customers into that $40,000 of volume, and we're looking at a prospect target averaging a little bit less than $1150 in sales volume during that first year of doing business with you. Since it's not reasonable to expect any new customer to buy all of his/her printing from you in the early part of a relationship, I think it would be prudent in this case to set your sights on companies which look like they'd spend at least $2000 on your kind of printing each year.

Who would qualify based on that threshold? Just about any locally-based manufacturing business, any medium-sized or larger service provider, and most civic organizations, churches and schools. Who would not qualify? Many small retail businesses and small service providers, dand also many of the local franchises and regional offices and/or manufacturing plants of larger companies who get all of their printed materials from the "home office."

If I were willing and able to mail to 1000 prospects each month, I'd construct my mailing list through a three-step process. First, I'd physically look throughout my marketing area and enter the names, addresses, and contact names for all of the companies who meet my target criteria and are "easily seen." I'd note the total number of contacts that added up to, and next, I'd buy some sort of commercial mailing list with approximately twice as many records on it as I needed to get to 1000. I'd then work my way through that list, eliminating the prospects I'd already identified, highlighting the obvious additional targets, and deleting each record that obviously didn't qualify according to my targeting parameters. If that still left me with fewer than 1000 qualified prospects, I'd go back through the list and highlight the most likely prospects of the records that remained—or maybe better still, I'd buy more names from the commercial list company as a means to identify more "obvious" targets.

The lesson here is that if you're not looking for customers who'll only spend $100 with you each year, don't direct your marketing at people or organizations who printing needs only support such small purchases. But don't be blinded by the size of any prospect company. There are plenty of "small" organizations who buy enough of your kind of printing each year to make you happy. And there are also plenty of "large" companies who *don't* buy much of your kind of printing, or even more likely, who don't buy any of their printing locally.

The Real Key

In my experience, the real key to identifying larger printing users *from the outside* is not sales volume or employee count. It's the number of products and/or services they make/originate and sell. A small local company that makes and sells a few different products—or originates and sells a few different services—will almost certainly have some need for "promotional" printing (which I define as any printed material whose purpose is to sell something, or to support the sale of some product or service.) That definition can include everything from letterhead, envelopes and business cards to flyers, brochures, manuals, performance programs and other types of marketing or communications material.

"Make" and "originate" are critical terms here. I remember calling on a boating supply store with a client's salesperson, not long after beginning the explanation of the relationship between products and printing. This store had hundreds of different products on display, and many of them had brochures or other descriptive literature available nearby. The salesperson went through this store like a kid in a candy store, picking up literature and obviously thinking he'd discovered a huge user of printing. I had to burst his balloon when we got back into the car, and I asked him to look at the "return addresses" of the companies whose products were described on all of the literature. He soon realized that literally all of this printing originated with the manufacturers of the products, not with a store in his town which happened to sell it to "end-users."

From The Inside

I hope no one will question that you can learn more about any prospect company *from the inside* than *from the outside.* On one level, I want that statement to support my crusade to convince quick printers that outside sales has become a necessity for ongoing success. But on another level, even a quick printer who resists outside sales could dramatically improve the quality of a target marketing/mailing list by taking an "inside" look at possible prospects. This process requires some "outside" activity, but I'm hoping it won't seem as intimidating as a full-scale, outside sales effort.

Here's what I suggest…take a step beyond the "physical" tour of your marketing area that I mentioned earlier. At that point, I was only talking about driving around and writing down the names of interesting-looking companies. Now, I'm talking about getting out of the car and walking into every company doing business in your area. Your objective is to take a first-hand look at each company, and decide whether or not they're worth having on your mailing list.

The technique involved is pretty simple. Walk in and approach the first person you see—often a receptionist or secretary in any sort of an office situation, perhaps a clerk in a retail business—and say something like this: *"Hi, I'm (your name) from (your company name.) We'd like to put your company on our mailing list, and I'm hoping you'll be able to tell me two things. First, is this a company that buys a lot of printing…letterhead, envelopes, brochures, newsletters, things like that? And second, who should we address our information too…who's the person in charge of buying printing for your company?"*

I have found that the people who make first contact with customers or visitors in most businesses are usually fairly knowledgeable about the business they work for. I've made hundreds of this kind of "cold call" with clients and their salespeople during the last 10-12 months, and we've almost always learned enough to make a good decision on how to proceed. When the objective has only been to develop a really good mailing list, the decision is pretty straightforward: yes or no.

When the "gatekeeper" told us that the company didn't really buy much printing—or got it all from a "home office" somewhere else—the decision was usually to pass them over. But whenever we learned that a particular company

did buy what we felt was enough of the right kind of printing to meet our targeting criteria, we noted the name of the decision-maker and made sure we had the correct address and phone number. (Typically, we captured that contact information by asking the "gatekeeper" if he/she could give us the business card of the person who actually bought the printing.)

This can be a time-consuming process, of course, but the real issue is not whether it takes time, but whether the time it takes will pay enough benefit to make it worthwhile. I usually tell clients to figure on an average of eight of these prospecting-only cold calls per hour (although I've made as many as 14-15 in a single office building in an hour.) I also tell clients to figure on passing over half of the companies they look at. The way the arithmetic works out, five hours of this sort of effort each week would probably add something like 20 "qualified" prospects to your target marketing list. At that rate, it would take most of a full year to build a list of 1000, but here are two things to consider. First, this activity does not require the same qualifications and personality that a full-scale sales position requires. I think you'd find it fairly easy to hire and train a part-timer to work at this project, or possibly assign a current employee to work at it part-time, perhaps on a 20 hour per week basis. That would cut the timeline to reach 1000 down to something more like 3 months. (And by the way, there's nothing magic about a list of 1000. The best way to determine the size of your mailing list is to figure out how many people or organizations you can afford to mail out to with enough frequency to get the job done. I would build my list to the number of people I could afford to mail out to 12 times in a year.)

The second consideration is that there's no rule that says that you have to fill your target marketing list to capacity before you start mailing to it. If you can start mailing to 100 target-qualified prospects after a month of 5-hours-per-week prospecting and add 100 more to the list each month, you're still virtually certain to get better results than you'd get by mailing to a "non-qualified" list of 1000 for 12 months.

Who's Likely?

Now let's consider how to evaluate the likelihood that a particular company will be interested in buying *from you*. The first thing you have to consider is this absolute reality*: Everyone who buys a substantial amount of printing already has a relationship with at least one printing company.* Sure, there are businesses starting up every day, but all of the people involved in those businesses come from *somewhere*, and many of them come with knowledge of—if not an actual working relationship with—a local printer. From my perspective, it's a very good idea to start out with the understanding that everyone already has a relationship with a printer.

Now the question becomes "what kind of a relationship?" The bottom line is whether they're happy with the value they get from that printer…with value representing some combination of quality, service and price.

Five Categories

I've found that all printing buyers will fit into one of five categories. Let's call those categories Solids, Liquids, Gases, Players, and Price Monsters. (I think my high school physics teacher would be quite impressed to learn that I remember *something* from his class. I don't pretend to remember much, but I'm hoping that those of you who were good in science will agree that these terms provide a pretty good description of prospect types.)

Solids are happy with and loyal to their current printer, and they simply won't change. Liquids are generally happy and loyal, but they will look at other options. Gases have some reason to be unhappy with the printer they've been using, and they are completely open to change. In fact, some of the buyers in this category are actively looking to change.

Players typically spread their work out among a number of printers. They are price sensitive in that they'll often buy from the printer in their "stable" who offers the lowest price on any given project, but they won't necessarily have the lowest priced printer in town in that stable. Price Monsters almost certainly will. These are the people who make every decision based strictly on price, and they're pretty sure to keep looking until they find the cheapest printer in town.

Best Targets?

So who makes the best targets for your sales efforts? Not *solids*, at least not in the foreseeable future. And not *price monsters* (unless, of course, it really is your strategy to be the cheapest printer in town.) If I were you, I would *disqualify* any prospect who fell into either of these two categories.

Will it be easy to give up on a solid? Probably not, especially considering how much we value loyalty in our own customers. But remember, the decision to start buying from you very often has to be accompanied by the decision to stop buying from someone else. If a solid is simply not going to make that decision, he or she is not a good prospect for you, no matter how much printing he or she might buy.

The best targets of all are the gases, and that's true for two reasons. The obvious (I hope!) reason is that gases already have some reason to stop buying from the other guys. It may have been a quality problem, or a missed

delivery. It may have been something lacking in the "customer service" on one or more of the last few projects. It may be the feeling that the printer doesn't value the customer's business as much as he or she once did, or a situation where the printer simply hasn't stayed in regular enough contact to maintain a sense of happiness and loyalty. Whatever the reason, the bottom line here is that a competitor has created an opportunity for you This buyer is ready to consider a change!

The second reason that gases are the best targets is less obvious, but no less important. It's that they probably used to be solids or liquids! If you've got them categorized right, they were happy and loyal and value-oriented customers before the printer-in-place did something that strained the relationship. In all probability, if you do the right things when you encounter one of these gases, you will gain a solid customer of your own.

A Contradiction

I was pointing all of this out to a consulting client not long ago, and he asked me if I wasn't contradicting myself. "You just told me to 'disqualify' any *solids* I run into in my prospecting," he said, "but now you're saying that *solids* sometimes turn into *gases*, which makes them my best prospects. Don't I want to stay in touch with all of the *solids* so they'll think of me if the other printer screws up?"

The answer to that question is contained in the words "sometimes" and "in touch." If "sometimes" meant that the printer-in-place could be counted on to screw up 90% of the time, it would definitely be a high priority to stay on top of all of the solids. But if that likelihood is really closer to 2-3% of the time, staying "in touch" takes on a completely different meaning. It would be one thing to keep a solid on your mailing list; it would be another thing altogether for an outside salesperson to consider that solid a hot prospect, and spend time every week trying to connect in person, or even on the phone.

And that's the real key! Every salesperson has to deal with time limitations. It's simply not a very good investment of a salesperson's time to be dealing with "sometimes" situations. I think you'd be a lot smarter to direct your efforts—and your salespeople's efforts—toward people who have already decided to consider or even actually make a change.

Next Best

The next best targets are the *liquids* and the *players*, and of these two categories, you'll probably get the fastest results with the *players*. That's because in this situation, your selling challenge is reduced to making yourself *one of* the printers a *player* is willing to consider. If you can accomplish that—and your prices are "competitive"—you stand a good chance of getting some of this prospect's business.

Some, but not all. Remember, the main characteristic of players is that they spread their business around. That's something that you have to keep in mind as you consider how much time to spend on a particular customer. (Again, every salesperson has to deal with time limitations!)

Many salespeople waste a great deal of time trying to "penetrate" player accounts. Typically, you'll build to your eventual market share with a player in the first 6-8 months of doing business with them. After that, a wise salesperson—or one being directed by a wise sales manager!—cuts way back on any effort to gain more business from that particular customer and spends that time trying to develop completely new customers.

The bottom line on players is that there's absolutely nothing wrong with having them as customers, as long as you recognize them for what they are and allocate only an appropriate portion of your selling resources to them. That balance—and a few other things like paying their bills on time—ultimately contributes to whether or not you can consider them good customers. And even though you'll never get all of their business, it's still possible to build a pretty solid relationship with a player. They are usually loyal—at least within the limits of who they are and they way they buy—as long as you keep them happy.

Positioning

The best strategy with *liquids*—who are generally happy with and loyal to their current printer, but will listen to what you have to say—is to attempt to "position" yourself in one of two ways. Many printing salespeople have had some success by positioning themselves as a backup supplier to the printer-in-place. *"I understand that you're happy with your current printer,"* those salespeople might say, *"but I just want you to know that I'll be happy to start out with you in a 'backup' role. If your current printer ever lets you down—or even if there's a particular job where they can't meet your deadline—give me a call and we'll come through for you."*

I don't know if there's ever been any real research done on this issue, but my gut feeling is that this type of positioning works out less than 5% of the time. That's because it depends on the other printer screwing up, and while this again is based more on gut feeling than any formal research, I think the vast majority of quick printers get it right and satisfy their customers more than 95% of the time.

Still, if you and/or your salespeople are making enough calls and speaking to enough people, this one-out-of-ten ratio could yield at least a few new customers each year. However, I would rather see you take a stronger approach to positioning yourself with this type of prospect. The key targeting characteristic of a liquid is that he or she will listen to what you have to say, but I've always found it equally important that they'll talk to you as well. I think the best approach to a liquid is to ask questions at the outset, rather than trying to "present" your story. Get them talking, and see if you can figure out what might be missing in their current relationship. And then see if you can "position" yourself as a better option.

I've always said that some selling is better than no selling, but "real" selling is better still. To me, the essence of "real" selling is found in the ability to ask questions, define a situation and possible solutions, and then convince the person on the other side of the desk that you're the best choice as a supplier.

If you lack the confidence or the experience to go beyond "backup" positioning, that's fine. I'll be happy if you'll be willing to go at least that far with enough prospects to make it likely that you'll get some results. But I'll be happier still if you take the questioning/convincing approach.

Learn From The Pros

Most of the salespeople I'm hired to work with these days are either just starting out, or else they're under-performers. I suppose that's just the nature of a consultant's job. But back in the days when I worked as a full-time sales manager, I developed and directed quite a number of salespeople who were worthy of being called "real pros." I've always felt that there are lessons to be learned just by watching the real pros.

So what can I tell you about these top-notch salespeople? First of all, they stayed away from both the price monsters and the solids. They stayed away from price monsters because, for the most part, their compensation was based on the profitability of their accounts, not just the sales volume. They routinely passed on situations where they weren't likely to maximize their incomes.

And they stayed away from solids because these salespeople knew from personal experience how a customer can be yours to lose, but impossible for a competitor to take away—no matter how talented the competitor!—as long as you keep doing the right things. (They knew this because they had solids as their own customers!)

These salespeople played the "bid game" with a certain number of players, but they didn't put all of their eggs into that basket. They also didn't put a great deal of time and effort into the pursuit of players. What these "real pros" ultimately wanted was a portfolio of mostly solids, so they targeted liquids (people who are willing to consider a better option) and gases (people who are already mad at their printer) and worked at getting to know these people and convincing them to become customers. (They also targeted at 3-5 times the number of prospects they actually needed as new customers, because "real pros" know that you don't succeed with everyone, no matter how much talent and experience you have.)

If you're not a "real pro" yet, the secret to short-term success might be to sift through as many prospect companies as you can, in search of 10-15 gases to focus your efforts on. Look for those situations where the decision to change printers has already been made! I can tell you with very high confidence that they're out there, but it takes a serious commitment to find them. (It's a lot easier to be satisfied because you're "following up regularly" on the 10-15 biggest companies in town. But that doesn't mean that you're anywhere close to doing business with any of those companies!)

The "real pros" work hard and they work smart. Hopefully, doing both of those things will raise you to that level too!