Protecting Your Good Accounts From The Competition

by **DAVE KAHLE**

We all know the feeling. Your key contact in one of your good accounts sheepishly admits that they have moved some business to a competitor. No problem with your service, it was just a price issue.

Nothing is more discouraging. You've spent years developing this account, building relationships, working hard at meeting their needs, and then, in the blink of an eye, you lose the business to a price-cutter.

Is there anything you can do to prevent this? Of course. Here are proven strategies that will help you prevent your hard-earned business from disappearing into the hands of price-cutting competition.

Develop Relationships

Deepen your personal relationships with the key decision makers. It is really difficult, though not impossible, for your friends to take the business away from you. So, turn the key decision makers into your friends.

Don't rely just on the business aspect of your relationship, no matter how sound, to see you through. Make it a point to develop personal relationships with the key people. Try to spend time with them socially. Take them to a ball game, a concert, golfing or fishing. Spend one-on-one time with them outside of the work environment. Arrange to have them meet your spouse and family. Get to know them more deeply than you would normally.

These efforts to turn them from business acquaintances to personal friends is almost never wasted. As the relationship grows, the natural tendency to keep doing business with you grows proportionately.

Resolve Lingering Issues

Close any open doors that may exist in the account.

When I'm coaching salespeople on how to get their foot in the door of an account that is in the hands of the competition, I have them look for open doors. "Open doors" are lingering issues that make you, the established vendor, vulnerable to the competition, and that are within your capability to close.

When you are on the inside trying to protect your business, you need to make sure there are no open doors for your competitors. For example, you may have a pile of returns that are sitting on the account's shipping dock waiting for a return authorization from you. It may not be a big deal to you, but from the perspective of a competitor salesperson, it may be an example of your lack of attention to that account. And that can be a little opening into which a competitor can wedge themselves.

Make sure you take care of any lingering service-type issues that could serve as an opening for the competition. Lingering invoice problems, ignored back orders, promises made that haven't been kept — all these are potential open doors for your competition. Clean them up.

Another open door has to do

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with your keeping the account up-to-date on the latest products and services. Ensure that the account is aware of all the product updates and innovations for the things you are supplying. For example, the account may have bought some machines from you. In the last six months, the machine maker has introduced some updates to get greater productivity out of those machines.

You make sure that you have communicated that option to your key contacts. That prevents the competition from being the source of information about something that you should have communicated to your customer. If that happens, it makes you look bad, and opens the door for the competitor.

The largest open door, however, is pricing. If this is a good account, they probably have been doing business with you for a while. And since they have been doing business for a few years, it's entirely possible that you have allowed the prices on some products to rise above market levels. In fact, it may be that you are getting significantly higher than market prices on several products. That can be an open door if your competition decides to attack it. You may be better served in the long run to discreetly and strategically lower your prices on those items that are head and shoulders above market rates.

Business Reviews

Conduct regular "business reviews." Gather all the computer printouts your IT person can produce for this account. Put them inside a three-ring binder. Make a cover with the account's name and logo on the front. Then, schedule a meeting with your key contact and his/her boss, yourself and your manager. Go through all the reports, describing your service levels, how many SKUs they are buying from you compared to last year, their payment history, etc. Then, all four of you go out to lunch together.

This regular (at least twice a year) business review establishes you in the minds of your customer as a cut above just another vendor. You are willing to measure and disclose your performance and to talk frankly about the business relationship. You become more of a consultant in the eyes of the customer. That's certainly worth a few percentage points.

A Bundled Contract

Your good account is probably buying multiple products from you. Probably, over the years, each of those products has been evaluated and selected on its own basis, without regard to other things that the account is buying from you. Now is the time to change that.

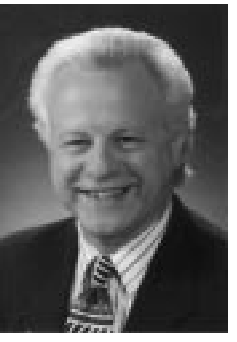
Propose a "bundled" contract to the account. It looks something like this: You'll agree to rebate some percentage (3 to 5 percent) of the increase in the total dollars of purchases when compared to last year. This accounting takes place at the end of the year.

Here's an example. Smith Brothers, your good account, did $200,000 with you last year. You offer a 4-percent rebate on the increase in purchases. As a result, this year Smith Brothers does $250,000 with you, adding five new SKUs. Your rebate is on the $50,000. Calculated at 4 percent, you give them a check for $2,000. Your 4-percent rebate is really eight-tenths of a percent (.008 percent) of the entire business. Well worth it in the long run.

Not only does this encourage the customer to work with you to find additional opportunities, it also locks up the business you have. Now, if the account was to switch some portion of the total business, it will impact their ability to receive that check at the end of the year. You have effectively locked up the business, protecting it from a price-cutting competitor.

While none of these strategies are guaranteed, they each have their place and customers for whom they will be effective. It's always easier to prevent the loss of business to a price-cutter than it is to regain it after the fact.

Use any of these strategies and you will have enhanced your ability to protect your good accounts from the competition. ❒



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