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More Examples of Top Tier Clients

Attracting top-tier clients (those who pay top dollar for better products and services) to the exclusion of lower tier clients can be difficult to achieve and in some cases not necessary. Following are three examples of successful companies; two who attracted top-tier clients and one who attracted lower-tier clients. The first, Northwestern Mutual, was founded over 150 years ago and has been steadfast in its business model of developing long-term relationships with its clients, the policy owners, the field (reps) and the home office. Ed Zore, President and CEO, sums it up very clearly, “We don’t want to bring you on board by selling you at Wal-Mart prices. We bring you on board by saying we are going to give you a real fair long-term deal and a tremendous value”. For example, when the company introduced its first long-term care insurance product, it set a price that was substantially higher than its competitors. The sales reps complained (selling higher priced insurance is more difficult) but the company remained committed to its purpose. “We never wanted to reprice a product on an 85-year old woman about to go into a nursing home who had been paying premiums for 20 years”, said Zore. In fact, the long-term care insurers who hadn’t priced their products properly (i.e. attracted low tier clients) either passed premium increases onto their policy holders or left the field completely [*Selling Power* January/February 2008 pg. 56]. Pursuing top-tier clients by not offering cut-rate pricing has allowed the company to thrive for 150 years.

Nike is the second example. Projecting \$16 billion sales ending in May this year, it segments its market by *sport* rather than by *product* category (shoes, apparel, and gear such as golf clubs). This micromarketing attracts top-tier clients who will pay more than \$200 for a pair of sneakers rather than paying \$30 for the same quality sneaker selling at other retailers. To enhance its presence with top-tier clients it spends its marketing dollars on product research, star endorsements (Tiger Woods, LeBron James – basketball) and customer-centric endeavors rather than on mass marketing, resulting in huge margins.

As part of its micromarketing, last year it sold the Starter brand, which retails in Wal-Mart at discount prices, and bought Umbro, the Manchester, England manufacturer of soccer shoes and apparel. With the acquisition, Nike now has a *brand* that represents a sport; with Starter it had a brand that didn't represent *anything*, other than attracting low tier customers who paid discount prices. <http://www.forbes.com/sportsbusiness/forbes/2008/0211/082.html>

The third example, Wal-Mart, was cited by both Northwestern Mutual and Nike as the discount model. And with good reason. Wal-Mart is one of the most successful businesses ever established; its model is to offer price-conscious consumers good products at low prices, as exemplified by its mission statement, "To give ordinary folk the chance to buy the same thing as rich people". It's successful because it purchases merchandise from its suppliers at cut-rate prices and passes these savings along to its customers. It never wavered from its original mission of attracting bargain hunters by offering good products at low prices.

Thus are the stories of three successful companies, two who attract top-tier clients and one who attracts lower-tier clients. What about your company? Where does it stand on the client tier? Is it dedicated to serving price-conscious customers or top-tier clients? Does it spend its advertising dollars accordingly? Is this where it needs to be? Northwestern Mutual, Nike and Wal-Mart know the types of clients they want and focus all their energy on pursuing them. Can you say the same about your company? Learn more by contacting Veracorp. www.veracorp.biz