

# Flinn Associates Monthly Newsletter

## Categorizing Customers

- September 2003 Newsletter -

A Chinese proverb states, "When you chase two rabbits, you catch neither." Focusing on the right customers and creating customer categories is a necessary task which results in alignment of your products and services with the customers' needs.

Our customer list included two hundred and fifty accounts. Prior management had created customer categories based on the volume of their individual purchases. It was an easily maintained listing and would change frequently as customers made additional purchases or commitments to inventory levels. Beyond that little consideration was made as to whether serving the customer at the current level was profitable or if it was even desirable.

It was my desire to understand more about whom our customers were and where the potential was that led to the dismantling of the prior customer category system. Over time we developed a better understanding of all our customers. This resulted in creating four categories into which our customers could be classified. We had a half dozen or so customers for whom we absolutely wanted to do everything possible to maintain and increase their level of business with us. We had a category of customers, who comprised the majority, who were solid in the market and gave us steady increases. If sales declined from a customer in this category, then it would not have a significant impact. The third category included customers in the second group who were identified as solid potential to become part of the top group. The final category contained those customers who were simply not profitable for us to continue to serve – at least at the current level.

The implication of such an analysis was significant in that it created a clear mapping of all our customers and of their impact on our company. Our entire staff, regardless of level of responsibility, knew which customers had been designated as being vital to our future. A sense of urgency was created throughout our firm, as everyone was aware of the significance of these key accounts. Our firm became focused on the customers who would be critical to our success. We reduced the resources used to service a portion of our customers. Additionally, we improved communication throughout our company, as everyone became more aware of the significance of our targeted accounts.

Understand more about customer segmentation as a means of maximizing your investment by [contacting Flinn Associates](#) today.