

Strategic Initiatives

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Discover.

Analyze.

Strategize.

Implement.

Measure.

Customer Portfolio Strategy Review

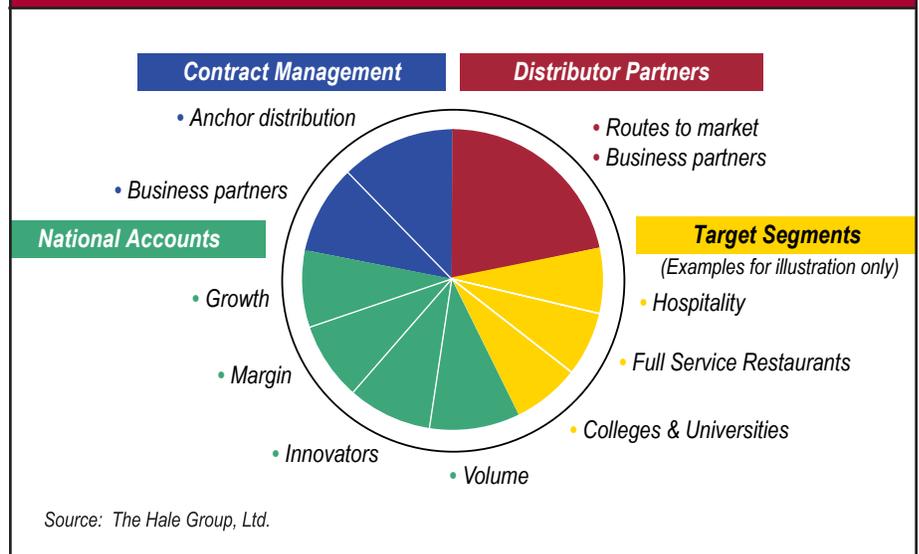
William C. Hale and William P. Mason

Not all customers are created equally; therefore, customer portfolio development is a strategy to manage risk and reward.

Last year we published a white paper entitled, "A New Era Emerging in Foodservice: Outside-In" which discussed the importance of developing a balanced customer portfolio as a way to sustain and grow your business. The key element is a customer-based approach versus setting a strategy internally that may not attract the right mix of customers to your organization.

Given current market conditions and the changing foodservice landscape, we believe a strong customer portfolio is a major strategic asset and a key component to sustaining long-term growth. We have developed a process for creating a balanced, value-producing portfolio.

Sample Balanced Customer Portfolio



Step 1: Understanding Current Customer Portfolio

The first step is an analysis to understand exactly what your customer portfolio consists of today: why does it have this nature / characteristics and what is the potential of the portfolio? (Do not assume the organization understands what the existing composition of the portfolio looks like.)

❖ Understand the Who

- Who is in your customer portfolio today?
- What is the current mix of the portfolio?

❖ Understand the What, Why and Contribution

- What do these customers purchase from you and why?
- What value does each customer generate, i.e., margin, contribution, etc.?
- Why are customers not buying a broader product portfolio from you?

❖ Understand the Potential of Existing Customers

- What is the potential of your existing portfolio?
- What is the customer's long-term strategy and potential value to your organization?

Step 2: Determine the Ideal Customer Portfolio and Utilize Prioritization Tool

The second step involves determining the ideal balance for your customer portfolio with high priority on current customers and a proactive customer acquisition process. In order to determine the ideal customer portfolio, you need to:

❖ Determine your intellectual property strengths and economic business model requirements.

- What do you offer that has real sustainable value to you and to your customers? With that in mind, which customers fit best?
- What does the business model demand in terms of volume, margin, operational run-size, etc.?

- What does the ideal balanced customer portfolio look like for your business?

❖ Construct the customer and segment evaluation criteria that will generate a balanced portfolio.

- Based on the organization's strengths and needs, what are the criteria for selecting customers?
- Can you deliver real value at prices and margins that fit both your and the customer's needs?

Step 3: Building the Ideal Customer Portfolio

The third step in portfolio development is re-engaging and redirecting collaborative sales and marketing efforts to ensure their alignment with high-potential customers in your current portfolio, and identifying customer acquisition priorities to fill the gaps in the portfolio.

❖ Define the Focus

- Which of your current customers have the greatest potential long term?
- What account development proposition will assist you and your customers to exploit mutual opportunities?
- Which customers are to be targeted for acquisition and added to your customer portfolio?

❖ Identify Where to Start

- Build a better and deeper knowledge of your customers' relevant strategies going forward. Move from understanding your customers to knowing your customers.

“During an industry's growth phase, win by participation; in a maturing market, win by selection.”

- Through open information architecture, share the customer's vision with your organization so others can appreciate the customer's direction and platform for success and fully participate in developing these relationships.
- Build-out targeted customer acquisition plans.

❖ **Understand the Requirements**

- The sales force in collaboration with marketing and customer service must be highly competent at extracting information and insights from customers and translating that back to the organization so a relevant response (product, solution, concept, etc.) can be constructed.
 - This requires sales having the right tool kit and skill sets to listen, understand and build customer knowledge.
- A team approach to high potential customers to include but not be limited to: sales, marketing, culinary, technology and supply chain experts.
 - Building account development plans that are mutually agreed to by the team and customer.

❖ **Consistent, directed and measured execution**

- Allocate resources appropriately
- Stay focused
- Utilize a structured approach
- Measure activities, inputs and results

As the foodservice industry enters a more mature phase in its lifecycle, the customer, as a key asset, grows in importance. Responses to customers start with defining their priorities, targeted activities, organizational versus individual responses, and measurement. The bulk of the business development efforts (sales and marketing) going forward is more about account development and highly targeted new customer acquisitions.

The market's structural change is real and needs to be addressed. We urge you and your organizations to understand where the industry has been, recognize its likely path in the future, evaluate your current position and fit, and then, act on the future. Successful companies of the future are those that recognize the changes and act in ways that exploit the new reality. Start with your customer portfolio.

For more information on customer portfolio analysis and development or other growth strategies, please call us at 800-229-4253 (Boston), 415-285-3616 (San Francisco) or by email at hale@halegroup.com. Please also visit our website to download other articles on emerging issues and opportunities at www.halegroup.com.

Step 4: Execution to Achieve a Balanced Value-Producing Portfolio

The fourth step is the execution of customer / segment plans with an integrated business approach.

