

Don't Overlook Existing Clients to Fill the Pipeline

By Steven Flynn

It has been said many times that differentiation is king. This cliché, perhaps, has never been truer in the past than it is today in the IT services industry. As the economy has softened, capital expenditures on IT projects have softened along with it. Finding new clients has become more difficult in some vertical markets than squeezing blood from the proverbial stone. Now that IT services has become a buyers' market, thus significantly more competitive, the ability of a firm to stand out above the pack, especially in a vendor-list arena, is more critical than ever to the success or failure of a company.

Revenue growth and the acquisition of new clients is a never-ending process. However, when times are good, and even when times are not so good, many firms, for a variety of reasons, tend to neglect existing clients while focusing more intently on the acquisition of new clients to fatten the pipeline. Why does this happen? Several reasons, but it primarily happens because firms believe that they have already squeezed all the blood from that stone, and if and when quarterly and yearly numbers begin to fall below goal, many firms aggressively turn their efforts towards acquisition rather than extraction. They buy lists or try cold call services with usually disappointing results.

Focusing primarily on the acquisition of new clients can have a negative impact with existing clients, especially when spending begins to free up again. The by-product of massaging and leveraging existing relationships is, many times, a stronger relationship and, ultimately, differentiation. If the process is handled correctly, clients tend to feel better about their relationship with your firm relative to the competition. Thus, when spending begins to free up again, those IT services firms that were able to focus on improving and leveraging existing relationships tend to differentiate themselves with their clients during the lean times and will be well positioned to take advantage of the turnaround.

One of the most difficult aspects of this process is acquiring valid strategic information regarding which clients have what to spend, and when, for the services you provide. Where do you get this type of information? How do you get your clients to voluntarily divulge their future spending habits? Will they spend their budget dollars with your firm? Do you trust your sales staff to bring this information in the door? If you do, is it accurate?

Extracting additional revenue from existing clients and differentiating one's firm from the competition appears, at times, to be easier said than done. However, the means by which those ends are achieved really are as easy to do as they are to say. The first step in this process is simply to "talk" to your current clients. The process of "talking" to your clients can take many forms. Some firms utilize their sales force to poll the client base regarding their current and future needs. Some send out e-mails or snail mail. Some hold social functions, and some engage independent market research firms in lead-generation/customer satisfaction studies. Regardless of the method or outcome, surveying the customer base about their satisfaction level with your products and services is essential to building and maintaining positive relations.

If your firm decides to embark upon an effort to survey the client base, the importance of asking the right questions cannot be overstated. All of the great sales motivators and marketing gurus of our time tend to have one lesson in common: Ask questions; ask lots of questions; ask the right questions. Many IT services account managers are accustomed to asking, "how many

requirements will you have in the next 30, 60, 90 days...” While this is nice to know, this isn’t the type of question that helps to morph a vendor-buyer relationship into that of strategic business partners where your firm is positioned at the top of the list when spending increases. As part of this survey and relationship-building process, firms need to ask the questions that can ultimately help to solidify the relationship. The most effective tend to surround the client’s business objectives, what events will precipitate a need, what events can accelerate or decelerate the requirement, what actions can enhance or diminish your chances of winning the business, etc.?

Specifics, Inc. has conducted many studies (lead-generation/customer satisfaction) for our IT clients over the past 15 years and have asked many questions. The data that we have compiled has lead to some eyebrow-raising results. There are three essential areas about which to gather and analyze customer information in order to be able to fully leverage the benefits of the survey process: What will my clients’ IT budgets look like over the next 2, 3, 4 quarters, what products/services will they need, and are they aware that we can even provide those products/services? The answers to these questions, in some cases, are dependent upon your performance, i.e. the customer’s level of satisfaction with regard to past engagements, but customer satisfaction and its impact on repurchase intent is the subject for future articles. For now, we’ll concentrate on product sales/awareness and revenue forecasting.

Specifics’ database of comparative statistics for the IT services industry shows that, on average, 15 – 30% of your clients have a need for a product/service that your sales force is unaware of. Further, over 30% of your client base, in some cases, is unaware that you could even provide a particular product/service. Why doesn’t your sales force know about such opportunities? Why are your key clients unaware of the full compliment of products and services you offer? The reasons are manifold and have been written about in previous columns. The purpose here is to explore the ways of finding out which of your existing clients have such needs and which clients are unaware that you can fill those needs (or both) and leverage those opportunities.

Unfortunately, the expressed need for a product/service doesn’t necessarily mean that this client will automatically make a purchase. Without the budget, such expressions tend to fall in the nice-to-know-for-later category. The key, at the risk of being obvious, is to find those customers that have expressed both the need for a product/service and also indicate they have the budget to make such purchases. This part of the process *is* easier to say than to do.

Specifics has interviewed over 900 purchasers of IT services over the past 9 months, both before and after the tragic events of 9/11/01. It may, or may not, come as a surprise that even in this soft market with reduced capital expenditures and sagging stock prices, 35% of all purchasers of IT services surveyed by Specifics in the past 9 months indicate that they will be increasing their IT budgets going into 2002, while only 25% indicate that there will be a contraction. What this table shows is that IT work still must be done.

Spending on IT Initiatives for 2002	% Of Responses
Increase	34.8%
Stay the same	40.1%
Decrease	25.1%

Spending in such markets as pharmaceuticals, healthcare, security, utilities, state/local/federal government is currently very strong, and certainly some of the 35% mentioned above comes from those markets.

The real question is, which of your individual clients will fall into which of the above spending categories, and which services will they be purchasing? More importantly, are they aware that you can even provide the products/services they need? No matter how much a client is willing to spend on IT products/services, if they are unaware of your ability to meet their needs somebody else will. The way to find out is simply to ask them.