***Team meetings: Who are our best customers?***

Many teams exist to serve the customer. Quite right too: it’s the final customer who pays the bills that cover our costs.

But we know that there are customers and customers. Some customers are better than other customers. And in many businesses – however much we try and give every customer the same level of service – we tend to jump higher and faster for our best customers.

So who are our best customers?

That’s an interesting question to discuss in a team meeting!

**The biggest customer?**

In many businesses, when you ask “Who are our 5 best customers?” people will respond with the 5 customers that we have the highest sales with.

But these are our biggest customers, not necessarily our best customers.

So try the next question.

**Which 5 customers do we make most profit from?**

This might include some of the customers in the previous list, but it rarely produces an identical list.

We don’t want to make sales, we want to make profitable sales. As a trained accountant now running my own business, I know that any fool can sell. If I drop my prices low enough I can fill my diary with paying customers. But I won’t make much money – if any! I have massive admiration for those sales people who can generate better than average sales volumes, at a premium price.

If we give our best service to our biggest customers rather than our most profitable customers, we risk losing those highly profitable customers.

**Which 5 customers pay most slowly?**

We don’t want to just make profitable sales, we want to be paid on time for profitable sales. The customers who always pay on time are gold dust. We want to treasure and keep those customers! Most businesses that fail, fail because of cashflow problems, and the most common cause of cashflow problems is late paying customers.

**Who’s our most dangerous customer?**

Not all businesses ask this question! But the most dangerous customer is the big customer, that we don’t make much profit from, and who consistently pays slowly.

They tie up our time and resources, because they’re a big customer, but we make little profit from all that work (so we can’t do work for more profitable customers). And they give us cashflow problems. And – because they’re a major customer – they get the best service!

**So who are our 5 best customers, and what do we do about that?**

Our 5 best customers will be high on the list of our most profitable customers. And they’ll pay their invoices quickly. They’re helping our profit and helping our cashflow.

Once we’ve identified these customers, how do we ensure we get more work from them, and how do we ensure they get the level of service that means they never even contemplate going elsewhere?

**What do you need to do to make this work as a team meeting?**

You’ll need to do a little preparation for this. Finance can probably provide most of the information you need.

It’s easy to get information about sales, so knowing your company’s biggest customers is straightforward. In a multi department business, finding out your department’s sales to its customers shouldn’t be too difficult.

Information about speed of payment is usually quite easy too. Finance should be able to produce an “aged debtor list”. This lists all customers’ outstanding amounts, and shows how old, or how overdue, each invoice is. Both views are useful: if two customers both pay 30 days late, the more dangerous one is that which has already agreed payment terms of 90 days, and still pays 30 days later than that!

Some Finance departments might struggle with customer profitability. It depends how easy it is to allocate costs to specific customers. But once Finance understand what you’re trying to achieve and why, they’ll probably be quite happy to help you with this one, even if they only end up with a rough guide to profitability. A rough guide is better than no guide at all!