



Do You Really Need New Clients?



By Randy Shattuck

"So, if we can keep all of our current clients and add the new ones we've projected from our business development plan, I think 2010 will be a pretty decent year for us," she said. "We might even realize double-digit growth again for the first time in a long time."

For the previous hour I had listened intently as the vice president of business development explained how the right set of tactics would bring in the right new clients. I was pretty impressed with her comprehensive plan. She clearly had listened to the marketing gurus. Then it dawned on me to ask this all-important question:

"Can you not realize your growth goals without adding new clients?"

"How can we do that?" she asked.

Your Best New Client is an Old Client

As professional services (PS) firms struggle with the impact of this deep recession, it seems leaders at these companies have developed almost a singular focus—acquire new clients. When we talk to PS firm leaders, this seems to be nearly their only goal, almost to the exclusion of other important goals. The research we conducted earlier in 2009 demonstrates this.

We asked 207 PS executives what was most important to them:

- 95% said "acquiring new clients" was "very important" or "important"
- 92.9% said "retaining existing clients" was "very important" or "important"
- 90.4% said "generating leads" was "very important" or "important"

PS Executives' Top Three Concerns				
	Not Important	Somewhat Important	Important	Very Important
Acquiring New Clients	1.0%	4.0%	17.7%	77.3%
Retaining Existing Clients	2.5%	4.6%	22.3%	70.6%
Generating Leads	1.5%	8.1%	23.9%	66.5%

N = 199 Professional Services Executives.
Source: Professional Services Journal and The Shattuck Group study of 207 professional services leaders. 2009.

It may seem obvious to some that this emphasis on new clients, client retention, and lead generation is only

appropriate. After all, we are in the throes of the worst recession that today's working adults have ever witnessed. But I'm not convinced of that.

I'm concerned that many PS executives are obfuscating, and potentially substituting, "client acquisition" with "revenue generation." To me, the two are not one and the same. New clients often come with high risk and may not remain good clients over time. New clients are far more likely, in my experience, to negatively impact profitability and create management headaches. More often than not, existing clients are the best source of quick new revenue.

There is wisdom in the proverb that reads: "It's easier to sell something new to an existing client than it is to sell an existing service to a new client." Numerous research studies have shown that the cost of acquiring new clients is exorbitantly high and full of risk.

If generating new revenue streams is really the main goal and retaining existing clients is a business driver, can your firm accomplish both goals with one strategy? I think you can. Let's explore how to do that.

There's Gold in the Trends

The goal of this exercise is to rationalize the requirements for a new service that you can offer a substantial number of your clients, all while making a solid profit.

The first step in this process is to sit down with your top 5-10 clients and have an exploratory meeting. Ask them a broad range of questions about where they are experiencing successes and challenges. Keep an open mind, and try not to ask leading questions. Document the conversations and even record them if your clients will allow it.

Once you have the conversations documented, go over the interviews and try to identify a few common themes. What you are looking for during this exploratory process is a trend or two. In my experience, these themes typically arise in one of two ways: challenges a business is trying to address or opportunities they are trying to exploit. Often the business driver behind challenges is a desire to reduce costs or achieve certain levels of efficiency. But the business driver behind an opportunity is often growth or market expansion.

Once you identify a common theme or two, ask yourself how your firm is positioned to address the challenges and opportunities. Some key questions to ask:

- Which of these challenges or opportunities pose the greatest value to our clients?
- Which of these challenges or opportunities will our clients spend money on?
- How many clients are concerned with these challenges and opportunities? Is there truly a trend here, and can we sell this broadly?
- What would be our approach to solving these challenges or exploiting these opportunities?
- Can we really make a profit doing this?

Test the Waters

Once you have a good sense of which opportunities or challenges you want to address and how you would go about doing so, it's time to get some feedback from the market. This is where a friendly existing client is absolutely invaluable, especially when compared to a prospect who does not know you and will not likely give you the time of day unless there's something in it for him.

Schedule a follow-up call with a few clients and explain the potential new service to them. Remind them that they

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Acquire the Ideal Client, Not Just Any Client

have helped shape your thinking and key aspects of the new offering. This will give them a sense of ownership in the process and cause them to want to help you even more. During the meeting ask them these key questions:

- Does this new service we're thinking about offering interest you?
- Would you buy this service?
- Do you think other people with similar job responsibilities at other companies would buy this service?
- What value do you think you would realize from this service—reduced costs, increased productivity, improved profits, decreased time to market, etc.? Ask them to be as specific as possible.
- Here is the big question—how much would you expect to pay for this service?
- What deliverables would you expect to receive in exchange for this fee?

With this valuable information in hand, you are now ready to make a judgment call. Is this the right new service for you to offer and can it really impact revenue the way you want it to? Ultimately, only you can answer that question.

Package It Up

If you decide to offer the new service to your market, I recommend you use the information gathered in the discovery phase to package the presentation of the service. You can say things like "our clients have asked us to help them with..." or "we know you're looking for..." The more the offering appears to arise from client-defined objectives, the greater the likelihood that clients will buy it.

Two Birds, One Stone

I have seen strategies like this not only generate fantastic new revenue streams but also revitalize sagging relationships. When you come to an existing client with a new idea that helps them achieve an important goal, suddenly you are seen in a whole new light—a source of meaningful solutions. And isn't that the way we all want to be perceived?

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