

## If I Ran My Customer...

### Part 1

Profits are your reward for meeting customer needs.

Sounds obvious, right? But here are two critical questions: Which customers? And which needs? The answers will have a huge impact on your profitability and business success.

*Today's post will focus on the first question, which customers? My next post will discuss the second, which needs?*

I recently had a lengthy conversation with a product development engineer in a well-known high-tech company. His product is an important component of his customers' products, and the specifications of his product are an important determinant of what business initiatives his customers can pursue. The subject of our conversation was how to determine customer needs.

The first step is to ask the question: Which customers? The company has a wide range of customers with very different needs.

In my writing, my core premise is that in virtually every company, 30-40% of the business is unprofitable by any measure, and 20-30% both provides all the reported earnings and subsidizes the losses. This means that every company has a core of "good" business that offers sustainably high profits.

One of the biggest problems in marketing and product development is the failure of all too many managers to identify this core of sustainably profitable business.

In my experience, most companies lack focus when it comes to creating compelling new value for the customers that are capable of giving them high sustained profitability. Instead they spread their efforts across their whole customer base, or focus mostly on large accounts, without regard to which do, and which do not, yield sustainable profitability.

The underlying reason is that most product development programs implicitly try to maximize revenues, not sustainable profitability. The net result in most companies is a set of products that is aimed at most customers, but which may well not meet the real needs of the core set of customers.

(Think about all those broad-based marketing surveys sent to a *random sample* of customers. What is the population that is being sampled: All customers? The best customers?)

It is far better to meet the precise needs of your core sustainably profitable customers, and then focus your sales efforts on using this critical competitive advantage to secure these accounts, increase your share of wallet, and hunt down and land more customers that should be in your core.

If you aim your product development efforts at your average customer, average performance will be the logical result.

*My next blog post will focus on the second question: Which needs?*