Book review

Profitable Customers: How to Identify, Develop and Retain Them

Charles Wilson

Kogan Page, London; ISBN 0-7494-2825-2; 184pp; £16.99

Leading marketing gurus Malcolm McDonald and Frank Cespedes both rightly endorse this book as being essential reading for managers. I can only concur. This work presents a punchy, hard-hitting yet constructively helpful insight into how businesses often fail to maximise the potential of their customer base. The rationale focuses on customer retention, but of the 'right' customers, and then how to maximise income from a firm's customers. 'Profitable Customers' is written very much from the consultant's perspective.

The preface rightly sets the tone: too few managers have an awareness of which current customers are worth the most for a business, which customers no longer justify continuing support and where new potential lies. As Charles Wilson explains, most managers only pay lip service to customer retention, offering clichés about the customer 'being king', without devoting any analytical resource to examining the customer base or developing processes for more effectively handling customer relationships. As an academic who undertakes much consultancy, I fully endorse Charles's views in this respect.

Chapter 2 in effect is the scene-setting introduction that lays the foundation for this thought-provoking book. The basic message is that increasingly customers

have a greater choice in terms of point of supply and product, yet most organisations have almost 'tunnel vision' in terms of their customers and have failed to acknowledge the greater buying decision power held by their own customers and those purchasing from rivals. This greater customer freedom poses an implicit threat but also missed opportunities. It emphasises the need to build better long-term relationships with a more lucrative customer base.

Charles Wilson's expertise stemming from his consultancy shows throughout this work, but is used to good effect in Chapter 3 where five questions are posed that will make any business realise the extent of its inward-looking thinking. By talking to a few customers, pretending to be a prospective customer, quizzing senior managers about the value of the best and worst accounts, asking the sales and marketing directors how long it takes before an account becomes profitable, and seeking answers from those involved with new product development (NPD) to the challenge of how much involvement customers have in the R&D or NPD process, certainly will lead senior and line managers to acknowledge the deficiencies in their customer knowledge and ability to develop retention programmes. There is also a need to look to successful rivals in

order to benchmark a business's activities.

This text was first published in 1996 and, although up-dated in 1998, certain chapters lack topicality. This is notably so when examining how to harness technology to manage customers. In general, though, 'Profitable customers' remains highly pertinent in its message and guidance. Chapter 9 presents a view of how to 'fix' unprofitable accounts. While essential for any business, this chapter is disappointing in terms of its brevity and coverage. Diagnostic tools, options and solutions need to be included here.

Apart from the easy-to-follow writing style and commonsense ideas, key highlights are the chapters on how to reduce the costs of interfacing with customers, managing customer life stages and how to 'make it happen'. The first of these, reducing costs, offers excellent insights and practical guidance. Managing life stages of customers — indeed having awareness of this sequence — undoubtedly has genuine benefits for any business. The tips for facilitating and prompting implementation and action are very worthwhile inclusions. Too many 'how to' books fail to address the 'how to make it happen' issues that when ignored lead to baulked initiatives in

many businesses. Charles Wilson draws well on his hands-on expertise to suggest a way forward.

If there is a 'but', it is that the content — excellent as it is — fails to deliver fully the title's promise. If a business is to 'identify, develop and retain' customers' it must demonstrate the ability to understand customers, their needs, angsts, buying processes, influencing factors and choice options. It is necessary to profile optimum target customers and to think like these individuals or businesses. The title, therefore, is slightly misleading: apart from a few sentiments in Chapter 6, the aim is not to examine new customers but to manage existing ones better. Profitable customers, though, may well be different (new) ones and in this respect this otherwise laudable book would benefit from the addition of a chapter addressing new customer targeting and the ability to understand these potential customers' expectations and fit with a business's strategic direction.

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