

Hitting the Sweet Spot

by Paul O'Dea

Anyone who's ever played golf knows about the "sweet spot". It's that favoured spot on the clubface - hit the sweet spot and it feels good, you're in control of the ball, and that birdie is yours for the taking. If you don't hit that spot, it doesn't feel right, you spend your time hacking in the rough and before you know it you're in a bad patch.

In business terms, the sweet spot is where your target customers' needs fit with what's special about your product or service. In our experience the proverbial 80:20 rule applies to growing companies: 20 per cent of customers deliver 80 per cent of the profit. That 20 per cent is the sweet spot. To make growth happen, focus energy on finding your sweet spot. It will provide the clarity, focus and alignment that will help your company grow.

If you rush to execute, before making the right sweet spot decisions, you will waste time and valuable resources on the wrong customers. Like a golfer continually hacking out in the rough, you will expend a lot of energy but make little or no progress.

Customers outside the sweet spot inhibit growth and should be considered off-strategy. They make you put in effort where you have little hope of being the best.

No company has products or services that appeal to all. Concentrate on those customers whose needs match the unique value you offer. Winning companies know their sweet spot customers intimately, and continuously deliver better value than the competition. Their marketing becomes tailored to that sweet spot - customers almost see themselves and self-select.

A great example of a company that knows its sweet spot is consumer electronics company, Best Buy. Competing in a

IDEA IN BRIEF

Your sweet spot is where your target customers' needs fit with what's special about your product or service.

You will waste time and valuable resources on the wrong customers if you don't pursue your sweet spot.

Find an agreed process and discipline to identify which customers are sweet spot, as well as those who are off-strategy and it will help make growth happen.

fiercely competitive market, Best Buy stays focused on its sweet spot: 18-32 year old male gadget freaks, audiophiles and big-screen addicts who come to salivate over the newest electronic toys. Best Buy delivers a great shopper experience: no pushy sales folks and lots of cool items for shoppers to play with, even if they can't afford them right now. Their sweet spot customers reward them with loyalty and stellar profits.

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Like golf, finding the sweet spot is a continual battle. Sales, marketing, and production are continually pulling in different directions. Companies that succeed have an agreed process and discipline, driven by the CEO, to figure out their sweet spot.

IDEA IN ACTION

Look at the 20 per cent of customers who have been most profitable for you – why do they choose you over the competition?

What are the highest priorities of your sweet spot customers? Look at how you can tweak or gear your activities to meet these priorities?

Get sales, marketing, production & services together and use the profilers mentioned above to agree which prospects & customers are in your sweet spot and which are off strategy.

Put in place plans to grow your pipeline of sweet spot prospects, and to turn down business outside your sweet spot more often.

Profilers

 <p>Industry Segment Consider a combination of propensity to buy, relative profitability (to you) & competitive landscape. Include environmental factors example – for example, regulatory compliance.</p>	 <p>Business Discipline Product leadership, Customer intimacy, Operational excellence. If your product offers cost savings, customers who are focused on operational efficiency may be more suitable than ones focused on customer intimacy.</p>	 <p>Key Decision-Maker If your product requires a lot of behavioural change, then you need to be talking to a senior decision maker.</p>
 <p>Tendency to Adopt If your product is at an early stage in the market lifecycle you need a buyer prepared to take on that risk.</p>	 <p>Budget The budget (in financial and/or human resource terms) that a customer has for the business area to which your solution applies is a good indicator of the company's suitability as a target customer.</p>	 <p>Key Customer Need What is the one single requirement you want the customer to be focused on in the context of your solution? Is it process improvement? Cost savings? Convenience, etc?</p>

Use the six profilers identified above to help you find your sweet spot, as well as those who are off-strategy:

Discipline is required to avoid the temptation of taking on customers that do not meet your sweet spot. Time spent on solutions for off-strategy customers robs you of resources better spent focusing on opportunities within your sweet spot. However, opportunities outside your sweet spot will always arise, and while in an ideal world you would say no, sometimes, usually for cash reasons, you need to say yes. Tactics we would suggest to minimize the impact include:

Keep investing in your sweet spot and build a strong sales pipeline that gives you the confidence to say no more often to opportunities outside your sweet spot;

Price as high as you can, ensure you can make a good margin and construct payment terms carefully;
Allocate resources carefully; opportunities outside sweet spot deflect key resources. Outsource where you can;
Be honest with staff; explain to your team why you are moving outside sweet spot;
Keep very tight reins on your project management; bind the project scope tightly, put disciplines in place to prevent budget over-runs.
Evaluate the market opportunity carefully; this could be a new sweet spot you hadn't identified. There is always tension between the sweet spot you have today and getting yourself ready for the future;

As Lou Gestner, IBM's turnaround CEO, said: "A good portion of our success was due to all the deals we didn't do."



Select Strategies is a consultancy practice, which advises companies on how to make growth happen. In our series, *Growth Insights*, we look at some of the issues which accelerate or inhibit company growth. Some of these issues are dealt with in more depth in our book, *The Business Battlecard*. (Oaktree Press, 2009)

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