JANEGENTRY
& COMPANY

USING CLIENT MIX
TO CRAFT STRATEGY

BY JANE GENTRY

Jane Gentry is a CEO advisor, business consultant and executive coach with 30 years of experience advising high growth organizations on establishing organizational clarity, identifying competitive differentiators, and improving company valuation and profitability.

HELPING CEOS AND LEADERS CREATE BUSINESSES THAT WORK

JANEGENTRY.COM

CRAFTING STRATEGY

A well thought out strategy is composed of a variety of industry, client, product, organizational and financial insights. Building one can be an intensive process. One tool that enables leaders to see their company from a different lens is an evaluation of the current client mix. A close look at where business comes from can shed light on both obstacles and opportunities that you hadn't considered – true "a-ha!" moments for business owners.

DISSECTING CLIENT MIX

There are multiple ways to slice your client mix – by product, by division, by geography, by margin, by revenue. Understanding your client mix will give you insight into where you may need to course-correct your strategy.

In this article, we will look at two examples from companies who leveraged this approach, analyzing their client mix by revenue, and what they were able to glean from the data.

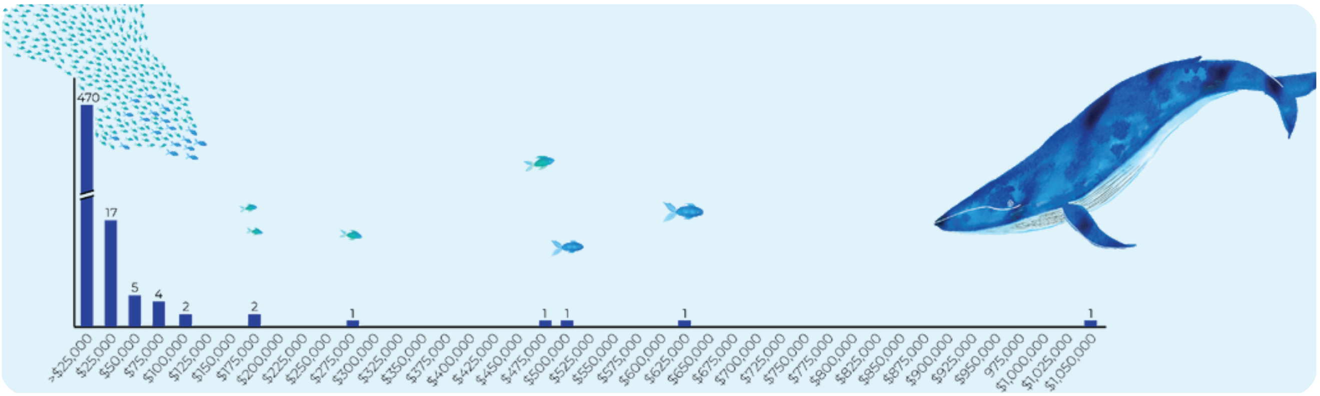
COMPANY A

The CEO for Company A was facing several seemingly unrelated issues – an aggressive sales target, a jammed-up production team, lack of a sales organization, as well as a lack of clarity around when to hire more people. The issues were rooted in a problem that was clear to see once they analyzed their client mix by revenue.

COMPANY B

This CEO had fantastic clients, all huge brands and big contracts – but, they had too few clients. The loss of only one of their clients would cause damage to the business. The industry was changing drastically, and their deal sizes were contracting. To make matters worse, the service this company provided was very tactical. The clients were loyal, but required less of this service.

COMPANY A



A NEW PERSPECTIVE

Looking at the client mix this way showed this CEO that the business was at risk because the client list was built of one ‘whale’ and many ‘minnows’: should they lose their whale, the business would suffer significantly. The chart also illuminated why the production function always seemed out of whack with revenue. Production was always busy, but the effort wasn’t matching the revenue being booked.

THE STRATEGY

SALES

Two things needed to happen regarding sales. One could be implemented right away, and one would take some transition.

SHORT-TERM - Immediately, this leader built out a sales profile defining salespeople who could sell a more medium to high-priced solution and he started recruiting. In addition, he worked to develop a compensation plan that would reward for the kinds of deals he wanted sold.

LONG-TERM - The second strategy was to build an inside sales function and automate the delivery of small-sized deals. Putting small deals through a different sales function would enable outside salespeople to function on larger, more profitable deals.

PRODUCTION

Production developed a more automated production function to service the smaller needs of clients without jamming the process for larger projects. They put a dedicated person into estimating and created a team that would focus on pushing small, non-custom deals through a different and more efficient process than custom projects.

TALENT PLANNING

Based on historical data and financial goals, revenue was matched with other functions in production. A formulaic chart was developed to help with talent planning that looked something like this:

FOR EVERY $5 MILLION:

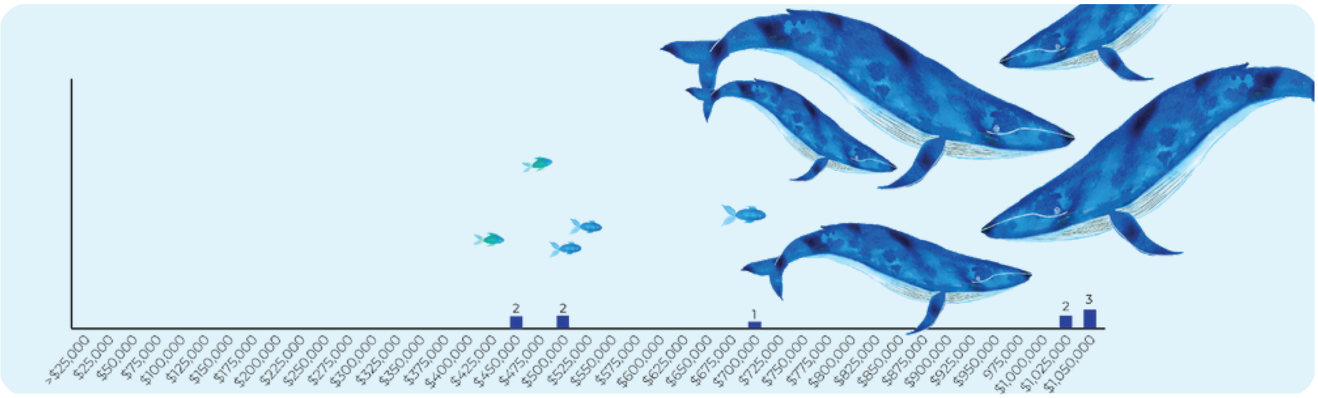
SALESPERSON	👤
PROJECT MANAGER	👤 👤
WAREHOUSE	👤 👤 👤
FIELD SERVICE	👤 👤 👤
ADMINISTRATION	👤

Based on the formula, when revenue increased, so did the number of members on the delivery team.

TAKEAWAYS FROM COMPANY A

1. All other things being equal - moving just 20% of their deals into a higher revenue category enabled this leader to hit their target more quickly.
2. You must hire and compensate for the behavior you want – especially in sales.
3. Codifying when to bring on talent will help you plan, and avoid unnecessary costs and layoffs.
4. Sometimes strategy isn't either/or but yes/and. In this instance, the leader didn't toss the lower-end deals. The solution was to automate small projects and protect his delivery talent for larger, custom jobs.

COMPANY B



THE STRATEGY

CLIENT MIX

Like Company A, this company didn't have enough of a mix of clients. This CEO built a strategy to increase the amount of mid-sized clients by assigning a sales-person to this demographic. They also invested in marketing strategies targeting the mid-market.

PRODUCT MIX

This company needed to add a service that was less tactical than what they currently provided. The team had a wealth of experience in the industry but just continued to deliver on projects without having a forward-thinking strategy. A short, strategic series of questions were crafted to use in interviews with senior level clients to understand what trends were affecting their businesses and what future strategies they were developing. With this information, paired with the consultant who gathered it and their marketing agency, this leader was able to build out a completely new offering that solved the challenges shared by their clients.

TAKEAWAYS FROM COMPANY B

1. Having only large clients or too few is as dangerous to your business as having too many small clients.
2. Developing a proprietary offering or an offering that leverages the intellectual capital in your company for the benefit of your clients, is always a better strategy than a business that is too tactical.
3. Your clients are the best source of information for where your business should be looking for future strategies. Asking a client for a meeting such as this CEO did is like withdrawing from a bank account. So, make sure that you have paid into that account and built a relationship before asking for a withdrawal. Use these kinds of requests sparingly, and for things that are critical to your business, like strategy.

THE STRATEGY LENS

Casting the vision for the future is one of the most difficult challenges for a CEO. Too often, CEOs of small and mid-sized businesses are focused on solving the symptom (not enough sales, workflow isn't working, wrong talent), rather than solving the problem – not the right strategy. If a business leader isn't making every decision through the lens of strategy, the issues described in this article will be easily missed.

QUESTIONS TO ASK YOURSELF REGARDING CLIENT MIX

1. Do we have a balanced mix of clients?
2. Where are our most profitable clients? Large? A certain product/service?
3. Can we boost revenue/profitability more quickly if we re-balance our client mix? Then - how will we execute to acquire that mix?
4. Which kinds of clients jam up our system? In estimating? In production/delivery? Then - do we need to adjust our processes? Or evaluate the value of these clients?
5. Do we have large or time-consuming clients who are low margin? What would happen if we ended these relationships?
6. Is our client mix too heavy in one industry or one product/service putting us at risk if the market changes?
7. Where can we add a higher margin offering that includes thought leadership, consulting, analysis or proprietary Intellectual Property?
8. Are we compensating our salespeople for the behavior we want from them?

ALL BUSINESS ISN'T GOOD BUSINESS.
You must be discerning about your clients. Sometimes, it is better for the business to jettison clients who are unprofitable or a tax on your system.