Harkins Associates

Strategic Sales and Marketing

The Importance of a Dual Strategy: Retention and New Client Acquisition

Some organizations see their referral development staff as responsible for calling on a large range and number of clients*, both existing and prospective clients, as well as potential "end users" or consumers. Others, narrow the focus to a few clients they want to win over to their facility. Sales can have tremendous direct impact for your organization on both retaining existing clients and in expanding your referral base with new clients. To have the fullest impact, you need a sales strategy for both retention and new business that targets key client groups.

**In the article we use the term "clients" to refer to referral sources, surgeons, or other "customers". You can replace the word "client" with physician, discharge planner, case manager, or local employers, etc. based on your specific service and target audience*.

Business Retention

Sales executives know that keeping current clients, which is easier and less costly than acquiring new clients, is vital to sustaining revenues. In addition, key clients, who in total can represent up to 80% of your business, are relatively small in number and are no doubt being pursued by competitors. So, for good reason, a well-informed strategy and sufficient human resources must be devoted to your business retention effort.

In sales, the business retention plan needs to support the overall business objectives for the facility or service line, and relate to the larger sales plan. It offers a review of client referrals, utilization and/or procedure history and patterns, criteria for prioritizing clients, and anticipated client needs by specialty. It also may consider internal measures, such as reimbursement rates, payor mix, capacity, etc. Based on all of these factors, the executive charged with sales sets a realistic retention rate. *Note: In most industries, we know an organization will lose between 5% and 20% of its customers each year, for a variety or reasons, some of which are out of your control. The goal of a retention plan is to minimize that loss by focusing on areas you can control*. Next, you identify the status of each current client, using your prioritizing criteria and determine your key strategies for deploying the sales staff to focus on the priority clients. You can adjust your goal retention rate based on further input from clients.

A subsequent critical task, which is easily overlooked, is to have your sales people develop a specific client strategy for each targeted client. Be aware that an effectively implemented client strategy can make the crucial difference between how your sales team and the competition are perceived and accepted by clients (Note: *More on a targeted client strategy in a future Newsletter).*

In a competitive and fast changing environment, your sales people need to be highly attuned to the referral and utilization behavior of your current clients and recognize that loyalty without unique value for the client doesn't exist. For example, in a hospital setting even the surgeon who says she is "with you" and "happy with your facility" may be vulnerable when approached about a JV on a freestanding surgicenter by a competitive facility or a for-profit development company. Your sales person needs to know first hand, which docs are open to that kind of outside inquiry, and be proactive in solidifying the surgeon's relationship with your hospital. Good sales people are proactive, not reactive. They are skilled in understanding – in this case - the physician's goals and challenges, and how to assure those issues are well managed relative to your health system. Sales people are the strategic frontline in the CEO's retention efforts, and when deployed effectively serve as the point person who knows how and when to appropriately draw on the facility's management resources, such as the CEO or Chief Medical Officer to keep a key physician committed to your facility.

The retention role also has responsibility for increasing utilization and identifying additional opportunity with current clients. Your retention goals should include revenue increases that come from increased utilization by current clients.

New Client Acquisition

Like retaining existing clients, pursuing new clients calls for a dedicated strategy that supports the organization's business objectives and ties to the sales plan. Client acquisition, which differs from client retention, involves more complex strategic considerations, the need for a variety of tactical approaches, and a longer view on expectations.

In terms of human resources, client acquisition requires a different set of selling skills than maintaining existing clients. In some cases, a sales person has both skill sets, in other cases sales people excel in one or the other. Depending on the innate capabilities of the individual, both skill sets can be learned. (*In a future article, we will share more on New Client Acquisition).*

To learn more about client acquisition and retention planning, contact Kathleen Harkins at: Kharkins@HarkinsAssociates.com.