

UPDATED
VERSION

IDENTIFYING YOUR IDEAL CUSTOMERS



Three-quarters of buying decisions go to the vendor that first helped the customer shape their vision of a solution

FORRESTER

IDENTIFYING YOUR IDEAL CUSTOMERS

If your organisation is primarily involved in high-value, complex and lengthy B2B sales cycles, it's critically important that your marketing and sales efforts are precisely targeted on the issues, organisations and stakeholders that are most likely to turn into long-term profitable customers. The cost of investing in opportunities that are unlikely to go anywhere is simply too high.

In our experience, one of the key factors that separates today's top performing B2B sales organisations from their less effective competitors is their ability to consistently target the right opportunities together with the discipline to qualify out the ones they are unlikely to win.

Establishing a clear "ideal customer profile" is the critical first step in ensuring that marketers spend their demand generation budgets wisely and sales people invest their prospecting and selling time effectively.

It's all about focus and disciplined execution. It's self-evidently wasteful and distracting to allow our sales and marketing teams to squander their resources in the fruitless pursuit of "prospects" that are never likely to buy from us or if they did, are never likely to be profitable.

But that's exactly what can happen (and usually does) when organisations fail to achieve a company-wide consensus about what an "ideal customer" looks like.

There's a wealth of evidence to prove that sales and marketing teams who establish clear agreement about the issues, organisations and stakeholder types that define their ideal customers are far more effective in building quality pipelines and in converting qualified opportunities into revenue.

But - as you'll learn in the next few pages - traditional demographic approaches to market segmentation and targeting are entirely inadequate to reflect modern buying behaviours or to deal with the increasingly complex world of B2B sales.

This guide reveals a series of simple, practical and well-proven principles that will allow every B2B-focused sales and marketing organisation to systematically define their ideal customer profiles for each of their primary markets - and identify the "sweet spots" where their best opportunities lie...

KEYS TO SUCCESSFUL SEGMENTATION

A broad-brush approach will not lead you to the most lucrative hot spots and could leave you wasting resources where growth is significantly below average

McKINSEY

The demographic factors of size, sector and location have provided the traditional foundation for market segmentation, but progressive B2B sales and marketing organisations have realised that they represent an increasingly inadequate and incomplete approach to defining where their most promising market opportunities are to be found.

That's why we recommend - in addition to thinking about these basic demographic dimensions - that you pay careful attention to the structural, behavioural and situational characteristics that differentiate your most attractive customers and prospects from the rest - and are often far more important qualifiers.

And as well as thinking about organisational characteristics, we also need to consider the people sponsoring the project. What job titles and roles are most likely to not only recognise the opportunity but also - and this is critically important - have the motivation and the authority to mobilise the change process?

One way of starting the process is by identifying the subset of your existing customers and prospects that best reflect the types of organisations you most want to do business with in the future. What are their common characteristics of these organisations - and what are the factors that set them apart from other less attractive customers and prospects?

And what about those customers and prospects that you know will never make it onto your "most valuable customer" list? The ones that your sales people are not inclined to follow up with? The ones that cost more to serve than they generate in revenue? What are the common characteristics of these less attractive organisations? Where are the most obvious points of difference between the attractive and unattractive groups?

The specific positive and negative factors will invariably differ from one target market to another, but it would be very unusual if your most valuable customers and most promising prospects in each given market did not share a number of important common characteristics. These can and should provide the basis for your ideal customer profiling.

By the way, "most valuable" isn't just about the revenue they have generated to date. It's equally as important to project their future revenue impact - not just in terms of how much they will spend directly with you, but also their influence in persuading other organisations to do business with you...

Demographics can help to define populations, but they cannot predict how markets are likely to behave

RICHARD CURRIER
PARK CITY MARKETING

DEMOGRAPHIC CONSIDERATIONS

Despite their manifest limitations, the traditional demographic factors of size, sector and location remain a reasonable place to start your segmentation journey. Here are some of the most significant considerations:

Company size

Company size parameters are primarily related to the target organisation's revenue and/or headcount figures. What is the minimum annual revenue you typically choose to target? Is there a maximum revenue above which you find it hard to do business? What about the trend? Do you do best with fast-growing companies, or steady performers? And where is the "sweet spot" revenue range within which you have the best chance of doing profitable business?

Employee size parameters can either reflect overall headcount or the headcount within a particular function. For example, if you are selling a CRM solution, sales headcount might be the key factor rather than the overall number of employees. As with revenue, are there maximum and minimum values outside of which you find it hard to do profitable business? And where is your employee size "sweet spot"?

Sector

Sector is typically expressed as one or a number of industry types (such as manufacturing, distribution, financial services or healthcare) or business functions (such as sales, marketing or finance), or a combination of the two. The high-level business model (B2B vs. B2C vs. mixed) can also be an important factor. Which sectors should you include? Which sectors should you exclude? And where is your sector "sweet spot"?

Location

Location is typically expressed as a combination of the HQ location and the overall geographical footprint of the target organisation. Depending on whether the target organisation is centralised or decentralised, headquarters location can often play a significant part in your ability to do business with them. Taking both headquarters location and trading footprint into account, which geographies should you target? Which should you avoid? And where is your geographical "sweet spot"?

STRUCTURAL CONSIDERATIONS

To thrive in today's fragmented marketplace, you first have to admit that relying on demographics and traditional segmentation no longer works

ERIC HOLTZCLAW
CEO - USER INSIGHT

Structural factors can be either internal or external, and are mostly questions of fact rather than opinion. These factors are concerned with issues such as how the potential prospect is organised internally, what internal systems they have in place and how they are positioned within their market.

Here are some common examples of important structural considerations:

- Ultimate ownership - are they independent or a subsidiary of a bigger group?
- Position in market - are they the market leader, the leading challenger, a key player or an also-ran?
- How is the organisation managed - is it highly centralised, or widely decentralised?
- What competitive systems have already been installed?
- What complementary systems have already been installed?
- What is their primary growth strategy - organic or acquisitive?
- Are they committed to key management philosophies such as Lean 6 Sigma?

Once again, you'll want to base the specific structural factors that are relevant to you on a careful assessment of the common characteristics of your most valuable current customers and prospects.

These structural indicators tend to change relatively slowly over time, and are therefore good indicators of which types of organisations are likely to represent your best long-term prospects. Even if there is no opportunity today, they are the factors that predict whether there is likely to be potential to do business in the future.

But unlike demographic factors, which often reflect a position on a continuous numerical scale, structural factors are often binary. The presence or absence of the characteristic is likely to either indicate that the organisation has the potential to fall into your "sweet spot" or suggest that the organisation may not be worth targeting.

For these reasons, carefully investigating the structural characteristics of organisations that appear promising from an initial demographic perspective is a highly valuable exercise, and a key element in refining your ideal customer profile...

Your chances of selling a SaaS based solution are dramatically increased if the prospect has already embraced cloud-based computing

INFLEXION-POINT
ORIGINAL RESEARCH

BEHAVIOURAL CONSIDERATIONS

Behavioural factors can also be either internal or external, but are more often issues of judgement, observation or informed supposition rather than hard fact. These factors are concerned with how the organisation behaves when it comes to things like their decision making style, their relationship with vendors, their appetite for innovation and their role in their markets.

Here are some common examples of significant behavioural factors:

- Decision making process - where does the real power lie - with operations, finance, IT or procurement?
- Do they seem to be more motivated by creating value or by cutting cost?
- How do they measure and reward the performance of their managers and staff?
- What's their appetite for innovation - are they an early adopter, fast follower, pragmatist or laggard?
- Attitude towards vendors - do they have a track record of buying from early-stage specialists or do they tend to only buy from the established brands?
- Do they have a preferred vendor policy and if so, what does it take for a new vendor to be accepted?
- Influence in their market - are they seen as a trendsetter or a follower?

These behavioural factors are often more subtle - and harder to evaluate - than the organisation's demographic or structural characteristics, but as any top performing sales person will tell you, the cultural alignment between prospect and vendor can make a significant difference to your chances of doing business with the organisation.

For example, if you're selling an innovative SaaS-based solution, you are likely to have much more success with organisations that have already invested in cloud-based technologies than ones that continue to have a resolutely conservative approach to technology adoption.

This is just one of many examples of how vendors can learn a great deal about a prospect's future potential from their past behaviours - and why the effort involved in researching key behavioural characteristics has a valuable payoff.

Remember, it's not just about what prospects might say to your sales people - it's about how they have been proven to behave...

80% of buying decisions involve a VP at some stage, but only 10% of CRM opportunities include an engaged VP

CORPORATE VISIONS

MOBILISERS

As your sales campaign unfolds, you will inevitably have to engage with multiple stakeholders as the customer's buying decision process evolves. But it's critically important that you target your initial campaigns at people that are capable of recognising the issue, acknowledging its impact and having the motivation and authority to do something about it.

You need to be deliberately targeting what the authors of "The Challenger Sale" refer to as mobilisers. Mobilisers may not always be the sole final decision authority - but they are capable of organising a "coalition of the willing" that can come together to drive the change management process.

These mobilisers - typically senior line of business executives within the customer, often at VP/Director level - are personally impacted by the issue, and provide the moving force inside the customer behind successful buying decisions.

Even when they are not the ultimate budget creator, mobilisers are senior enough and have the persuasive ability and political skill to find money for critical initiatives - if necessary by diverting existing funds away from less compelling projects.

You need to understand what job titles, roles and responsibilities these mobilisers typically hold within your ideal target customer organisations. Equally important, you need to understand their typical issues, concerns, priorities and motivations.

You need to understand what information sources they trust and who they turn to for advice. You need to understand what professional bodies they are likely to join, what publications they are likely to read, and what websites they are likely to visit.

Marketers sometimes refer to these profiles as "buyer personas" but you need to ensure that your profiles aren't just about how to identify and reach these mobilisers - you also need to know how to engage with them throughout the sales process.

Once again, your best starting point when developing these profiles is to review your existing customer base. Who were your mobilising sponsors? What were their common characteristics? What can you learn from them about how to recognise and engage with their peers in new customers?

You also - crucially - need to be aware of the danger of "false positive" responses from enthusiastic but ultimately powerless contacts...

You are five times more likely to close the sale when you have the right timing

CRAIG ELIAS
SHIFT SELLING

SITUATIONAL CONSIDERATIONS

Situational factors are events or trends that have an impact on the prospect's current environment. They reflect important recent changes in circumstance - whether internal or external - that cause key stakeholders inside the prospect to recognise that the status quo may no longer be sustainable, and stimulate the recognition that they need to start evaluating new approaches. They are often referred to as "trigger events".

Here are some common examples of high-impact trigger events:

- A recent change in senior management (resulting in a new potential mobiliser)
- A recent or upcoming change in corporate ownership (acquiring or being acquired)
- A significant new investment round
- Significant new corporate initiatives, high-profile product launches or change programmes
- Externally imposed legislation or regulation
- Expansion into new product areas, geographies, etc.
- Significant sales recruitment or channel expansion programmes
- Significant recent changes in their market, competitive landscape or go-to-market-strategy

Demographic, structural and behavioural insights can tell you whether an organisation is a worthwhile long-term sales prospect: situational factors indicate whether that organisation is likely to have an active or latent need that you are in a position to satisfy today.

These situational factors act as catalysts for change: they upset the status quo, and draw your prospect's attention to the idea that whatever they have been doing to date may not be good enough to enable them to face the future with confidence.

The full impact of the situational change may not be immediately obvious to the prospect: but sales people who are able to use the trigger event as a reason to engage can then earn the opportunity to introduce unconsidered needs or underestimated consequences and shape the prospect's agenda.

Early engagement is critical: Forrester Research concluded that three-quarters of buying decisions went to the vendor that first helped them shape their vision of a solution...

Sweet spot: an optimum point or combination of factors or qualities

THE OXFORD
ENGLISH DICTIONARY

BUILDING ON WHAT YOU ALREADY KNOW

If you tap into the collective experience of your colleagues, you'll inevitably discover that you know more than you think about these key characteristics. One of the best ways to start is with a list of the organisations that your colleagues believe best represent your "ideal customers".

You can learn a lot from bringing together the people who best understand these customers and prospects, explaining the difference between demographic, structural, behavioural, mobilising and situational factors and getting them to brainstorm the common characteristics. We can help to facilitate the session and ensure that all the information is captured.

Sales clearly has a key contribution to make here, but don't forget your senior executives and your pre-sales, consulting and customer support teams - these groups are also capable of coming up with some fascinating insights. Capture everything you hear, but be sure to identify and rank the most important factors in each category.

Win/Loss reports can also provide invaluable insights: what are the common demographic, structural, behavioural and situational differences and access to mobilisers between the deals you win and the deals you lose? If you can't identify any patterns it's almost certainly because you have incomplete information.

You'll want to create at least one key target organisation profile for each of your key solution offerings. If your research suggests that you have more than one "sweet spot" in a given market, it's worth creating separate profiles for each of these clusters - but don't get carried away and over-refine your segmentation. 2-3 sweet spots are normally sufficient to define each key market.

These profiles need to be living documents - we recommend that you regularly review, re-test and where necessary refine your findings. Perhaps most important of all, you need to embed the findings into your day-to-day sales and marketing activities - for example, into opportunity qualification checklists.

Your goal should be to come up with a simple but effective profile that can be summarised on a single page. You can see examples of both tabular and narrative profiles on the next two pages - it's often useful to create both formats, because different people frequently prefer to consume similar information in different ways...

SAMPLE IDEAL CUSTOMER PROFILE - TABULAR EXAMPLE

TYPE	SUB-FACTOR	IDEAL	ACCEPTABLE	QUALIFY OUT
SIZE	# SALES PEOPLE	5-50	3-4 OR >50	<3
	ANNUAL REVENUE	£5-50m	£1-5m OR >£50m	<£1m
	REVENUE GROWTH	HIGH DOUBLE DIGIT	LOW DOUBLE DIGIT	FLAT OR DECLINING
SECTOR	INDUSTRY	SOFTWARE/SaaS	TECH-BASED	LOW OR NO TECH
	MODEL	COMPLEX B2B	B2B	B2C
LOCATION	HQ LOCATION	SE ENGLAND	UK, EMEA, US (EAST)	OTHER LOCATIONS
STRUCTURAL	CRM PLATFORM	SALESFORCE.COM	OTHER CRM	NO CRM
	INVESTOR IN SALES IT?	HIGH	MODERATE	LOW
	FUNDING	WELL-FUNDED	ADEQUATE	UNDER-FUNDED
	REPLICABLE SOLUTION?	HIGHLY REPLICABLE	SEMI REPLICABLE	CUSTOM
	SALES MODEL	HIGH-TOUCH	MIXED	TRANSACTIONAL
	MARKET	HIGH GROWTH	LOW GROWTH	DECLINING
	DECISION MAKING UNIT	LOCAL	REMOTE UK	REMOTE OVERSEAS
BEHAVIOURAL	SALES CULTURE	INTELLIGENCE-LED	THOUGHTFUL	RELY ON HEROICS
	APPETITE FOR INNOVATION	EARLY ADOPTER	PRAGMATIST	LAGGARD
	RESPECT FOR PROCESS	HIGH	REASONABLE	LITTLE OR NONE
	FOCUS ON NEW BUSINESS	VERY HIGH	BALANCED	LOW
MOBILISERS	WHO IS DRIVING THE PROJECT?	CEO OR COO DRIVING THE PROJECT	HEAD OF SALES DRIVING	ANYONE ELSE DRIVING
SITUATIONAL	NEW APPOINTMENT	CEO/HEAD OF SALES	N/A	N/A
	KEY INITIATIVES	MARKET EXPANSION NEW PRODUCT INTRO REVENUE GROWTH	N/A	COST REDUCTION
	SALES HEADCOUNT	GROWING FAST	GROWING	FLAT/DECLINING
	COMPETITIVE PRESSURE	INCREASING	N/A	DECLINING
	M&A	RECENT ACQUIRER	N/A	RECENTLY ACQUIRED
	INVESTMENT	RECENT ROUND	N/A	N/A

[BTW, THIS IS INFLEXION-POINT'S OWN IDEAL CUSTOMER PROFILE]

Demographic (SIZE, SECTOR and LOCATION), STRUCTURAL and BEHAVIOURAL characteristics determine the **long-term attractiveness of the customer**. Each factor is associated with "IDEAL", "ACCEPTABLE" and "QUALIFY OUT" values. It is not necessary for every prospective customer to tick all the "IDEAL" boxes, but the more the better. A single tick in any of the "QUALIFY OUT" boxes may be enough to disqualify the prospect completely from any further focus.

SITUATIONAL characteristics determine the likelihood that the customer might be ready to engage in an active buying cycle. A single "IDEAL" event may be enough to trigger the customer's interest - equally, a single "QUALIFY OUT" event may be enough to remove the prospect from active consideration. And, of course, we need to target and engage the right MOBILISERS...

SAMPLE IDEAL CUSTOMER PROFILE - NARRATIVE EXAMPLE

This example is taken from our own "Ideal Customer Profile" - how closely do you match the criteria?

Our Ideal Customers

Our ideal customers tend to employ 5-50 sales people, or are fast-growth well-funded smaller companies or the entrepreneurial business units of more established brands.

They have a B2B focus and complex and lengthy sales cycles that involve multiple stakeholders. Many come from the software/SaaS sector - all are tech-based in one way or another.

They are either headquartered in the HQ or have autonomous local decision-making authority. They are growing quickly, well-funded and prepared to invest in IT to support sales.

They offer replicable solutions that solve similar business problems for a well-defined and expanding target market, and a high-touch sales model that depends on direct interaction with the customer. A significant part of their revenue depends on new business wins.

Our typical mobilisers are the CEO, COO or Head of Sales. They have recognised that, no matter how well they are doing at the moment, there still remains significant room for improvement.

They are open to new ideas and fresh thinking, and they have a healthy respect for process. They are prepared to invest time, energy and money in performance improvement initiatives. They have recognised that simply sending sales people on more training will not drive the desired change.

The catalyst for change can come in the form of a new senior hire, from market expansion, new product launch or revenue growth initiatives, from increased competitive pressure, from M&A or new investment, or simply from a rapid growth in sales headcount.

Where we qualify out

We have no value to offer organisations with a low-complexity B2B or B2C sales models. We qualify out prospective customers that are poorly-funded, unambitious, satisfied with the status quo or continue to believe that sales heroics will always win the day. We expect to work with strategy-makers and will qualify out early if a prospective sponsor appears to lack the authority to drive the change process within their organisation.

PUTTING THESE PRINCIPLES INTO PRACTICE

We hope we've persuaded you that there is a compelling case for creating ideal customer profiles - and as we've already suggested, the best way to start to develop these profiles is by bringing together the group of people who know most about your most valuable existing customers and prospects.

These exercises are usually far more effective if they are externally facilitated. It's a process we are very familiar with - if you'd like to learn more about how we might be able to help, please get in touch using the contact details below.

ABOUT INFLEXION-POINT

Based in Reading, UK, we work with ambitious B2B sales organisations to implement structured selling systems that enable them to progressively narrow the gap between their best sales people and the rest - shortening sales cycles, improving win rates, increasing deal values and driving predictable revenue growth.

Our clients are mostly B2B-focused growth-phase tech-based businesses employing 5-50 sales people, but we've also had a series of successful assignments with smaller fast-track well-funded start-ups as well as with the entrepreneurial business units of more established organisations.

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