

Price: £29.99

Special Report ...

**“How To Make More Profit
– Mini Guide For Small Businesses”**

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A young accountant dies. He immediately goes up to heaven (wishful thinking we know) and meets Peter.

Because Peter is an organised sort of Saint, he goes through the required details...

Peter: How old are you?

The accountant: 33

Peter: That's impossible!

The accountant: Why?

Peter: I have looked at your time sheets and examined the hours that your have charged your clients - by my reckoning you are at least 97!

Let's begin...

Section 1

Introduction

*“Will the people on the cheaper seats
clap your hands? All the rest of you,
if you’ll just rattle your jewellery”*

John Lennon 1940 –80:

at the Royal Variety Performance, 4 November 1963

Hello

And welcome to the Mini Guide on “**How To Make More Profit**”

It is specifically aimed at small businesses and based on proven ideas that work. The extent to which they work will largely depend on **you**.

But You must take **action**, not just read what follows. There are broadly 3 types of people...

- ✓ Those that **make** things happen.
- ✓ Those that **watch** things happen.
- ✓ Those that **wondered** what happened.

This report will only be of use to you if you make what is in it happen and apply the right methods to your particular small business.

A key principle in making more profit is the **KISS** principle – **Keep It Simple Stupid**, because it’s not complicated and a lot of it is staring you in the face and obvious but you just don’t do it.

Take the story of the matchbox company. Matchboxes had two striking sides and the top executives were trying to devise ways of reducing the production cost of the matchbox by changing the size, materials, etc of the striking strips. It was only a junior employee who suggested having just one striking strip. It’s obvious, it’s staring you in the face and it’s simple. So don’t complicate things unnecessarily.

This Profit Maximizer Report is designed to introduce you to what works before you spend tens of thousands of pounds and enormous amounts of time learning the lessons the hard way.

It's not large sums of money that are needed. Money of course, makes it easier but many successful business people would say "if all this was taken away from me tomorrow and I was left with no money, I could start over again and be a millionaire within 12 months". What is it they know?

The Opportunities Are There

There are lots of opportunities out there staring you in the face if you have the right mindset. You are in control of your business and investing in it can produce far greater returns than is possible through the stock market.

Often, there is a first group of people that never saw the opportunity and the second who did and took action on it. They are people looking for the breakthroughs and the opportunities rather than the problems that exist.

Think of these...

Lewis Crandal sold his half share in Woolworth's to Mr Woolworth for £1200.

Dominoes Pizza took an old idea of home delivery and applied it to pizzas.

Ray Croc a 51 year old salesman took over McDonalds from the McDonald brothers and completely revolutionised it.

Don't Worry About Mistakes

Everybody makes mistakes. Don't listen to those who say you'll learn from them. May be you will, may be you won't. After all, Henry Ford went bankrupt twice before becoming a success.

Don't worry about making mistakes if you want to succeed in business. You need to decide for yourself if you can live with failure knowing you tried your best. Is that not better than not to have tried at all? Many successful entrepreneurs believe it's better to have tried and failed than never have had the courage to try.

You need to take **action** and get started. Sure, you don't know everything but don't wait forever planning or you'll do nothing.

If you don't know about taxes, so what? There's no tax to worry about until you start making some money anyway.

And don't beat a dead horse. Recognise when something is not going to work, cut your losses and move on. There's no rule about you can only start one business in your lifetime. You have 365 new chances every year to accomplish your goals.

Read And Learn From Others

The most successful people have an insatiable **need** to know more, rather than defending what they already know. Read books, magazines, learn from others and continue to move forward. Try to learn something new everyday.

You can learn a lot from what other businesses are doing, especially those that are not in your industry. What ideas can you take from totally different types of businesses and apply them to yours. In sales, manufacturers tend to have used a field sales force, retailers use adverts and professional services use referrals but think how much more successful they could all be if they added methods from other businesses. Use the **principle of duality** by looking at other businesses. That's what we're doing in this report.

Fed Ex **copied** the banks method of clearing cheques overnight to develop an overnight package delivery service.

So look and learn from others. Adapt and adopt what you read here as it makes sense to you.

Follow The Success Formula

- ✓ **Believe** you can.
- ✓ Create the right **environment** at home and at work.
- ✓ **Enjoy** yourself.
- ✓ Expose yourself to what's new and keep **learning**.
- ✓ **Plan** what you're going to do.
- ✓ **Stick** at it.
- ✓ Be willing to take **risks**.
- ✓ Take **responsibility** for your actions.
- ✓ Take **action** – follow Nike's "just do it" slogan.

If you don't have any empathy for this type of approach, you will get far less out of this report.

The Importance Of Small Businesses

These are the statistics on small businesses in the UK provided by the Federation of Small Businesses...

- There are 3.95million small businesses in the UK.
- 97% of firms employ less than 20 people.
- 95% employ less than 5 people.
- Over 500,000 people start up their own business every year.
- Small firms employ more than 50 per cent of the private sector workforce.
- 12 million people work in small firms.
- Small firms contribute more than 50 per cent of the GDP - about £500billion.
- 90 per cent of commercial innovations come from small firms.
- Small firms collect and pay Tax, NICs, VAT and other dues that help pay for public services.

This shows just how important small businesses are and how much they contribute.

A small business could be a...

- Sole trader electrician working by himself.
- Home based business.
- Limited Company with 38 employees.

Most Government statistics seem to use **50 employees** as a measure of when a small business develops into a medium size business and it's probably fair to say that small businesses will get far more from this report as it's based on the ideas that work specifically for them. Clearly from the above there are variations within what is a small business and it's important to take the ideas that are right for your particular small business.

The Problems Of A Small Business

Of all the tens of thousands of people who still start a business of some sort...

- ✓ By the end of the first year, 40% will have failed.
- ✓ Within 3 years, 56% will have failed.
- ✓ Within 5 years, 76% will have failed.

Of those who go past 5 years, there's no guarantee they will survive the next 5 years.

So what are the common problems suffered by small businesses...

- ✓ The owners **work too hard** and for too many hours.
- ✓ **Personal** objectives of the owners such as hobbies and spending time with their family end up low down on the list of priorities.
- ✓ The owners spend too much time doing the day-to-day **technical** work rather than planning and managing the business.
- ✓ The owners don't know where their business is **going**.
- ✓ The owners don't understand that in order for a business to have a good sale value it must **work without them**.
- ✓ Many owners get **frustrated** and simply give up and go back to being an employee.
- ✓ The **rewards** don't match the **effort**.

They often face common problems in **managing** their business...

- ✓ No **consistency** in delivery of their product.
- ✓ Can't **depend** on their employees to get it right.
- ✓ They focus on **people** rather than **systems**, which creates problems when the people leave.

- ✓ Systems that are in place are **not documented** but in the head of the person who leaves.
- ✓ The **owner** ends up doing everything.
- ✓ Employees are not as diligent as the owners.
- ✓ The owner spends too much time filled up with other people's problems and administration.
- ✓ The owner always has to supervise and guide employees.
- ✓ They have no idea how they **compare** with other similar businesses and competitors with respect to financial performance or non-financial areas such as human resources, production, marketing, etc. They therefore don't know where there are areas for improvement.

With regards to **marketing** these are common problems for small businesses...

- ✓ It's done **ad hoc** rather than in a systematised way.
- ✓ They don't know **what** works.
- ✓ They don't fully understand **why** their customers buy.
- ✓ They don't know who their **most profitable** customers are.
- ✓ They don't **measure** their marketing results against costs.
- ✓ They take on customers they later **regret** dealing with.
- ✓ Bad debt problems.

Then there are the dreaded **financial** problems...

- ✓ Relying on short-term overdrafts to try to support long-term growth.
- ✓ Over relying on the bank due to **over trading**.
- ✓ No system for **projecting** income and expenditure.
- ✓ No system for **measuring** key financial indicators against their plan.
- ✓ Accounts are not useful to the business.

- ✓ Accounts are not produced quickly enough.

The Fundamental Cause Of Small Business Problems

Michael Gerber in his book the **E-Myth** shows us the obvious that just isn't seen by so many. The myth is that **entrepreneurs** start businesses – it isn't true.

The beginning of all these problems is the very fact that often the business isn't started by an entrepreneur, but by a technician who has an entrepreneurial moment, perhaps caused by a bad day at work, a lousy boss, a thought you're doing most of the work but only get paid a pittance, etc.

Whatever the reason, it's then likely that the decorator starts a decorating business, a barber a barber shop, a mechanic a garage and so forth. All very good at what they do technically, but what do they do know about running a business? Yes, very little. And the **technical** work of a business is very different to **running** a business that does technical work.

The technician sets about the business but for it to work he needs to be the **technician** doing the technical work, the **manager** organising everything and the **entrepreneur** with the vision to take the business forward. However he has a tendency towards the technical work as this is where he feels most comfortable.

To start with this may be okay but as the business grows a little it becomes harder to juggle all the balls. May be that being a barber, you just want to cut hair but it's not that simple with just you to run the business. You have conflicts with the part of you that wants to manage and the part of you that wants to take the business forward.

All you've done is swap one job for another, only now you're working twice as hard with extra responsibilities. If you just want to cut hair, it's far simpler to get a job doing it. Eventually you can't cope and you get some help, may be someone to manage the appointments, deal with suppliers, write up the books, etc. However, one day they go ill or leave or they don't do it as well as you anyway or the next person doesn't and you end up trying to do more yourself.

However, if you're going to **grow** this isn't sustainable so most businesses either get very small again, give up or go for broke and then fail.

Employees will probably never do the job as well as you. They don't have the same attention to detail, skills, flare or enthusiasm for the job as you. And in reality, they probably never will. So we have to find another way.

However, some businesses are successful and do work without their owners. They are successful in **marketing** and increasing sales, they can **manage** the growth and they manage the **money** successfully. They are doing things that the rest aren't. That's what we're going to start looking at...

The Best Profit Improvement Ideas For Small Businesses

Are...

1. **LOW COST – or even free.** You must only spend money that is going to produce a return and can be measured. Many of the ideas won't cost you much other than time.
2. **QUICK & EASY**
3. **PROVEN** – as already said, we're looking at proven methods.

Time Management

With the average 40-year-old man having just 180,000 waking hours left to live, it's important to make the best use of them. The introduction of profit improvement ideas will require time input from you to implement so it makes sense to list the top time management tips for you to apply...

- ✓ **Prioritise** your workload.
- ✓ Write a priority **action list** at the end of each day, ready for tomorrow.
- ✓ See the job **through** – don't start, put it down and come back to it as it wastes time getting started again.
- ✓ **Delegate** wherever possible. Especially unimportant jobs.
- ✓ Hold **efficient meetings**. Consider if they are needed at all? Holding meetings standing up or on the phone will shorten them and avoid wasted chitchat.
- ✓ Say “**NO**” if you're not the right person to ask.
- ✓ Put time aside when colleagues know you're **not to be interrupted** each day.
- ✓ Don't do everything to **perfection**. Being 100% perfect takes twice as long as 90% perfection, which is often good enough.

- ✓ Use **call logging sheets**, not scraps of paper, to record phone calls.
- ✓ Distinguish between **urgent and non-urgent** interruptions. Something that is important isn't always urgent.

Pareto's Law

This is the law that suggests things like **80% of your sales come from 20% of your customers?**

Or the 20% of customers who give you 80% of your grief.

Pareto's Law can help to identify the 20% that most of your effort should be concentrated on. You may not even need the other 80% at all.

Perhaps the same is true of many of other things – 80% of your sales come from 20% of your sales force or perhaps 80% of your employee problems are caused by 20% of your employees.

Always look to see with everything if the extra 20% you get is worth the 80% of input. It can be a very useful law for identifying where you can make the biggest changes in your business.

Get A Good Product

Before looking at introducing profit improvement techniques, let's understand that you must have a good idea, product or service to start with. Everything else that follows cannot turn a bad product into a fantastic business success, unless the product is changed. The business opportunity must be viable.

The product must be good and you must have **researched** that there is a demand or likely demand for what you are offering. The importance of this cannot be over emphasised. You can maybe sell a bad product to people once, but they won't come back for more.

Certainly, don't be in too much of a hurry to promote until you get good. Otherwise, you'll just **speed up** the rate at which the world finds out you're no good.

The word **product** is used, but everything equally applies to **service** businesses.

If you don't have a product, there are some ideas at the end of the report to show you how to find one to base a business on.

Are you ready to get going? Let's go...

Section 2

Goals, Systems, People & Change

*“For I don’t care too much for money,
For Money Can’t Buy Me Love”*
John Lennon & Paul McCartney: Can’t Buy Me Love (1964 song)

So what do the successful small businesses do that others don’t...

Personal & Business Strategy

There are two people left on earth, you and your business -remembering a company is a separate legal entity in law! One of you must die to save the planet. Who would you choose?

That’s right, **it’s you!** You are the most important person, not your business.

Therefore, before you begin to look at your business, you need to establish what you personally want to achieve as an individual. Only then can you set about your business strategy.

Your strategic plan for the business should aim to set a target for what your business will look like in **5 years time** or when it is **complete**. This can cover profits, type of business, business size, value, products, market position, unique selling points, etc. It is your vision of what it will look like.

Organisation, Management & Systems

Everything is organised and managed so that...

- The business works **without** them. Only if your business can work without you will it have any great capital or sale value.
- Delivers its product or service **consistently** time and time again to the customer.
- The employees do it the **same way every time**, the **best** way.

This is because they have an **organisational strategy**, a **management strategy** and a **system** for everything they do.

When Ray Croc took the McDonald brothers burger business in 1954 and set about figuring out how he could make it work, he set about working **on** the business and not **in** the business. The business became the **product** to him, not the burgers and it was the business he worked on.

The key is to work **ON**, not **IN** the business. If you are a one-man business, not wanting to grow, this perhaps isn't true to the same extent, although certain things can still be learnt from it about ensuring you deliver consistency to your customers. A one-man operation may not really have a business; they have a job, possibly a well paid one, with customers as their boss. This doesn't mean there is anything wrong with the one-man operation. The world is reliant on many one-man operations, it's just that some of these principles apply less to them.

You need systems that will ...

- ✓ Give **consistency** to everyone – your customers, suppliers, and employees.
- ✓ Be operated by people with the **lowest possible skill level**. This enables you to find staff when you need them at the lowest possible price. You don't want systems that can be operated by only high quality people, because when that person leaves, you will have trouble getting a replacement.

That may be easy at McDonald's but your business isn't like McDonalds. So let's take a far more complicated business such as a firm of solicitors. If a firm of solicitors was to employ only the brightest legal brains it would be extremely difficult to consistently offer their level of legal knowledge, as it becomes very difficult to find a replacement should they leave, be ill, etc. However, if they were to develop services that could be provided by anyone with an **average** legal brain, they would be able to grow and leverage the business far more.

- ✓ Enable you to eventually **not work in** the business at all.

So what you need is a systems dependant rather than a people dependant business. The **systems** run the business and the **people** run the systems. You can't do without people, but the more you systematize, the less dependant you become on people.

You don't necessarily want experienced managers. An experienced manager will come in with their own ideas and ways of doing things. If you let them manage using their methods, this is **management by abdication**. What you want is a management system that says, this is the way managers manage here.

You use the same checklists, etc to manage and control that then produces the same result every time and that consistent result gives a marketing result.

Once you've developed the systems, you need to have a **people strategy** that will work in running those systems...

People Strategy

Sir John Harvey Jones said he never found a company that used more than 50% of the **potential** of its people.

You can create a system that your employees are capable of following but only if the employees are motivated to do so, will they actually do so. You can lead a horse to water but you can't make it drink. The systems stuff sounds like it may not be all that inspiring to your employees. There's a bit of the rebel in everyone that doesn't like to follow the rules and procedures.

So you must create an environment in which the employees want to follow the rules and are **motivated** to achieve their full potential? People work harder when they are motivated. Just imagine the impact you can make if you change the **attitude** of your employees from "I have to go to work" to "I get to go to work". You don't want people whose **spirit** dies as they enter the office door.

People's basic needs have to be met first which comes from the **cash** you pay them. In the event you provide **benefits** ensure the staff know the value of those benefits and find out if they really want them. After that it is only by using **proven methods of motivation** for employees will you get more from your people.

Times Change

Being willing to change can be one of the great barriers to creating and sustaining a successful business.

People ask "**What's New?**" not "What's Old?" If you or your business doesn't change with the times it can get left behind. Many people don't like change even though they may know it is necessary.

You don't always have to change and you need to establish the right time to change. Should you change and start to be nice to someone you don't like. Probably not, there's no rule that says you have to be nice to people you don't like. It's your right and you should be happy and comfortable with it.

To make changes that help you it helps to ask a **paradigm-shifting question**. Ask yourself “What would I like to do in my business that would fundamentally change the way my business works?”

Once you know this you can then set about figuring out how to do it but you need to concentrate on what you want first.

Section 3

Marketing Strategy

“The consumer isn’t a moron; she is your wife”

David Ogilvy: Confessions Of An Advertising Man (1963)

Customer Dedication

Successful businesses all have an understanding of their customers needs or rather perceived needs and a total dedication to their customers.

Their marketing strategy is built around the **customer** – “what must the business be for the customer to choose us?”

Everything they do is focused on the customer and they are continuously improving how they do it.

In order to do this they need to understand the **demographics** (who they are) and the **psychographics** (why they buy) of their customers. Only then can you build your business to serve them.

Adding Value

Customers buy **perceived value** which is the difference between the **perceived benefits** and the **price**. The more you increase the difference the more value that is added to the customer. Again, the benefits are unlimited but there’s only so low the price can go.

Explaining that a pair of shoes are made of leather, why they are more comfortable, shock absorbing, will last, etc will make their perceived value higher than the same shoes that are not so described.

The 2 Ways To Increase Profits

There are only 2 ways to increase profits. Either you increase sales or you reduce costs. It’s that simple!

However, the amount you can reduce costs by is limited but the amount you can increase sales by is unlimited. So there is far more potential in increasing sales. We will start with exploring the sales side a bit more.

There are only 3 ways to generate more sales...

- ✓ Increase the **number of customers**.
- ✓ Increase the **value of each transaction**.
- ✓ Increase the **frequency** of sale to each customer.

More importantly, if you do all 3 together, you can achieve far higher growth.

For example, lets look at the following scenario...

- You presently have 100 customers.
- The average transaction value is £100 for a product that costs you £30 to produce.
- The average frequency of purchase by a customer is 10 times a year.
- Fixed overheads are £20,000

Therefore the annual profit is presently as follows:

Sales 100 x £100 x 10	100,000
Cost of Sales 100 x £30 x 10	<u>30,000</u>
Gross Profit	70,000
Fixed Overheads	<u>20,000</u>
Net Profit	<u>50,000</u>

If we now increase all three **sales generators** by 10%, we get the following results.

Sales 110 x £110 x 11	133,100
Cost of Sales 110 x £30 x 11	<u>36,300</u>
Gross Profit	96,800
Fixed Overheads	<u>20,000</u>
Net Profit	<u>76,800</u>

So profits have now risen by £26,800, a 53.6% increase as result of improving all 3 generators by just 10%. This shows the power of working on **all 3** areas at the same time to achieve maximum results.

The marketing tools you can use to get growth in all three of these areas can be categorised in the following areas.

- **Lead Generation** – of quality leads.
- Lead **Conversion** into sales.
- **Re-selling** to existing customers.

An overriding factor in all these is outstanding customer service, particularly in re-selling to existing customers. Increasing your number of customers is a factor of both how many you gain and how many you don't lose.

Remember never to sacrifice profit for growth. There is the saying “turnover is for **vanity**, profit is for **sanity**”.

Is it Sales or Marketing?

Very simply, marketing is the methods used to generate quality new **leads** and sales is the system of **converting** those leads into paying customers.

The Power Of Leveraging

If you can measure the result of a marketing activity it gives you enormous **power**.

A very simple example would be if you send 1,000 sales letters out and that produces you 5 new customers which makes a profit, you should do more of it, a lot more. You know that if you want 50 new customers, you simply need send 10,000 letters. Leveraging is about taking something small and using it to create something a lot larger. Often it is using a small sample and extrapolating the results of it. The larger your sample, the more sure you can be of the result.

The more you test, the more confidently you can predict this result. Many small businesses don't use the power of a sample to expand, often because they don't have a systematized business that can cope with the extra volume, which again demonstrates the importance of systems.

Your business becomes far more effective by first maximising what you do have, finding the **best** proven way of achieving a result and then simply multiplying that result.

This is true of numerous things in your business whether it be number of cold calls made, sales letters sent, salesmen employed, referrals requested, etc. Almost anything can be leveraged upwards if you get a sample size that you can rely on that you can confidently predict will occur if you increase the sample size.

Section 4

Preparing to Market

*“Friends, Romans, countrymen,
lend me your ears”*

William Shakespeare 1564 – 1616 Julius Caesar (1599)

Before you can commence marketing there are lots of things you should put in place first...

Your Target Market

If you try selling to the wrong people, you'll **fail**. That's how important it is to get your target market right.

You need a list of prospects that are right for your product or service. Send your sales letter to the wrong list and it's doomed, advertise in the wrong magazine and it won't work, no matter how good the advert or sales letter is.

You can have more than one niche market but the more you speak to **each** niche differently, the more successful you'll be with each.

You'll need to know **how** you can reach them. What do they read, where do they live, where do they work, where do they shop, what clubs do they belong to, can you get a list of them from a list broker, etc.

Unique Selling Proposition (USP)

You need a USP or a UPB (unique perceived benefit). Theoretically a UPB is more customer focused, but either way, you need one.

You need to give your customers a reason to choose you ahead of the competition and your USP is a great way of doing this.

This is what a USP should do...

- ✓ It's the one thing that really **differentiates** you from your competition.
- ✓ It helps give you the **WOW** factor that makes your customers stand up and take notice.

- ✓ It makes your prospects think I **must have** this product or service.

Very few small businesses do this and if you do, it will give you the edge. It will be the cornerstone of all your marketing efforts.

Here are some great USP examples...

- Fed Ex – when it absolutely, positively, has to be there.
- Dominoes Pizza – red hot pizza delivered to your door in less than 30 minutes or its free.
- Avis Car Rentals – we’re number two, we try harder.
- Polo mints – the mint with the hole.

Often, you find your doing them anyway but just aren’t telling your customers.

Guarantee it with risk reversal

Every time a customer buys from you they are taking a risk. If you reduce or eliminate those risks, it makes it far easier for them to do business with you and your sales will soon grow dramatically. You do this by offering guarantees.

If you’re **good** at what you do, offer good products, etc there shouldn’t be any problem in guaranteeing what you sell.

Here is an example of risk reversal from a horse dealing business...

A couple wanted to purchase a pony for their daughter. They went to one dealer who said if the pony she chose wasn’t right, she could bring it back and exchange it for another. The price of the pony was £1000. This is commonplace amongst horse dealers and is their idea of risk reversal. The customer is still locked into having to get another pony from that dealer.

Compare this to what a horse dealer who really understands the full extent of risk reversal...

The dealer says “it’s important your daughter is happy with her pony in every way. Please take the pony, let your daughter look after it and try it out for two weeks. I’ll provide you with the hay to last during this period. If your daughter is happy with it, pay me for it then. If not, I’ll come and collect it, and tidy out your stable”.

This dealer knows the pony is a good pony, there is a trial period and there's nothing to pay until completely happy. The dealer also understands that once the daughter gets the pony home, she's going to fall in love with it. Even if the price was more at £1250, which one do you think the parents would choose to buy from? That's the power of great risk reversal.

Proper risk reversal gives you the competitive advantage to outsell your competitors many times over. It can increase sales by 300% and the attrition rate will rarely exceed 5%.

Testimonials & Case Studies

If your prospects don't **believe you**, you won't make the sale. This is where the power of testimonials comes in. It's praise from your existing customers, the media, other experts or even a celebrity. They are extremely powerful.

You can get testimonials other than on paper. Think how powerful a video testimonial of one of your customers running in your reception area or shop may be. Or perhaps they could speak at a seminar you're giving.

Your Pricing Strategy

The more you can **differentiate** your products or services from others the wider the range of possible prices you may be able to charge as the customer has little to compare what you are offering against.

The perceived value to the customer must be greater than the price or they won't buy.

Your price will not ultimately be determined by you but by what your prospects are prepared to pay. You can only find this out by **testing** different prices.

Make sure you measure the impact of price movements on profit and not on sales levels. Let's look at an example for a company selling widgets...

Sales (1000 widgets at £100 each)	100,000
Cost of sales (1000 widgets at £70 each)	<u>(70,000)</u>
Gross Profit	30,000
Fixed overheads	<u>25,000</u>
Profit	<u>5,000</u>

The company wants to know if it is going to be better off by reducing prices by 10% or increasing them by 10%. The only way to find out is to test. After testing, they find out ...

- **Option 1** of reducing prices by 10% results in a 20% increase in quantity sold

And

- **Option 2** of increasing prices by 10% results in a 20% fall in quantity sold.

Which should they do?

It's tempting to go for option 1 with 20% more sales with only a price cut of 10% but let's look at what happens...

	Option 1		Option 2	
Sales	1200 × £90	108,000	800 × £110	88,000
Cost of Sales	1200 × £70	84,000	800 × £70	56,000
Gross Profit		24,000		32,000
Fixed overheads		(25,000)		(25,000)
Net Profit		(1,000)		7,000

Raising prices is better. In addition you have less work to do for more money.

Every situation will vary depending on your profit margins, which is why it's important to do the numbers. However, using discount pricing will generally mean you do have to significantly increase sales volumes to make more profit.

In the average UK Company, that makes a 5% net profit on its sales, a 1% price increase will increase the net profit percentage to 6% which is actually a 20% rise in profits from just a 1% sales increase. How many of your customers would leave if there was just a 1% price increase. Would you stop drinking your favourite drink down the pub if its price went up by just 1%?

Get Your Fonts Right

Getting the right font in your sales letters, adverts, reports, fax shots, etc can make all the difference and numerous studies have shown this. You must choose one serif font and one sans serif font and use them appropriately in headlines and body copy. You must then apply them consistently in everything you do to produce a consistent image.

Customer Satisfaction Is Of No Use

The **customer** is the most important person in the world, right? If there were two people left in the world and one has to die, you or the customer, who would it be?

Now, we're agreed again that **you** are the most important person in the world.

The problem is that the customer thinks they are and that's why you have to treat them that way if your business is to be successful.

Would you believe that if your customers are satisfied, you're in trouble? That's right, you read it correctly...

Let's say you have a 95% customer satisfaction rating. Sounds great, but what it means is that you have 5% going round telling everyone how awful you are. The other 95% felt ok about you so they may shop with you but they could shop anywhere – they don't have any **special loyalty** to you.

What's more, a dissatisfied customer is 20 times more likely to tell someone. So if 95% of your customers are happy, you'll have more negative than positive message out in the market place.

It's **loyalty** you should be after, not just **satisfaction**. For example, the typical customer satisfaction question may ask "did you enjoy your stay?" or "were we friendly?" The only answers these give are ones of satisfaction, not designed to find out if the customer felt great and had a memorable experience that creates loyalty. You must use questions designed to find out how loyal your customers are.

Here are typical examples of how most businesses treat their customers and why their customers will never be anything more than just satisfied...

"We've done all we can..."

"You'll have to..."

"That's not my job..."

“The person who deals with that is on holiday”

“Our policy says...”

“We’re out of stock, I don’t know when we’ll have some more”

“What seems to be the problem”

“Let me transfer you”

“I’ll have to check if that’s OK”

“Sorry, that offer ended yesterday”

“Why didn’t you...”

An insincere “Sorry about that”

“You don’t have to be rude about it”

“I’m just doing my job”

And aren’t those computerised phone systems great for customer service, not!

The list is endless. So many people seem to act like they’re doing the customer a favour.

The best rule to follow is...

If you wouldn’t like it done to you, don’t do it to someone else.

Your Business Name

The name of your business or service or product can have a dramatic effect, so give it proper consideration.

You often find **short** names, **plurals** of names and **initials** work to good effect. Ask other people what they think of your name.

Geographic Location

If location is critical it is important to get this right **first**, before you start. In some instances location can be so critical that if you get it wrong, the business won’t work. Certain pubs & restaurants are good examples.

For an inbound business such as shops, dentists and garages consider the travel time of customers, travel routes and competitors locations.

For an outbound business such as plumbers, electrician and consultants consider the cost/time efficiencies of travelling to the customer.

Company Image

The problem with image is it's often not real. You need an image that is **you** so that it's honest and credible. People will then trust you.

Do this by asking other people how they see you. Once you know who you really are, make sure everything you do in the business reflects that.

Your **marketing materials** should be consistent with the image you are trying to convey...

- Is the marketing material up to date and state of the art?
- Is the paper quality good?
- Does the logo portray the right image?
- Do the marketing materials reflect the USP?
- Do the marketing materials address common customer queries?
- Do the marketing materials reflect the image you want customers to receive?

Colour & Shape Guide

Just how far you take this guide is up to you. If nothing else it's bit of light relief but colours and shapes can have an impact, so consider these when putting together your stationery and marketing materials.

Shape & Colour	Male/Female	Preference	Association
Blue	Male	High	Reliable, Intelligent
Blue	Female	Low	Depressing, Professional
Black	Male	High	Rich, Elegant, Reliable
Black	Female	High	Sensuous
White	Both	Low	Sterile
Red	Male	Low	Excitement
Red	Female	High	Warm
Yellow	Both	Low	Sunshine, Brightness
Green	Both	Low	Leisure
Orange	Both	Low	Good-Taste, Healthful
Pink	Male	Low	Calm, Relaxing
Pink	Female	High	Therapeutic
Brown	Male	High	High In Quality

Brown	Female	High	Rich, Warm
Circle	Male	Low	Feminine, Soft, Weak
Circle	Female	High	Tender, Loving, Warm
Square	Male	High	Solid, Predictable, Sure
Square	Female	Low	Brittle, Hard, Abrasive
Triangle	Male	Low	Mysterious, Powerful
Triangle	Female	Low	Forceful, Threatening

Your Logo

Your logo is not likely to be critical for a small business, as the type of marketing that is best for small businesses isn't brand type marketing, as you will see. However, a logo doesn't really cost much, so **get one** and put it on your marketing materials.

Stick to a **single logo** with an easy to understand image.

Make sure its appropriate, clear and then use it everywhere you can.

Stationery

You want some panache and pizzazz, right?

Consider the paper, colour, logo, typeface, strapline and the layout. Do it professionally so you're not seen as a fly by night outfit.

Your business card has 2 sides, so use them both and have a selling message on them.

Your Premises

They should reflect what you are trying to portray with your **décor** and choice of **furnishings**. This doesn't always mean you want them to look expensive, as you may not want people to think they are paying for your luxury premises.

Use posters and blow-ups of adverts and press articles about you inside the building.

Your premises need to be **tidy** both inside and out. An untidy premises infers an untidy disorganised business. How often do you see the team at McDonalds tidying up outside – they know it matters. Tax Inspectors are trained to interview people in rooms without any other files. What this does is create an impression they have all the time in the world to look into your

affairs. Take a look at how tidy your premises look and whether it conveys the impression you want.

The following are also all relevant to your premises...

- ✓ Is the temperature inviting?
- ✓ Is the smell right?
- ✓ Are all items in your store priced and is the price tag attractive? Are the goods well organised in an easy to find manner?
- ✓ Are the chairs comfortable?
- ✓ What are the toilets like?
- ✓ If your address isn't the greatest, consider if renting a mailbox in a posh part of town would help.

Sometimes you may want to make it **look** busy and more successful, especially if you are a new business. So you can park your cars in some customer spaces, have people ring the phone in the background when you're in a meeting, etc. How about hiring some extra staff or even pretend customers when an important prospect is coming?

Have reserved spaces for visitors so that they can always park.

Displays

Particularly relevant to stores and shops, all displays must convey a congruent deliberate message. Present goods in a **logical and organised** way. Help the customer with creative displays such as putting pictures of your latest fashions on dressing room walls. You can educate customers with something like a loop video. You should use every bit of wall space to promote, advertise and educate.

Shop Window Ideas

You don't have to be a retail shop to have a shop window to promote yourself. It is an equally valid way of attracting customers for other types of business. Try to be **original**. One nice story is of a blacked out window with a small hole to look through which said above it "for men's eyes only". Can you imagine how many people looked through it? Inside were some power tools!

Other original examples...

- ✓ Live mannequins.
- ✓ A big screen TV playing a video or PowerPoint presentation on a PC of what you have to offer.
- ✓ Weird objects such as the world's largest ball of barbed wire.

And if you don't have a window, you can always try renting window space from unoccupied premises where the landlord would be grateful of any income.

Sign Magic

Check that your signs make customers feel **welcome**. Avoid negative signs such as ...

- Don't Park Here
- No skateboarding
- No Credit
- No Refunds

Use **positive** signs...

- Thank You For Your Business
- Valued Customers of ABC ARE Welcome to Park Here
- Welcome – instead of “Open” on your door.

Add a **“Thank You”** to your signs, so rather than “No Smoking”, use “We appreciate your co-operation with not smoking, Thank You”

Make them outstanding. Use big bold graphic signs that make people say “you've gotta see those signs”. Even use LED signs. Reflective paint will make them show up at night.

Just putting a clock outside your building will make lots of people look at it. Do your signs outside the building encourage people to come in? Signage inside can be used to cross sell other products and services.

Posters

A passing motorist can only read 6 words and has 5 seconds in which to work. You need to use strong pure colours with no more than 3 elements in the design and silhouette them against a white background. Use the largest possible type. Pictures work.

Telephone Numbers

If you want a **vanity** number such as 0800 PINESHOP which translates to 0800 74637467, you can't actually get a phone number with the 7 as the eighth (last) digit but you can use it anyway as the exchange just ignores any digits after the seventh digit.

A **FREEPHONE 0800** number is not expensive and will pay for itself many times over. The number simply sits on top of your normal phone number and calls are diverted to it. You then pay for the cost of the call.

It is a must for using in **lead generation marketing** and you can use it for general customer use as well. They also allow you to move around the country and take your number with you. It allows you to appear more than just a local business.

The cost is now very low. For example for £109 per year you can presently get 360 free minutes per month and then pay 2.8p per minute thereafter at www.kendlebell.com and there are no set up costs.

Alternatives are **0845** numbers where the caller just pays the cost of a local call and some of these are available at no cost to you.

Why not use an 0800 number for your fax machine as well and use it as a **Freefax** number.

Freepost & Business Reply

Freepost Handwritten is where the customer adds the word Freepost before your name and then doesn't pay for the postage, you do. It only sends post by 2nd Class mail. It doesn't have to be pre-printed.

Freepost Name is an abbreviation such as just having to use Freepost ABC Ltd and it will get to you. It allows you to abbreviate your address in adverts. It only works by 1st Class mail and costs slightly more than 1st class mail.

Business Reply has 1st class & 2nd Class Options and you have to have pre-printed envelopes or reply cards so can't be used in adverts but can in direct mail campaigns.

Mailsort – is a discount service of up to 30% for pre-sorted mail >4000 letters.

Full details of all these are on the Royal Mail website www.royalmail.com

Food & Drink

Do you offer customers food & drink? A bowl of Quality Street in reception or a mug of tea while the customer is waiting at the garage. Why not introduce the **WOW** factor and provide a **menu** of drinks available. Some firms have been known to have Champagne and beans on toast on the menu. It helps differentiate them and it gets talked about although rarely ordered!

Dress

How you and your staff dress will effect how you are perceived. Dress as appropriate for your business. Have you ever noticed how the Labour front bench are often dressed in blue suits and red ties. It's no coincidence that studies have shown these colours to represent authority and passion.

Strapline

Create your business strapline. It's a concise statement of your uniqueness, benefits and what you represent. It's often part of your USP helps to identify you.

Great examples are "Just Do It" from Nike and "It's the real thing" from Coca Cola.

Vehicles

These will have an impact on how your business is perceived. A builder with a nice clean tidy van is more likely to be perceived as a clean, tidy & responsible builder. Look to use your vehicles to **advertise** your business.

Opening Hours

The more your open the more business you can do. This is why we have 24-hour supermarkets. Of course this may not suit you, but a 24-hour web site, faxline, answer machine and helpline could be promoted.

Speed of Service

More than ever people expect things done yesterday. We live in the **microwave age**. Use email & technology to speed up communication and do things when you say you are going to do them.

Gift Certificates

Let customers and prospects know they are available, especially around times like Christmas and Mothers Day.

What Are The Competition Doing?

Find out all about how they work and what they offer. Call them for their brochures, etc.

Get Feedback

You need feedback on an ongoing basis from your customers to find out what you're doing well and not so that you can continually improve. This could be verbal or you could use feedback questionnaires.

Attitude

- ✓ A positive can do attitude and enthusiasm can do wonders for your business. It's catching and will come across to your staff and prospects.
- ✓ **Smile**, both when you meet people and when on the phone. It makes people feel good and breaks down barriers. If you smile, they'll smile back at you.
- ✓ You need to develop a giving attitude. The more you give, the more will come back your way. Everything you do is customer focused.
- ✓ See the good in things and the opportunities when there's an obstacle.
- ✓ Treat others as you would want to be treated.
- ✓ Encourage others, forgive others and never let a negative experience effect you for more than 5 minutes.
- ✓ Always have something nice and humorous to say.

Payment Methods

Taking **credit cards** just makes it easier for customers to do business with you. Do you have easy payment terms so customers can spread the cost?

You should always be looking to lower the barriers of entry if you want to win new customers.

Business Awards

The main trick to winning business awards is to **enter** them. Very few businesses do, so if you make a good attempt you have an excellent chance of winning. It will then improve your credibility massively.

Charity Incentives

If you promote that £1 of every sale goes to a certain charity, this can improve response. If you donate anyway, why not use this method of raising the contribution.

Contact Management Database & Lists

A contact management database is extremely powerful. It will reduce your marketing workload enormously. Two of the off the shelf packages that you can tailor to your own use are **ACT** and **Goldmine**. They don't cost much and you just can't do direct marketing without this sort of package.

Try the following web sites for more information...

<http://www.frontrange.com/goldmine/>

<http://www.act.com/>

Media Guides provide **lists of lists** or you can use a **list broker** to get you going.

Testing, Measuring & Budgeting

As a small business, unless you test, measure and budget, you risk losing money you can't afford to. By testing you have the power to go to levels your competitors can only dream of.

Once you know what works and what doesn't, you just **continue** doing what works repeatedly until it stops making a profit for you.

The marketing tools that work, you keep and improve upon. Some will make more than others but the key is to use **every one that is profitable**, even if you get fed up with it.

Obviously to know what works you have to **record** the results of your different marketing tools. Unless you do this, you'll never know for sure how profitable each one is.

The Lifetime Value Of A Customer

To know how profitable your marketing is, you need to know the lifetime value of your customers. This is the average profit you earn from a customer over their lifetime.

Take a mechanics garage as an example.

If the average new customer brings their car in three times a year and spends £200 each time and half of this is profit, this makes the **annual value** of that customer $£200 \times 3 \times \frac{1}{2} = £300$.

If we know that on average we are going to be able to sell additional items to the average customer once a year of an MOT and Pre Winter Check Up with profits of £50 this makes the annual value now £350.

But the average customer also introduces one other customer to your garage once a year that is also worth £350 to you over a year. Therefore the annual value of the first new customer is really £700.

More than that, you know a new customer stays with you on average for 5 years, so this makes the lifetime value of the customer £3500.

By knowing the lifetime value you are in a far better position than your competitors. If you now know the true value of the average new customer is £3500, not the original £75 profit on the first sale, how much are you prepared to pay for a new customer?

Section 5

Lead Generation

“Those who prefer their English sloppy have only themselves to thank if the advertisement writer uses his mastery of vocabulary and syntax to mislead their weak minds”

Dorothy L. Sayers 1893 – 1957: Spectator 19 November 1937

David Ogilvy in “Confessions Of An Advertising Man” writes ...

“the difference between one advertisement and another, when measured in terms of sales, can be as much as fifteen to one”

John Caples, another advertising genius said...

“I’ve seen one advertisement sell 19 – 1/2 times as much as another”

That’s how important it is to get your advertising and other lead generation tools right.

Brand Marketing v Direct Marketing

The type of marketing that works best for small businesses is **direct marketing**, not brand marketing.

As a small business you need to make every penny you spend on marketing count. To do this you need to be able to monitor the **results** of your marketing activities so that you can test and change them to optimise the results you achieve.

You can’t do that with brand marketing. We want results and we need to know what the results of the marketing are. **Direct Marketing is results driven.**

Many small businesses don’t use advertising, perhaps they’ve never tried because it seems expensive or perhaps they’ve tried and it didn’t work.

Well, advertising that doesn't work is expensive. Despite this, thousands of small businesses do continue to use advertising that just doesn't work or doesn't work anywhere near as well as it could.

They may have designed the ads themselves or got an ad agency to do the ad but they still don't work. This is because they are all taking the **wrong approach**. They are based on brand or institutionalised advertising and brand advertising just doesn't work for small businesses.

They promote the **name** of the business or product but there are now so many brands out there, it costs a fortune to create a brand and that just isn't appropriate for small businesses. The last thing the customer cares about is your business name. He wants to know what you can do to benefit him.

Brand advertising is characterised by the name of the business as the headline at the top of the ad, a big logo, list of services, not much copy and nothing to make you get out of your chair to **call now**.

You don't need a fantastic looking ad created by ad agencies for them to work. A great designer ad may win an award, but its **sales** you want to win.

That's why you should primarily consider direct marketing. Forget any ad agencies designing a great looking advert for you to raise awareness of your business. You can't accurately monitor the results from it. You don't need it and you'll see why.

Direct marketing can create some brand awareness but that just happens to be an additional benefit, it's not the main purpose of what you are doing.

Some products may need brand advertising, such as cars where the manufacture typically carries out brand advertising but the local dealer must then use direct marketing on top.

Direct marketing builds a continuous relationship with the customer. It asks people to do something. It could be to request immediate sales, a request for information, a request for a demonstration or meeting, a visit to a retail establishment, etc.

There are lots of direct marketing methods you can use to generate leads, the best ones are probably...

- Directory Advertising – in the likes of Yellow Pages.
- Print Advertising – in magazines
- Classified Advertising

- Sales letters
- Fax Broadcasting
- Internet Marketing
- Telemarketing
- Press Releases
- Newsletters (especially e-newsletters)
- Seminars
- Networking
- Referral Systems
- Endorsement Marketing

Other lead generation tools you can test include...

- Inserts
- Flyers
- Postcards
- Radio Advertising
- TV Commercials
- Hospitality Events
- Take One Boxes –placed in strategic positions
- Contest Entry Boxes
- Trade Shows
- Audio & videotapes– they have a higher perceived value than junk mail. You can't skim them. Can be good for unfamiliar products
- Sponsorship
- Door to door selling
- Posters – especially in door to door areas

You don't have to do them all, but the more you do, the more results you'll get. Some can be outsourced, telemarketing being a prime example that is often outsourced.

Using An Ad Agency

You don't need to use an agency. An additional downside of using an agency is that they need to **fully learn and understand** the product or

service you are offering first and it's unlikely they will ever understand it as well as you. So have confidence, you can do it yourself.

What you say (the **content**) is more important than how you say it (the **form**).

One Step & Two Step Lead Generation

One-step advertising is when you ask for the sale **direct** from your marketing tool. It's where you perhaps ask them to ring to place their order and the sale is made immediately. It would be great if this worked but unless you are selling a very low value product, it tends not to work very well.

What is often needed is two-step advertising that generates **leads** in the first stage rather than **sales**. This leads to the sales and more of them. This is even more important with small ads where you don't have room to explain everything the purchaser needs to know.

Two step advertising involves a first step of offering something in your ad, sales letter or whatever lead generation tool you are using, before the sale is made in the second step.

Examples include...

- Free Sample Product
- Free Special Report
- Free Booklet
- Free Information Pack
- Brochure
- Catalogue
- Tip Sheets
- Free Initial Consultation
- Free Demonstration

For example, a free painters kit with all sorts of painting information could be provided as a first step lead in advance of house paints or a home decorating service. Sample products work well for food items.

This way there is **no commitment** initially so the response will be far higher, and if you've targeted the right people, you'll then make far more sales.

It is of course harder for some products than others to use the two-step method. For example, headache remedies are often needed immediately and there is only a narrow market that is interested at any one time.

Wherever practical, look to use two step marketing in preference to one step.

With direct response marketing you need an offer. The offer is what the customer gets when they respond to the lead generation tool.

Hard v Soft Offer

Hard offers need the prospect to **personally** interact with you such as...

- Free No Obligation Appointment
- Free Consultation
- Free Demonstration,
- Free Trial
- Order Now but send no money
- Extra discount for volume
- Surprise gift with your order

The problem with hard offers is that they put a barrier in the way because of the personal interaction that is required, which means extra commitment.

Soft offers are easier for the prospect to accept, as there is less commitment. Soft offer examples are offers of Free Special Reports, Information Kits, Free Newsletters, Free Brochure, etc.

If there is a soft offer of something for free, never say a salesman will call afterwards or it almost turns it into a hard offer.

You should try to make two or three offers rather than just the one with a hard and a soft offer but always have a soft offer wherever possible. Even though the offer is FREE, it will help to put a **deadline** on it and link a **benefit** to it.

With businesses, it's worth noting that a bonus offer to **Secretaries** can be a clincher.

Make sure your offer is clear, easy to understand, unique and irresistible.

Back the offer up with your **guarantee**.

You need to make the offer irresistible. For example, a free Pony Ride for the kids could be an irresistible offer for a store.

Qualification Of Leads

The more you **tighten** the qualification, the higher the quality each response is likely to be. How much you do this will depend on your own circumstances.

For example, if there is a small payment required for someone to get your Special Report on “How To Make Your Garden Look Good In Winter” by a landscape gardener, any responses are likely to be more valuable leads than if the report was free. However there will normally be far fewer responses.

Alternatively, you could ask them to send a stamped addressed envelope. If selling a book, you could charge a small amount to get excerpts of a book. These types of qualifications helps avoid the coupon clipper type people who’ll just take anything that’s free, whatever it is.

A free **hidden** offer within an advert as opposed to using say a coupon that stands out would improve the quality of responses.

However, the ads that bring in the most enquiries, tend to lead to the most sales. Daniel Starch of Starch Reports came to this conclusion decades ago in his analysis of 165 firms over a period of 12 years.

Written Lead Generation Tools & AICDA

What follows is aimed particularly at all the written lead generation tools, especially **sales letters, adverts and fax broadcasts**, although the principles can be applied across all **direct** marketing tools.

Whatever lead generation tools you use follow these guidelines...

- **Enthusiasm** must come through in every letter, advert, phone call, meeting, etc.
- They require **time commitment**. Do them on a continuous systematised basis otherwise they will stop and you’ll struggle to get going again.
- Consider appointing a **marketing co-ordinator** to organise everything.
- Use a **lead generation planner** and have a marketing action plan.

AICDA - is the process of sale and is the process a lead generation tool should follow...

Attract the attention of the reader – the headline is used for this.

Interest the reader in what you are saying. Opening words will be crucial to this.

Credibility – you must build credibility in what you are saying. It must be believable.

Desire – the copy needs to build desire in the prospect for your offer.

Action – you want the prospect to take action so there must be a call to action, telling the prospect what to do next.

Knowing exactly how to write, **format** and what words work in headlines, body copy and calls to action helps all of the above.

You need to know which lead generation tools will work best for you and how to create and use every lead generation tool to its maximum effect. For example, with advertising do you know...

- ✓ How to find the best publications to advertise in.
- ✓ How to get the best position.
- ✓ How to make sure you are at the front of your Yellow Pages section even if your name begins with Z. The Yellow Pages reps certainly won't tell you.
- ✓ When and how to add pictures to adverts.

Marketing is crucial to the success of a small business and you must find out as much as you can.

Be Ready For The Response

You must ensure you are ready to handle the response from your lead generation before placing the ad, sending the sales letter, etc.

Most response comes immediately and then there is a trickle effect.

Section 6

A Sales Conversion System

“Prescription without diagnosis is malpractice”

So far we've looked at numerous ways of **generating leads**. However, there's no point generating loads of leads if you don't **convert** them into sales, so you need a system for doing this. You may be happy with the sales you make but think how many more sales you would make if you also had a proven conversion system in place.

Your conversion system starts from the moment you get the first enquiry all the way through to becoming a customer and beyond.

During the conversion, you need a system to keep in regular contact with the prospect. This is because your prospects interest must be raised to a certain level before they buy and the more you **keep in contact**, the higher their level of interest rises. Contact could be by a meeting, phone call, letter, fax, email, etc.

There is a rule in sales that says on average **you need 7 positive contacts before a buy occurs**. This number may vary between business types but it's true for all businesses that the more positive contact you have the more sales you will make. Normal marketing techniques completely overlook this basic point and if you have a system in place to deliver these contacts, you make it easy for yourself.

A conversion system should normally include conversion letters...

- ✓ **Future Contact letter** - this is the letter you send to your prospect when they are not ready to buy or move to the next stage of the sales process at present.
- ✓ **More Information letter** – this should really be a sales letter with a reply device.
- ✓ **Sowing the seeds letter** - this is the letter you send to your prospect to confirm the meeting you have with them and to increase their interest.

- ✓ **Sales Conversion Letter** - this is the letter you send after the meeting to the prospect if you haven't yet got the business.
- ✓ **Buyers Remorse letter** - for after you've made the sale to make sure your prospect doesn't have a change of mind.

You then need a **proven process for conducting a sales meeting** where you don't act as a salesman but as an advisor that really helps the customer. You must also know all the **objections** and how to overcome them.

If you can sell directly over the phone, by e-mail, on your web site or in your shop, you still have a selling meeting but is just taking place in some other form.

The Follow Up – making 3109% more sales

Despite all that you've done so far, you may still not have the business.

The prospect may have decided "no" but its also quite possible they haven't made their mind up or aren't yet ready to buy. If this is the case, you need to start your follow up system.

Follow up is **keeping in contact** with the prospect until they are ready to say "yes". So few people do follow up correctly.

Research suggests that 73% of prospects say "NO" at least 5 times before saying yes but 92% of businesses give up before the 5th "NO". If you do the numbers, this means the 8% who go beyond the 5th contact make **3109% more sales** than those who don't.

The following would all count as contacts and can be used as follow up methods...

- ✓ **Call the prospect** – as often as seems comfortable for your prospect. You must do this at least once, usually within a week of sending your sales conversion letter and then keep in contact as appropriate.
- ✓ Sending regular **tip sheets** – one a month.
- ✓ Sending **special reports**.
- ✓ Sending interesting and relevant **articles** you come across.
- ✓ Sending copies of your **press releases**.
- ✓ Sending **newsletters**.

These all add value to your prospect.

Section 7

The Re-Selling System

“We even sell a pair of earrings for under £1, which is cheaper than a prawn sandwich from Marks & Spencers. But I have to say the earrings probably won’t last as long.

Gerald Ratner: speech to the Institute Of Directors,
Albert Hall 23 April 1991

It’s easy to see business growth as getting new customers but it’s often far easier to sell more to existing customers than it is to get new customers.

Studies have shown it costs **8 times** more to get new customers than it does to sell to existing ones. Your existing customers are a valuable asset who already trust you or they wouldn’t use you in the first place. And when done in conjunction with getting new customers, you have an awesome sales system.

Re-Selling Has 3 Aspects...

- ✓ Increasing the average **order value** from each prospect.
- ✓ Increasing the **frequency** of purchase.
- ✓ Increasing the **length of time** the customer remains a customer.

Let’s say your customers have an average order value of £100, they purchase twice a year and they stay with you for 5 years. Their lifetime value is $£100 \times 2 \times 5 = £1000$.

If you could increase the average order value by 10%, get them to purchase one more time a year and stay with you for one extra year, this increases their lifetime value to $£110 \times 3 \times 6 = £1980$, nearly a 100% increase. If you do this to **all** your customers, you could grow your business by this amount without any new clients. That’s how important it is.

This is why customers are assets, not problems. Try doing without them and see how you get on.

The effect also only works if you work on all 3 aspects. They are so much more powerful when combined. This also excludes the effect of more referrals from regular happy clients who buy from you more often and stay longer.

Research has also shown the following...

- 68% of customers want **more information** from companies they deal with.
- 60% of customers are more likely to buy from a business that **stays in touch**.
- 67% of customers move just due to **indifference** or lack of contact from their existing supplier.
- The average new business never hears from 96% of its dissatisfied clients and the average dissatisfied customer tells 9 to 20 other people about their dissatisfaction.

These facts demonstrate how important re-selling is. You must use **proven re-selling tools** that work on all 3 aspects of re-selling.

Section 8

Other Profit Making Considerations

“Few have heard of Fra Luca Pacioli, the inventor of double-entry book-keeping: but he has probably had much more influence on human life than has Dante or Michelangelo”

Herbert J. Muller 1905 – Uses of the Past (1957)

Finance: Managing The Money

Many small business owners lack an understanding of how to manage the money in their business. The books can seem like a chore to do when you get a spare few minutes and you possibly have no understanding of the accounts that are produced for your business. If you can't measure it, you can't control it. This is why you need a system to deliver the figures you need to **control** your business.

To manage the business you need to know your...

- ✓ **Key performance indicators** – what pieces of information are key to understanding how the business is performing. The key indicators will vary between businesses.

Examples of key performance indicators...

- Gross Profit by product
- Profit and Loss Account
- Key Financial Ratios
 - Current Ratio
 - Acid Test Ratio
 - Gearing
 - Assets to Sales
 - Debtor Days
 - Creditor Days
 - Net Profit %
 - Return on capital %

Return on assets %
Operating Profit

Your accounting systems should **monitor more than just your money** and these may well be part of your key performance indicators. For example...

The number of customer complaints.

Orders delivered on time.

Conversion of sales leads to customers.

Quality control rejections.

Staff turnover.

- ✓ **Breakeven point** – at what level of sales do you breakeven and how does this work out on a weekly, monthly and annual basis. You should build into this the level of profit you need to live.

For a **business selling products**, the breakeven point is calculated as...

$$\frac{\text{Total Overheads}}{\text{Gross Profit Margin}}$$

The **overheads** are all the costs of running the business such as motor expenses, rent, staff costs, etc.

Gross Profit Margin is sales less costs of the actual product. If you sell for £100 and the product costs £70 this is a £30 gross margin which as a percentage of the sale price is 30%. This is different to the **mark up %**. The mark up is still £30 but it is a percentage of the purchase price, being $30/70 = 42.86\%$.

For example if your overheads are £50,000 and the gross margin is 30% the breakeven level of sales needed is $50,000/0.3 = 166,666$.

For a **service provider** who doesn't have products there is no gross margin to worry about. The service provider will know what level of overheads they need to cover and how much profit they need to make to live. If these two figures were £10,000 and £30,000 respectively, he knows his sales need to be £40,000 per year. From there he can work out his minimum hourly chargeout rate. For example, if he works for 47 weeks of the year and can work for 30 hours per week, this gives 1410 chargeable hours per year. The breakeven hourly rate is therefore $40000/1410 = £28.36$ per hour.

Remember those people running a service business cannot charge for every hour as they also spend time on admin, marketing, etc.

The minimum charge out rate just to cover the cost of **employing extra staff** is calculated as...

$$\frac{\text{Gross Salary} + \text{Employers NI}}{\text{No of chargeable hours}}$$

- ✓ **Projected operating budgets and cash flow forecasts.** They need to be updated regularly.

What If Questions

Once you know all the above, you are in a powerful position to be able to ask “**what if**” questions about the business. You can now **measure the impact** on your key performance indicators, breakeven point and projections.

For example...

- What if you increased prices of certain products by 10% and the quantity sold fell by 10%?
- What if you could sell 2 more units a week at the existing prices by spending £1000 on marketing?
- What if your employees worked 2 more hours per week?
- What if your staff costs rise by 3%?
- What if you took on another employee?
- What if you raised your chargeout rates by 10%, how does that change your breakeven sales level or number of weeks you need to work?

Using Barter To Reduce Costs

Barter is the process of trading your products or services into products or services your business needs or wants. It can allow you to do things you couldn't or wouldn't otherwise do.

For example, a plastic surgeon may charge £4000 for facelift but it only costs him £400. He could barter this against hard goods from another supplier. A lawyer could barter legal services against marketing services. A software supplier could exchange software that has a negligible cost to him for services or products that he really needs.

The barter doesn't always have to be for goods of **equal value**. For example, a car is a low margin product that is likely to buy more in value of higher margin items.

Make a list of products/services you want and then propose a **direct exchange** with those suppliers. You can offer an unlimited time during which your product or service can be taken if they don't want it now.

Surplus goods are ideal as a barter tool. The other party may know someone they can sell them onto at retail value.

Triangulation can be used to make better use of bartering. For example a restaurateur may want a car but the car dealer doesn't want food. However a newspaper may use a restaurant to entertain sources, and the car dealer may want advertising space in the newspaper. You therefore set up a triangular arrangement.

You could even start your **own barter business** acting as a **middleman** arranging all these deals. You could offer to take 15% in cash or 30% in barter credits for making the arrangement that are assignable that you sell on.

Make Sure You Get Paid

Never forget that customers who can't or won't pay **are no good** to you. The exception that proves the rule is of course if that customer refers stacks of business to you.

The very first thing to consider is do you want or need to supply on credit at all. Only 20% of businesses pay on time. Cash on delivery avoids the need for debtor controls. Perhaps you need to start offering credit card facilities to make this possible.

That said, it is still necessary in many businesses to supply on credit if you want to maximize your sales. If you do this you must have a system that ensures you only supply to customers that can and do pay.

What If You Can't Pay?

It happens, often through no deliberate fault of your own.

If you get into a position where you can't pay, try to **pay what you can when you can and keep in touch** with your creditor. If you do this and they stick by you it can lead to an even more rewarding relationship for both parties when you recover.

If you get into difficult times, look to cut back to get through and survive. Cut staff, cut your square footage, cut back on everything and negotiate with suppliers. Pay the suppliers you need most first.

How To Find A Product To Market

If you're raring to get going but haven't got a product to sell, here are some ideas that may help you to find it...

- ✓ Think of your **hobbies and passions** and see if there is anything associated with them. If you enjoy what you do you are far more likely to be successful. Also, what are you good at? Then think if there are any other products you could also market to the same audience.
- ✓ Try the **Patent Office**. Patents are good for up to 20 years. After that, the idea is up for grabs if it hasn't been used. Sources of information are...

Patents Database <http://www.patent.gov.uk/patent/dbase/index.htm>

Inventor Groups <http://www.thebis.org/clubs/>

- ✓ Can't wait 20 years – ask the patent holder if you can have a licence for the product. They are inventors, not sales people who have no interest in the marketing. You may well find they will be happy with 2-5% of the sales revenues. Something is better than nothing at all.
- ✓ **Approach manufacturers** and ask to market any products that they have that haven't sold well. You'll often get a very good price. Ask for special licensing and marketing rights.
- ✓ Get media kits and look at the adverts – does it give you any ideas for better products?
- ✓ Go to **trade shows** and see what is on offer.
- ✓ If you see something on a shop shelf and you like the product, approach the manufacturer. The smaller the manufacturer, the more likely they are to want more outlets.

Summary

This report is very much just an introduction to making more profit. The Complete Guide to “**How To Make More Profit**” is provided FREE of charge to all new clients. It contains detailed step-by-step instructions for all of the lead generation, sales conversion and reselling tools and much much more. You are free to use them in your own business as much as you want.

“Just Do It”

Dr Denning & Borrowed By Nike