

# Classifying Customers and Identify Profit Centers for your Business

By Justin Hitt

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Justin Hitt  
Justin.Hitt@hittpansophism.com

Center for Strategic Relations <http://www.justinhitt.com/>

By grouping and mapping out the relationships you have with your customers, you can do more to finding profit centers in your business than anything else. This exercise will go a long way to demonstrate to you that not all customers are created equally; in fact, some are much more profitable than others are. We will touch on reasons why you should classify customers, how to describe your supply chain, ways to define customers, and finally how to map your distribution channels.

Classifying customers is very important to identifying profit centers in your business because classifications help target prospects for sales, determines how different customers respond to your marketing, and helps you anticipate their future needs. Through better targeting, you extend your reach, increase your closing ratios, and help target buying customers with your sales efforts. Customers do not all respond the same to marketing, but knowing the appropriate triggers and channels of distribution will help you customize your marketing for maximum results. As you group your customers, notice places where your product wears out or needs to be replaced, these areas reveal possible service options and influencers of new purchases.

In describing your supply chain, outline who is involved in supporting the customer, whether it is a distributor-reseller-customer relationship or a hybrid system, and ask several critical questions that will produce clarity in this process. Using simple diagrams outline each of the individual organizations involved in providing services to your customers, will highlight opportunities for teamwork and improved communications. You may find a traditional supply chain supports your product, look at ways to grow or improve the demand of your product through others. Create ideas from whatever type of supply chain you have by asking some critical questions; Who supports the customer? What do they do? Why does the customer go to them?

The information gathered to this point contributes to defining your customers, including where they are located on the supply chain, what are their reasons for purchase/expectations, and where can you reduce your costs. Think about the different types of customers, how you reach them, and to whom they interact with in your supply chain. Additional sales opportunities arise when you look at the usage of your product and the importance of it to your customer; these areas further refine your classifications. Finally, look at ways you can reduce costs by making it easier to acquire your product, increase your value or your support abilities.

Bring all this information together by mapping your distribution channels; start by outlining the relationships between partners and customers, then define how your customer get your products, and lastly any customer interaction points inside this system. Using a simple workflow diagram

bring together your supply chain and customer category information to produce a single simple drawing. This drawing describes how the customer gets your products including key players, delivery methods, and each categories preferred method of acquisition. Another useful tool will be to clarify customer interaction points, which are, any communications between your customer and your organization – it is a means to gather additional usage information, and in many cases develop new sales opportunities.

In a couple of brainstorming sessions you could easily classify customers, describe your supply chain, and create a high level view of who your customers are in respect to the distribution of your product. Study this information looking for new ways to sell and service your customer. Have fun with it, talk with customers, gather accurate information, and your profits will reflect your efforts.

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Justin Hitt, a management consultant specializing in strategic relations. Helping executive build stronger relationships that increase their profits. Learn more by visiting <http://www.justinhitt.com/>

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