

# Building Better Businesses

Through Innovation and  
Strategic Planning.

*“It's fine to celebrate success,  
but it is more important to  
heed the lessons of failure.”*

*-Bill Gates*

Written By:

THOMAS E. JONES

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## **DEDICATION**

I would like to dedicate this book to David, Kim, Dixie, Eduardo, Mel and Brent for always believing in me. Oh, and to the “A” Ms. Amanda....miss you.

Also, to my son Tommy Jr. who is an aspiring entrepreneur himself.

**Thank you....**

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# INTRODUCTION

When we conceive of a “business”, the reality is that a business is not the product or a service that the business is created to sell. They are distinct. So, what then, is a business? To help conceive of what your business is, consider this metaphor – think of your product or service as a car, and your business as the engine of that car. Just like a well-crafted engine drives the performance and success of the car, so does a well-crafted and executed business enterprise drive the success of your product or service in the marketplace.

Let’s continue with the car/engine metaphor. A car can most certainly run on one cylinder, albeit it will do with in gasps and groans and will sputter out after not too long. Now we were to add a cylinder and one became two, we will undoubtedly run a little more smoothly and gain some much-needed life, but once again the car won’t run for very long. Add another cylinder and things get a little better, but still not sustainable. Now once we get to four cylinders, we reach a new level. We have an engine that can drive a business; maybe even indefinitely. But let’s be clear, this is more analogous to the corner store than Amazon. Now imagine 6 or 8 cylinders, and well-built cylinders at that. Now this car has range. It can drive great distances with ease. It can travel from coast-to-coast with near flawlessness. A pretty darned good car. But let’s take this one step further. Let’s imagine a perfectly crafted 12-cylinder engine, with a perfectly matched supporting cast of drive train, wheels, chassis and so on. This car can go anywhere, be anywhere, effortlessly and with unparalleled impression. Both you on you, (the business-owner) and the observer (your customer). It is, in short, an

unstoppable force. And so, it is with your business. If you want your product or service to have maximum impact in the marketplace, your business must be flawlessly crafted from the ground up, and then maintained and executed with precision.

So... how do you get there? That's where we come in. What we do: we design, we implement. And equally importantly, we teach. We tell you what we do and why we do it. In short, we build the framework of success for your business and educate you how to utilize that framework for maximum success; and we're with you every step of the way. To utilize the car metaphor one more time, we teach you to be the mechanic of the engine (the entire car, really) and work together with you in building your passionately built vehicle and maintaining it flawlessly.

*The clear reality is:*

- Over 85% of all businesses fail in the first 3 year and over 90% fail within the first 5 years.
- By comparison, 85% of franchised businesses thrive.

Think about it, only 1 in 10 (non-franchised) business succeed; whereas, in stark contrast, nearly 9 in 10 franchised business succeed. Why the difference? The answer is simple: the single most important distinction is in the planning and the systems. With a franchise, the franchisor delivers the franchisee owner a turn-key operation with the training and real-time support to make it flourish. A franchise provides a franchisee with:

- Strategic Planning
- Systems and Controls
- Website Design and Professionalism
- Branding
- Marketing and SEO Programs
- Social Media Campaign
- Operational Efficiency
- Training and Coaching
- Consistency
- Back office support
- Bookkeeping reporting on P&L's
- Key Performance Indicators - KPI's
- Real Estate Sourcing
- Financing Sources
- Human Resource Support

***Ponder this thought for a moment...or two...***

Virtually everything that you touch, see, taste or otherwise consume (other than what Mother Nature offers up, and often times even then...), some enterprising guy or gal (or several guys and gals) has made their fortune on it. Pretty much everything.

And for every one of those guys and gals, there are 10, 20 or 100 that have tried and failed. You see, there are innumerable great ideas generated by that many times that number of ambitious guys and gals, but unfortunately ideas are a dime a dozen. 99% of the time someone, somewhere has thought about your great idea or service. So, the "great idea" on its own is hardly the determining factor of success. Without the proper framework, the great

idea's chances of success are slight. On balance, success is driven by strategic planning and the execution and implementation of that plan. It's the strategic thinking; branding; social media; alignment with cultural values; social media; operations; staffing and training; and, equally importantly, the monitoring and continuous "tweaking" of the plan and its implementation through state-of-the-art systems delivering real-time data...always. Yet, most entrepreneurs still believe their product or service will carry the day. And they fail. It's why they fail while franchises, often with far less stunning ideas, succeed.

***The magic is in the planning and the implementation of the resulting plan.  
The rest is smoke and mirrors.***

At the risk of overkill, if we haven't made it perfectly clear yet, a great idea does not = success. In fact, it often times is not even a necessary ingredient. Turn your mind for the moment to Burger King, Wendy's or KFC. None were based on a new idea. At best, a twist on an already successful new idea. And in each case, with phenomenal success.

***Work Ethic – a definite necessary ingredient.***

From Benjamin Franklin to Bill Gates to a multitude of others, there is one glaring commonality. They do not, at any cost, give up. It's well-documented that Ben Franklin succeeded in creating the first light bulb somewhere around his 10,000 iterations. Successful entrepreneurs have their own agenda, they keep investing into themselves and their own businesses, and they don't give up! There simply is no substitute for hard work. So where do you start? With a formula for success, of course!



This book will help you to build your tool box as an entrepreneur and give you some new insights in to the way you are operating your business or just setting a business up from scratch.

If you would like to arrange a meeting to get a third-party perspective on your business, please send an email to [thomas@usethesystem.com](mailto:thomas@usethesystem.com) I will gladly point you in the right direction.

Thomas E. Jones

# 1

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## Use Goal Setting Effectively

We've all heard about the power of setting goals. Everyone has surely seen statistics that connect goal setting to success in both your business life, and your personal life. I'm sure if I asked you today what your goals are, you could rattle off a few wants and hopes without thinking too long.

However, what most people do not realize is that the power of goal setting lies in *writing goals down*. Committing goals to paper and reviewing them regularly gives you a 95% higher chance of achieving your desired outcomes. Studies have shown that only three to five percent of people in the world have written goals – the same three to five percent who have achieved success in business and earned considerable wealth.

These studies have also found that by retirement, only four per cent of people in the world will have enough accumulated wealth to maintain their income level, and quality of life. As a business owner, it is essential that you develop a plan for your retirement, but it is equally essential that you develop a plan for your success.

This chapter focuses on the power of goal setting as part of your business success. We'll teach you to set SMART goals that are rooted in

your own personal value system, and supporting techniques to achieve your goals faster.

## What are Goals?

Goals are clear targets that are attached to a specific time frame and action plan; they focus your efforts and drive your motivation in a clear direction. Goals are different from dreams in that they outline a plan of action, while dreams are a conceptual vision of your wish or desired outcome.

Goals require work; work on yourself, work for your business, and work for others. You cannot achieve a goal – no matter how badly you want it – without being prepared to make a considerable effort. If you are ready to invest your time and energy, goals will help you to:

- Realize a dream or wish for your personal or business life
- Make a change in your life – add positive, or remove negative
- Improve your skills and performance ability
- Start or change a habit – positive or negative

## Why Set Goals?

As we've already reviewed, setting goals and committing them to paper is the most effective way to cultivate success. The most important reason to set a goal is **to attach a clear action plan to a desired outcome.**

Goals help focus our time and energy on one (or several) key outcome at a time. Many business owners have hundreds of ideas whirring around in their heads at any one time, on top of daily responsibilities. By writing down and focusing on a few ideas at a time, you can prioritize and concentrate your efforts, avoid being stretched too thin, and produce greater results.

Since goals attach action to outcomes, goals can help to break down big dreams into manageable (and achievable) sections. Creating a multi-goal strategy will put a road map in place to help you get to your desired outcome. If your goal is to start a pizza business and make six figures a year, there are a number of smaller steps to achieve before you achieve your end result.

Success doesn't happen by itself. It is the result of consistent and committed action by an individual who is driven to achieve something. Success means something different for everyone, so creating goals is a personal endeavor. Goals can be large and small, personal and public, financial and spiritual. It is not the size of the goal that matters; what matters is that you write the goal down and commit to making the effort required to achieve it.

## **What happens when I achieve a goal?**

You should congratulate yourself and your team, of course! By rewarding yourself and your team after every achievement, you not only train your mind to associate hard work with reward, but develop loyalty among your employees.

You should also ask yourself if your achievement can be taken to the next level, or if your goal can be stretched by building on the effort you have already made. Consistently setting new and higher targets will lay the framework for constant improvement and personal and professional growth.

## **Power of Positive Thinking**

When was the last time you tuned into your internal stream of consciousness? What does the stream of thoughts that run through your mind sound like? Are they positive? Negative? Are they logical? Reasonable?

Positive thinking and healthy self-talk are the most important business tools you can ever cultivate; by programming a positive stream of subconscious thoughts into your mind, you can control your reality, and ultimately your goals. Think about someone you know who is constantly negative; someone who complains and whines and makes excuses for their unhappiness. How successful are they? How do their fears and doubts become reality in their world?

You are what you continuously believe about yourself and your environment. If you focus your mind on something in your mental world, it will nearly always manifest as reality in your physical world.

Positive thinking is a key part of setting goals. You won't achieve your goal until you believe that you can. You will achieve your goals faster when you believe in yourself, and the people around you who are helping to make your goal a reality.

Successful people are rooted in a strong belief system – belief in themselves, belief in the work they are doing, and belief in the people around them. They are motivated to improve and learn, but also confident in their existing skills and knowledge. Their positive attitude and energy is clearly felt in everything they do.

Ever notice how complainers usually surround themselves with other complainers? The same is true of positive thinkers. If you cultivate an upbeat and positive attitude, you will be surrounded by people who share your values and outlook on life.

Too often, people and our society subscribe to a continuous stream of negative chatter. The more you hear it, the more you'll believe it.

How many times have you heard:

- That's impossible.
- Don't even bother.
- It's already been done.
- We tried that, and it didn't work.
- You're too young.
- You're too old.
- You'll never get there.
- You'll never get that done.
- You can't do that.

Positive thinking and positive influences will provide the support you need to achieve your goals. Choose your friends and close colleagues wisely and surround yourself with positive thinkers.

## **Creating SMART Goals**

SMART goals are just that: smart. Whether you are setting goals for your personal life, your business, or with your employees, goals that have been developed with the SMART principle have a higher probability of being achieved.

### **The SMART Principle**

#### **1. Specific**

Specific goals are clearer and easier to achieve than nonspecific goals. When writing down your goal, ask yourself the five “W” questions to narrow in on what exactly you are aiming for. Who? Where? What? When? Why?

For example, instead of a nonspecific goal like, “get in shape for the summer,” a specific goal would be, “go to the gym three times a week and eat twice as many vegetables.”

## **2. Measurable**

If you can't measure your goal, how will you know when you've achieved it? Measurable goals help you clearly see where you are, and where you want to be. You can see change happen as it happens.

Measurable goals can also be broken down and managed in smaller pieces. They make it easier to create an action plan or identify the steps required to achieve your goal. You can track your progress, revise your plan, and celebrate each small achievement. For example, instead of aiming to increase revenue in 2018, you can set out to increase revenue by 30% in the next 12 months and celebrate each 10% along the way.

## **3. Achievable**

Goals that are achievable have a higher chance of being realized. While it is important to think big, and dream big, too often people set goals that are simply beyond their capabilities and wind up disappointed. Goals can stretch you, but they should always be feasible to maintain your motivation and commitment.

For example, if you want to complete your first triathlon but you've never run a mile in your life, you would be setting a goal that was beyond your current capabilities. If you decided instead to train for a five-mile race in six months, you would be setting an achievable goal.



## **4. Relevant**

Relevant – or realistic – goals are goals that have a logical place in your life or your overall business strategy. The goal’s action plan can be reasonably integrated into your life, with a realistic amount of effort.

For example, if your goal is to train to climb to base camp at Mount Everest within one year and you’re about to launch a start-up business, you may need to question the relevance of your goal in the context of your current commitments.

## **5. Timely**

It is essential for every goal to be attached to a time-frame – otherwise it is merely a dream. Check in to make sure that your time-frame is realistic - not too short, or too long. This will keep you motivated and committed to your action plan, and allow you track your progress.

# **Autosuggestion + Visualization**

Autosuggestion and visualization are two techniques that can assist you in achieving your goals. Some of the most well-known and successful people in the world use these techniques, and it is not coincidence that they are masters in their own fields of business and sport. A few of these people include:

- Michael Phelps (Olympic Swimmer)
- Andre Agassi (Tennis)

- Sir Richard Branson (Widely Diversified)
- Wayne Gretzky (Hockey)
- Bill Gates (Microsoft)
- Walt Disney (Entertainment)

Of course, each of these people have a high degree of talent, ambition, intelligence and drive. However, to reach the top of their respective field, they have each used Autosuggestion and Visualization.

### **Autosuggestion**

Autosuggestion is your internal dialogue; the constant stream of thoughts and comments that flows through your mind, and impacts what you think about yourself and how you perceive situations.

Since you were a small child, this self-talk has been influenced by your experiences and has programmed your mind to think and react in certain ways. The good news is that you can reprogram your mind and customize your self-talk any way you like. That is the power of Autosuggestion.

To begin practicing Autosuggestion, make sure you are relaxed and open to trying the technique; an ideal time is just before bed, or when you have some time to sit quietly. Then, repeat positive affirmations to yourself about the ideal outcome. Top sports and business people will often practice just before a big game or meeting.

Some examples of positive self-talk or autosuggestion include:

- I will lead my team to a victory tonight!
- I will be relaxed open to meeting new people at the party tonight!
- I will deliver a clear and impacting speech!
- I will stop worrying and tackle this problem tomorrow!
- I will stand up for my own ideas in the meeting!
- I will remember everything I have studied for the test tomorrow!

## **Visualization**

Visualization is a practice complementary to Autosuggestion. While you can repeat affirmations to yourself over and over, combining this practice with visualization is twice as powerful.

Visualization is exactly what it sounds like: repeatedly visualizing how something is going to happen in your mind's eye. Nearly everyone in sports practices this technique. It has been proven to enhance performance better than practice alone.

This technique can easily be applied to business. For example, prior to any presentation or meeting where you must speak, present or “perform.” You can also visualize yourself being incredibly productive and effective in your office. Or, having a discussion with your spouse calmly and rationally.

Elements to think about during visualization:

- What does the room look like?
- What do the people in the room look like?
- What is their mood? How do they receive me?
- What image do I project?
- How do I look?
- How do I behave? What is my attitude?
- What is the outcome?

# 2

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## **Systemizing Your Business and Developing Effective Processes**

One of the biggest mistakes a business owner can make is to create a company that is dependent on the owner's involvement for the success of its daily operations. This is called working "in" your business. You're writing basic sales letters, licking stamps, and guiding staff step-by-step through each task.

There are a number of problems with this approach. One is redundancy. You're paying your staff to carry out tasks that you eventually complete. The second is poor time management. You're spending your day, at your high hourly rate, on tasks as they arise, leaving little room for the tasks you need to be focused on.

However, the biggest issue I have with this approach is that countless intelligent business owners are spending the majority of their time operating their business, instead of *growing* it.

A good test of this is to ask yourself, what would happen if you took off to a hot sunny destination for three weeks and left your cell phone, PDA

and laptop at home. Would your business be able to continue operating?

If you said no, then this chapter is for you.

Systemizing your business is about putting policies and procedures in place to make your business operations run smoother, and more importantly, without your constant involvement. With your newfound free time, **you will be able to focus your efforts on the bigger picture: strategically growing your business.**

## **Why Systemize?**

For most small business owners, systems simply mean freedom from the day-to-day functioning of their organization. The company runs smoothly, makes a profit, and provides a high level of service, regardless of the owner's involvement.

Systemizing your business is also a healthy way to plan for the future. You're not going to be working forever, what happens when you retire? How will you transition your business to new ownership or management? How will you take that vacation you've been dreaming of?

Businesses that function without their ownership are also highly valuable to investors. Systemizing your business can position it in a favorable light for purchase, and merit a high price tag.

A system is any process, policy, or procedure that consistently achieves the same result, regardless of who is completing the task.

Any task that is performed in your business more than once can be systemized. Ideally, the tasks that are completed on a cyclical basis, daily, weekly, monthly, and quarterly. They should be systemized so much so that anyone can perform them.

Systems can take many forms, from manuals and instruction sheets, to signs, banners and audio or video recordings. They don't have to be elaborate or extensive, just provide enough information in step-by-step form to guide the person performing the task.

## **Benefits of Business Systems**

There are unlimited benefits available to you and your business through systemization. The more systems you can successfully implement, the more benefits you'll see.

- Better cost management
- Improved time management
- Clearer expectations of staff
- More effective staff training and orientation
- Increased productivity (and potentially profits)
- Happier customers (consistent service)
- Maximized conversion rates
- Increased staff respect for your time
- Increased level of individual initiative
- Greater focus on long-term business growth

## Taking Stock of Your Existing Systems

The first step in systemizing your business is taking a long look at the existing systems (if any) in your business. At this point, you can look for any systems that have simply emerged as “the way we do things here.”

How do your staff answer the phone? What is the process customers go through when dealing with your business? How are employees hired? Trained? How is performance Reviewed and rewarded?

Some of your systems may be highly effective, and not require any changes. Others may be ineffective and require some reworking. If you have previously established some systems, now is a good time to check-in and evaluate how well they are functioning.

Use the following chart to record what systems currently exist in your business.

<b>Existing Systems</b>	
<b>Administration</b>	
<b>Financials</b>	

<b>Communication</b>	
<b>Customer Relations</b>	
<b>Employees</b>	
<b>Marketing</b>	
<b>Data</b>	

## **Seven Areas to Systemize**

There is no doubt that system creation, especially when none exist to begin with, is a daunting and time-consuming task. For many businesses, it can be difficult to determine where to start to make the best use of their time from the onset.



Here are seven main areas of your business you can to systemize. Begin with one area and move to the other areas as you are ready. Alternately, start with one or two systems within each area, and evaluate how those new systems affect your business. Each business will require its own unique set of systems.

## 1. Administration

This is an important area of your business to systemize because administrative roles tend to see a high turnover. A series of systems will reduce training time, and keep you from explaining how the phones are to be answered each time a new receptionist joins your team.

<b>Administrative Systems</b>	
Opening and closing procedures	Filing and paper management
Phone greeting	Workflow
Mail processing	Document production
Sending couriers	Inventory management
Office maintenance (watering plants, emptying recycle bins, etc.)	Order processing
	Making orders

## 2. Financials

This is one area of systems that you will need to keep a close eye on, but that doesn't mean you have to do the work yourself. Financial management systems are everything from tracking credit card purchases to invoicing clients and following up on overdue accounts.

These systems will help to prevent employee theft, and allow you to always have a clear picture of your numbers. It will allow you to control purchasing, and ensure that each decision is signed-off on.

<b>Financial Systems</b>	
Purchasing	Profit / loss statements
Credit card purchase tracking	Invoicing
Accounts payable	Daily cash out
Accounts receivable	Petty cash
Bank deposits	Employee expenses
Cutting checks	Payroll
Tax payments	Commission payments

### **3. Communications**

The area of communication is essential and time consuming for any business. Fax cover letters, e-mail guide lines, sales letters, internal memos, reports, Blogs and newsletters are items that need to be created regularly by different people in your organization.

Most of the time, these communications aren't much different from one to the next, yet each are created from scratch by a different person. There is a huge opportunity for systemization in this area of your business. Systemized communication ensures consistency and company differentiation.

<b>Communication Systems</b>	
Internal memo template	Newsletter template
Fax cover template	Sales letter template(s)
Letterhead template	Meeting minutes template
Team meeting agenda	Report template
Sending faxes	Internal meetings
Internal emails	Scheduling

#### **4. Customer Relations**

Another important area for systemization is customer relations. This includes everything the customer sees or touches in your company, as well as any interaction they might have with you or your staff members.

Establishing a customer relations system will also ensure that new staff members understand how customers are handled in *your* business. It will allow you to maintain a high level of customer service, without constantly reminding staff of your policies. It will also ensure that the success of your customer relations and retention does not hinge on you or any other individual salesperson.

<b>Customer Relations Systems</b>	
Incoming phone call script	Sales process
Outgoing phone call script	Sales script
Customer service standards	Newsletter templates
Customer retention strategy	Ongoing customer communication strategy
Customer communications templates	Customer liaison policy

## 5. Employees

Create systems in your business for hiring, training, and developing your employees. This will establish clear expectations for the employee, and streamline time consuming activities like recruitment.

Employees with clear expectations who work within clear structures are happier and more productive. They are motivated to achieve ‘A’ when they know they will receive ‘B’ if they do. Establishing a clear training manual will also save you and your staff the time and hassle of training each new staff member on the fly.

<b>Employee Systems</b>	
Employee recruitment	Staff uniforms or dress code
Employee retention	Employee training
Incentive and rewards program	Ongoing training and professional development
Regular employee reviews	Job descriptions and role profiles
Employee feedback structure	

## 6. Marketing

This is likely an area in which you spend a large part of your time. You focus on generating new leads and getting more people to call you, walk through your doors or buying something from your website. These efforts can be systemized and delegated to other staff members.

Use the information in this program to create simple systems for your basic promotional efforts. Any one of your staff should be able to pick

up a marketing manual and implement a successful direct mail campaign or place a purposeful advertisement.

<b>Marketing Systems</b>	
Referral program	Regular advertisements
Customer retention program	Advertisement creation system
Regular promotions	On-line Marketing
Marketing calendar	Sales procedures
Enquiries management	Lead management

## **7. Data**

While we like to think we operate a paperless office, often the opposite is true. Your business needs to have clear systems for managing paper and electronic information to ensure that information is protected, easily accessed, and only kept when necessary.

Data management systems help you keep your office organized. Everyone knows where information is to be stored, and how it is to be handled, which prevents big stacks of paper with no place to go.

Ensure that within your data management systems you include a data backup system. That way, if anything happens to your server or computer software, your data – and potentially your business – is protected.

<b>Data Management Systems</b>	
IT Management	Client file system
Data backup	Project file system
Computer repairs	Point of sale system
Electronic information storage	Financial data management

## **Implementing New Systems**

If you completed the exercise earlier in this chapter, you will have a good idea of the systems that are currently in place in your business. The next step is to determine what systems you need to create in your business.

To do this you will need to get a better understanding of the tasks that you and your employees complete on a daily and weekly basis. If you operate a timesheet program, this can be a good source of information. Alternately, ask staff to keep a daily log for a week of all the tasks they contribute to or complete. Doing so will not only give you valuable insight into their how they spend their time on a daily basis, but also involve them in the systemizing process.

Review all task logs or timesheet records at the end of the week, remove duplicates, and group like tasks together. From here you can categorize the tasks into business areas like the seven listed above, or create your own categories.

Then, you will need to prioritize and plan your system creation and implementation efforts. Choose one from each category, or one category to focus on at a time. The amount you can take on will depend on your

business needs, and the staff resources you have available to you for this process.

Remember that system creation is a long-term process – not something that will transform your business overnight. Be patient, and focus on the items that hold the highest priority.

## **Creating Your Systems**

There is a big variety of ways you can create systems for your business, depending on the type of system you need and the type of business you operate. Some systems will be short and simple – i.e., a laminated sign in the kitchen that outlines step-by-step how to make the coffee – while others will be more complex – i.e., your sales scripts or letter templates.

One thing all your systems have in common is steps. There is a linear process involved from start to finish. Begin by writing out each of the steps involved in completing the task, and provide as much detail as you can.

Then, review your step-by-step guide with the employee(s) who regularly complete the task and gather their feedback. Once you have incorporated their input, decide what format the system needs to be in: manual, laminated instruction sheet, sign, office memo, etc.

## **Testing Your Systems**

Now that you have created a system, you will need to make sure that it works. More specifically, you need to make sure that it works without your involvement.

Implement the new system for an appropriate period of time, a week or month, then ask for input from staff, suppliers, vendors and customers. Evaluate if it is informative enough for your staff, seamless enough for your suppliers, and whether or not it meets or exceeds your customer's needs.

Take that feedback and revise the system accordingly. You will rarely get the system right the first time..... so be patient.

Systems will also need to be evaluated and revised on a regular basis to ensure your business processes are kept up to date. Structure an annual or bi-annual review of systems, and stick to it.

## **Employee Buy-In**

It will be nearly impossible for you to develop effective systems without the involvement and input of your employees. These are the people who will be using the systems, and who are completing the tasks on a regular basis without systems. They have a wealth of knowledge to assist you in this process.



Employees can also draft the systems for you to review and finalize. This will make the systemization process a much faster and more efficient one.

It is also important to note that when you introduce new systems into your company, there may be a natural resistance to the change. People, including your employees, are habitual people who can become set in the way they are used to doing things.

## **Delegation**

The final step to systemizing your business is delegation. What is the point of creating systems unless someone other than you can use them to perform tasks?

This doesn't have to mean completely removing your involvement from the process, but it does mean giving your employees enough freedom to complete the task within the structure of the systems you have spent time and considerable thought creating.

After that, allow yourself the freedom of focusing on the tasks that you most enjoy, and most deserve your time, like creating big picture strategies to grow your business and increase your profits.

# 3

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## **Understanding the Numbers: Increasing Profits & Managing Costs**

As a small business owner, you are in business for one reason: to make money.

Of course, there are other reasons you started or purchased your company. You may love the product you sell, or service you provide. You may love the challenge of turning a floundering company into an overnight success. You may just love being your own boss.

Naturally, this all means nothing if you are not generating enough income to support yourself and your family, as well as the people who work for you.

Nearly all businesses make money. Unless not a single product or service is sold, there is always money coming in. But there is also always money going out. Supplies, wages, marketing, acquisitions and operations all contribute to the expense of just staying in business.

Simply put, profit is the difference between money in and money out. This is the dollar value of your sales, minus the cost of those sales.

In business, you will find that everyone wants to make more money. They want to increase their sales and have more money coming in. **What often gets overlooked is that the true secret to making more money is not increasing sales, it's increasing profit.**

## What is Profit?

Before you can take steps to increase the profitability of your business you have to have a solid understanding of:

- types of profit
- what factors influence profit
- what your profit is *right now*

### Types of Profit

There are two main types of profit:

#### Gross Profit

Gross profit is the simplest form of calculating profit. It is simply the money that comes through the cash register, minus the cost of acquiring or providing the products or services.

The formula is:

$$\textit{Total revenue (sales) - cost of goods or services sold = Gross Profit}$$

## **Net Profit**

Net profit is a more accurate reflection of your income. It is calculated by taking your gross profit minus expenses over a specific time period (usually by quarter).

The formula is:

*Gross profit – expenses (cost of running a business) = Net Profit*

## **Factors that Influence Net Profit**

Net Profit is your bottom line. It is the number that falls out the bottom when all other costs and expenses have been taken into consideration. Do you know what contributes to the amount of profit your business ends up with?

There are three main factors that influence profit:

### **Sales – Your Conversion Rate**

The first, and most obvious factor is the money that comes in the door through sales. In theory, the more sales you make, the more money you bring in, the greater your profits.

The ratio of potential customers to sales is called your conversion rate. This is the percentage of customers you have converted from leads to sales. So, a high conversion rate means more sales and more money coming in the door.

In addition, your conversion rate is the lifetime value of your clients. It costs much less to convince a customer to make repeat purchases than it does to acquire new clients.

### **Costs – Your Product/Service Margins**

The second factor is the cost of your offering, what your product or service costs you to acquire or provide. If you sell a product, this is the wholesale price you pay for the product. If you offer a service, it is the cost of your (or your employee's) time plus any materials used.

Your margin is the difference between the price you pay and the price your customers pay. If you buy toothpaste for \$1 from the wholesaler, and you sell it for \$3, your margin is \$2. If a haircut costs \$20 in materials and service, and the customer pays \$50, your margin is \$30.

### **Expenses – The Cost of Doing Business**

The final factor is the cost of running your business – those not directly related to the specific product or service you offer. Expenses include:

- Office or store lease
- Computer equipment lease
- Employee salaries
- Utilities
- Marketing + advertising

## **Your Profit**

It only makes sense that you need to know where you are to determine how to get to where you want to be. This applies to any plan to create in business.

Before you can increase your profits, you need to have an understanding of where your profits are currently, and if you're making any at all. The next section will take you through a process to review the specific factors that affect your business's profitability, and ultimately determine how much profit you are currently bringing in.

## **Taking Stock of Your Profits**

Before you devise a strategy to increase your profits, you need to take a good long look at the money your business brings in, and the money you spend to run your business. You may wish to sit down with your accountant or bookkeeper to analyze the financial information that is available to you.

Decide on a specific time period to review, one that makes sense to your business, and one that will give you the most realistic picture of your business performance.

This will depend if your operation is cyclical, or remains steady throughout the year. Usually, the previous quarter or the previous four quarters will give you enough of an indication.

**Here is a general of items to review:**

- Total revenue
- Total cost of goods or services
- Total cost of operations (overhead), including:
  - Employee wages
  - Recruitment
  - Business development
  - Utilities
  - Rent or mortgage
  - Office supplies
  - Computer leases
  - Incidentals
  - Total cost of marketing campaigns

Total profit after costs and expenses for this time period:  
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## **The Five Factors that Eat Your Profits**

It is easy for business owners to compare their organizations to the apparent success of their competitors. Joe’s Pizza may always be teaming with customers and appear to be making money hand over fist, while your pizza shop may have slower, but more steady business.

It is important to remember that a business with extraordinary sales figures is not necessarily a profitable one. Sales are just one element of your

profit calculation.

Here are some other elements to think about when reviewing the profitability of your business:

### **Impulse Spending**

How often do you make purchases for your business operations? I'm not talking about acquiring new goods and services, but upgrading computers, taking your team out for lunch, or leasing a new color photocopier.

Do you allow your staff to make purchases on your behalf? Who reviews these decisions? Take a look not only at *what* you buy, but *how* spending is structured in your company.

### **Small Margins**

As we discussed in the previous section, your margins are the difference between your cost and the customer's cost to purchase your goods or services.

Typically, businesses that offer a variety of products will have both products with large margins, and products with small margins. The products with large margins generate the most income, so these are the products that staff should be focused on selling.

What many businesses overlook is that products with small margins will never generate a high level of income, no matter how many you sell. A



store stocked with small margin items will never be able to increase their profit because they have so little margin to work with.

## **Your Customers**

This may seem like a backwards way of thinking. Your customers spend money, so they are a positive factor in your profit calculation, right?

This is true for most of your customers. But remember the 80/20 rule of business – 80% of your revenue comes from 20% of your customers. These are your top 20%, or ideal customers. What about your bottom 20%? The group of clients who ask for the moon and never stop complaining.

These clients can be a huge drain on both your staff resources and your financial resources. Their true value to your business is minimal – they cost more than they bring in. Fire them!

## **Loan Interest**

How many business loans do you currently have? Credit card debit? Overdraft? The interest you pay on these loans can be a substantial monthly cost to your business.

A loan from a bank is just like any other product. You can shop around for the best deal. Consider consolidating or restructuring your debt to minimize interest payments. Plan to search around for the best rate on a regular basis, every few months or quarter.

## **Vendors**

Do you purchase your goods and services from a wholesaler or retailer? How long have you been in business with this company? What do you pay for goods and services relative to your competitors?

Ensure that you are dealing with as direct a vendor as possible to minimize your acquisition costs and increase your margins. If you have been doing business with a particular vendor for an extended period of time, consider renegotiating your business arrangement.

## **The Basics of Increasing Profit**

### **Your Profitability Goal**

Now that you have an understanding of the current profitability of your company, it is time to look at ways to increase your bottom line.

Like all other aspects of your business development, you need to have a clear idea of your intention or purpose before you begin any activity. Assuming you wish to increase the profitability of your business, you need to determine by how much and within what time frame.

Create a profit-related goal for your business, and write it here:

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## **Three Ways to Increase Profit**

There are countless strategies for increasing profit, but ultimately you can only increase profit in one of three ways:

### **1. Get More Customers**

Use marketing outreach strategies to generate more leads, and convert those leads into more customers. Introduce a new offer, expand your target audience, or approach a new target audience.

### **2. Get Your Customers to Buy More Often**

Use customer loyalty and retention strategies to get your existing customers to buy from you more often. Make it easy for them to come back and do business with you.

You can do this by adding value to your product or service, keeping in touch on a regular basis, and giving your customers incentive to make repeat purchases. Customer service is also an overlooked component of building a repeat client base.

### **3. Increase How Much Your Customers Buy**

You'll naturally increase your sales when you increase the number of customers and how often they purchase. The final way you can impact your profit is by increasing the average dollar value of each sale.

This can be achieved by up-selling every customer, creating package offers, and finding ways to increase the perceived value of your offering to justify increasing the price.

# Managing Costs

One important way to impact the profitability of your business is through cost or spending management. Controlling how much money goes out will help you ensure that a more money stays in your bank account.

Remember, however, that cutting costs can only help increase your profits so much. There is a point where you will no longer be able to reduce expenses, and you will have to focus on increasing sales.

## Why Cut Costs?

Cost management may seem like an obvious way of maintaining a healthy business, but it is also one of the primary reasons 80% of small businesses fail. Overspending is a huge problem for most businesses – and they don't even realize it.

Reducing costs is a great short-term strategy to boost profits. As I mentioned above, there is a limited amount of impact cost management can have on the bottom line, so it is an ineffective long term strategy.

Cost management can also help you to generate more capital. A business that closely monitors and controls its spending is a much more desirable loan candidate than a business that spends freely.

Most importantly, this strategy will help keep your business profitable through high and low periods. It's easy to spend money when

your company is doing well, but this leaves little in the “just in case” account for downturns in the economy or unexpected expenses.

### **Where Can I Cut Costs?**

#### **Financing**

As I mentioned, interest rates are a big culprit when it comes to eating profits. Take stock of how much money you are spending on a monthly basis in loan and interest payments. Can this be reduced? Is there another bank that will offer you a lower rate? Is there a way to consolidate these loans into a single, low-interest account?

Alternatively, if your business is doing well and has a large amount of money sitting in the bank; consider investing it or placing it in a high-interest savings account. Let your money make you money instead of spending it on unnecessary business luxuries.

#### **Suppliers or Vendors**

Again, as mentioned above, make sure the price you pay for goods and services, for resale or internal use, is the lowest you can find. Try to deal directly with the manufacturer or distributor, and renegotiate discounts and contracts with your vendors every year.

#### **Hours of Operation**

Evaluate the hours you are open for business each day, and why you have chosen the specific timeframe. Is it to compete with the competitors? Is it because you can serve the highest number of customers? Each hour you are open for business costs you money, so make sure you are operating under the most ideal timeframe.

## **Staffing, Wages, and Compensation**

This can be a sensitive subject for any business owner or employee. It is important to look at staffing redundancies and capacity levels – as well as hiring needs – when evaluating cost management strategies.

Do you need to hire new staff, or can you build capacity within your existing employees? Is there another way to compensate staff, or provide performance incentives that are non-monetary, have a high perceived value, and inexpensive for your business? Remember to take time and care when implementing any changes in this area of cost management.

## **Place of Business**

If you operate an office in a downtown metropolis, you are going to have substantially higher operating costs than a competitor who runs an office just outside the city limits.

Make sure you can justify your location, and the amount of money you spend to be there. Consider the following questions:

- Are my customers impacted by where I do business?
- Do my customers need to visit my office?
- What impression does my business need to present?
- Do I need parking facilities?
- Do I need to be visible?
- Do I have staff to employ?
- Am I near public transit, lunch outlets, and other amenities?
- Do I need access after business hours?
- Should I lease or buy?

- What other costs are specific to this location?

### **Eliminate the invisible!**

What could you and your staff live without? What wouldn't you notice if it just disappeared one day? Take stock of expenses that are not being properly used or appreciated. Think of amenity-based items, or convenience costs, like:

- Gym Memberships
- Morning refreshments (muffins, donuts, etc.)
- Publication Subscriptions
- Designer coffee and tea
- Fancy collateral packaging

## **Your Pricing Strategy**

The cost of your goods and services have a direct impact on the money you bring in. Your pricing strategy is so important to your business that can even determine your success.

Deciding how much to charge for your product or service is a challenging task. You need to factor in your own costs, the product or service's perceived value, and the going rate. Ultimately, you want to be able to charge as much as possible for each item, without overpricing yourself out business.

## **Avoid the Lowest Pricing Strategy**

The days of the lowest price guarantee and pricing wars are over, especially for small businesses. The “big players” in the marketplace will quickly put you out of business if you try to compete on price. Their pockets are deeper and they have lower operating costs due to their sheer size. They can afford to.....you can't.

## **Clearly Position Your Company and Your Offering**

How do you want your target market to view your business, and your products? Are you trying to create an image of high quality? High value? Reliable service? Make sure your pricing is consistent with the image you are trying to project. If you are operating a high-end spa, you're not competing with the budget nail salon down the street, so your prices should be considerably higher.

## **Have a Good Working Understanding of Your Margins**

Know how much the product or service costs you to offer before you establish a price. Do these costs remain consistent, or do they fluctuate? Restaurants that offer high quality meat and seafood often price their meals at “market rates” as opposed to fixed rates. Calculate the fixed and variable costs associated with your product or service. You will want to work the cost of the product or service, a percentage of your overhead, and your own profit into the cost of each item.



## **Pay Attention to Factors Beyond Your Control**

Be aware of any government or industry regulations on the price of your product or services. Some laws will actually limit how much you can charge for standard services. For medical and dental services, most insurance companies will put a cap on how much a customer will be compensated for each service. Seek out all external factors that could impact your pricing.

## **Price with a Purpose**

Your pricing strategy should be purpose focused. What exactly are you trying to do by setting your prices at certain levels? Here are some potential reasons for pricing strategies:

- Short-term profit increase
- Long-term profit increase
- Customer generation
- Product positioning
- Revenue maximization
- Increase margins
- Market differentiation
- Survival

## **Pricing Strategies**

### **Cost Plus Pricing**

This is the most basic pricing strategy. Set your price at a number that includes:

- Cost of goods or services, based on a specific sales volume
- Percentage of expenses
- Profit margin (markup)

### **Target ROI Pricing**

Set your price at a rate that will achieve a specific Return on Investment target. If you need to make \$20,000 from 1,000 units – or \$20 per unit – then set your price at \$20 more than cost, plus expenses.

### **Value Based Pricing**

This can be a bit of an arbitrary pricing strategy, but it can also be the most profitable. Set your price based on the value or added benefit it brings to a customer. For example, if your product only costs you \$40 to produce, but will save the customer \$2,000 per year in energy costs, a price of \$150 or \$200 would not appear to be unreasonable in the eyes of the customer.

### **Psychological Pricing**

What messages are you trying to send the customer when they're looking at your prices for your products? Do you offer the best deal? The highest value? These are reasons to choose prices that are higher or lower than the competition.

## **Pricing Guidelines**

**Price higher than cost.** This may seem obvious, but ensure that your pricing not only covers your costs, but potential fluctuations in sales volume and in the marketplace. If you sell half of your order, will you still make a profit?

**Include expenses.** If you price to cover your costs, will you also be able to cover your expenses and still see a profit? Your margin needs to pay for your expenses, leave you with something to live on, plus some working capital for the company.

**Consider the ‘fair’ price.** What do your consumers think is ‘fair’ for each service or product? This is impacted by your competitor’s price, your company’s image (high quality or high value, low cost), and the perceived value of your product or service.

## **Strategies to Increase Profit**

Once you have a concrete understanding of where your business stands today in terms of profitability, minimized your operating costs, and restructured your pricing strategy, you can focus on other strategies to increase profit.

There are countless strategies and tactics that will help you to bring in more customers, get those customers to come back, and get those customers to spend more when they do.

Here is a list of ideas, many of which are covered in detail in other sections of this program:

- Advertise
- Establish an online presence
- Sell more high margin items
- Generate more leads
- Focus on referral business
- Increase customer loyalty and repeat business
- Increase conversion rates
- Restructure your team
- Reinvent your product
- Sell your intellectual capital

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## **Staff Recruitment Training and Development**

The people you hire to work for your business can be your biggest assets and your biggest headaches. They can support and help you to achieve the vision you have for your company, but they can also prevent you from reaching that vision.

Too many businesses overlook the role of employee recruitment and retention when planning for the success of their organization. Staffing is an important exercise that needs to be purpose driven and strategic, just like marketing.

It is vital to understand in today's market that the relationship between employee and employer is a two-way street. Now, more than ever, employees have a "what's in it for me?" attitude that extends beyond salary and benefits expectations into incentive and rewards programs. The days of simple compensation structures are over.

Now, this may sound like a big headache, but it's actually a good thing! With some simple systems and open dialogue, you will be able to effectively create and keep your dream team.

## **The Power of Your Dream Team**

How much of your own personal time has human resources, staff hiring, firing, issues management, etc. taken this year? No doubt staff recruitment and retention is one of the biggest challenges facing any business owner today.

The truth is, if you spent half as much time on human resources as you do on marketing, I guarantee your sales would increase dramatically.

Customers know the difference between happy employees and disgruntled ones, and it makes a difference when it comes to purchase decisions. Would you rather have your car serviced by a grumpy mechanic who doesn't feel his good work is rewarded, or a pleasant one who just stepped out a weekly team meeting?

A successful business owner has confidence in the people who work for him, because he believes they are the best people for the job. Employees who know their employer believes in their skills and abilities will go over and above to get the job done, to make the sale.

Successful business owners invest time and money in finding and keeping the right people. These are the people who share and support the collective vision for the company.

I'm not talking about a complicated formula, or magic concoction. I'm talking about some careful thought and a proactive strategy that will make your business shine from the inside out.

# Finding Your Dream Employees

Building a dream team starts by finding and hiring the right people for the job. Sounds simple enough. You post an ad, find someone who has the necessary qualifications, and hire them on.

Not so fast. Recruitment is complex process that can dramatically impact your business operations. Just like finding and securing the right customers, finding and hiring the right candidates requires pro-active planning and careful evaluation.

If you currently work with a recruiting agency to build to your team, now may be a good time to stop and evaluate the effectiveness of their service. While a recruiting agency can save you the time and hassle of working through the hiring process, it can also cost more money in the long run.

I always recommend creating an internal recruitment system, not because recruiting agencies do a bad job, but because no one knows your business like you do.

An internal recruitment system ensures that the true essence of your business culture is communicated – from advertisement to interview. You also have the opportunity to communicate expectations from the outset, instead of relying on the recruiter to relay this information. The middle-man's thoughts and impressions are eliminated, leaving you to make decisions based on your impression of the candidate and no one else's.

## **Step One: Advertise the Opportunity**

The first step in recruiting candidates is obviously letting potential candidates know about the opportunity with your company.

But before you pick up the phone to place a classified ad, remember that advertising for potential employees requires just as much consideration and planning as general advertising for your business.

You need to ask yourself:

- Who is your ideal candidate?
- What are their skills and qualifications?
- What is their personality or demeanor?
- What are they passionate about?
- What are they looking for in a job?

Once you have a mental picture of your candidate, then you can begin to write an ad that will not only reach them, but also inspire them to act (and submit an application).

When writing this ad, be as specific as possible and focus on the benefits of the job. Remember that potential candidates screen job postings with an eye for “what’s in it for me.” Tell them exactly that.



Here are a few sample job postings:

**Are you the Marketing Assistant we need?**

*About You*

You're fun, friendly and have a keen eye for detail. You're always two steps ahead of your colleagues, and eager to take on new and exciting challenges.

You'll be the glue that keeps the marketing team operating in a seamless fashion, responsible for website updates, copywriting, event coordination and client relations. You'll be punctual, responsible, and well put together.

You'll ideally have an undergraduate degree in marketing or English, and some previous office experience, but a fast learner with a great attitude will also get our attention.

*About Us*

We are a collaborate team of young professionals. We offer a competitive salary, great benefits and performance incentives.

Think you fit the bill? Email your resume and cover letter to John Smith at [jsmith@email.com](mailto:jsmith@email.com) by Friday at 4pm.

## **Are Computers Your Life?**

### *About You*

You are smart, outgoing, and a wiz when it comes to computer programming. You're on your friend's speed dial for computer emergencies, large and small. Helping people understand the complex digital world is your passion.

You'll be our Lead Computer Technician, managing our computer repair counter and five Junior Technicians. You'll have great people skills, mounds of patience, and enjoy working as part of a dynamic team.

### *About Us*

We operate Anytown's leading computer repair store, and are known across the region for our customer service. We work hard, play hard, and offer a competitive benefits package to our employees.

Tell us why this job is for you. Email your resume and cover letter to [info@computerworld.com](mailto:info@computerworld.com) by Thursday, September 23.

Both of these job postings speak directly to a very targeted audience. They're friendly, colloquial, and communicate the job requirements in an informal way.

Every job posting should:

- Be colloquial (written in the way that you talk)
- Be specific
- Describe benefits
- Include skills, qualifications, duties and job title
- Be written in the present tense
- Have a great headline
- Call the reader to action
- Be simple – in word choice and sentence structure
- Be more exciting than the competition

Now that you have a great ad to post, you need to decide where you are going to publish it. This depends on the level of the job (junior to management) and on the specific type of candidate you are looking to recruit.

Here are the five major places to advertise your opportunity:

### **Government Employment Center**

These are great places to find blue-collar or junior level employees. Candidates register with the center, which keeps their resumes on file. Be cautious with this route, it can produce a wide variety of candidates who are not qualified.

### **Local Newspaper**

This is a great place to post junior to mid-level employment opportunities. You're looking for basic qualifications from local applicants, perhaps even for part-time positions, with minimal cost.

## **Regional or City Newspaper**

Senior employment opportunities that require specific high-level qualifications are best advertised with a broad scope. This incurs a greater cost, but will return a greater variety of candidates.

## **Online**

This is a cheap way to tap into a massive database of job seekers. Post your ad online on sites like [www.monster.com](http://www.monster.com), [www.craigslist.com](http://www.craigslist.com), [www.kijiji.ca](http://www.kijiji.ca) or [www.workopolis.com](http://www.workopolis.com) and watch the resumes come flooding in. A large number of highly qualified job seekers who do not wish to register with a recruitment agency will use these services.

## **Referrals**

The most ideal way to find candidates is through your existing network, including associates, colleagues, employees, friends and family. These candidates come to you already vetted by a trusted source. You may also wish to consider giving your staff an incentive to refer their qualified friends and associates to you.

You should also brainstorm a list of any other niche areas that your target market may look for a job. Consider industry publications, industry associations, small publications, etc.

Once you've posted your ad, your next step is to manage the inquiries that come flooding in.

## Step Two: Screen Candidates

This is one of the most time-consuming aspects of the recruitment process, so you will need to work out a system to manage the response to your job posting.

A system will also allow you ensure you ask all potential candidates the same questions, and provide them with the same information about the role as well as about your company.

**1. Decide whether all inquiries will be handled by one person or several.** This will depend on your staff resources and capacity. A system will allow multiple employees to assist in the process.

For example, if your candidates have been instructed to submit their resume and cover letter to you through email, designate a single email address and inbox to receiving and responding. This way you or another staff member will not be bombarded by emails, and can designate an hour of time each day to managing the inquiries. If your candidates are calling in, designate a unique phone number or answering machine to this purpose.

**2. Decide how inquiries will be responded to.** This can be as simple as an email acknowledging receipt of the resume, or specific instructions on an answering machine. Ensure everyone receives the same information, and that you receive the same level of information from all candidates (resume, cover letter, portfolio, references, and other relevant information.).

If you have asked candidates to call you instead of submitting their resumes through email, create a standard checklist of questions to ask them, as well as of information to provide them with. You may wish to create a script. Some questions might include:

- What kind of job are you looking for?
- Why do you think you would be well suited to this position?
- Tell me a bit about yourself.
- What makes you interested in our company?

Use this opportunity to get a feel for the applicant's personality, and trust your initial impression. Create a form on which to record this information, and file it with their resume when you receive it.

**3. Devise a process for reviewing resumes or applications.** The easiest and most time efficient way to do this is in a single session, after the stated deadline, and not as you receive them. You may wish to enlist the assistance of a senior colleague to provide a second opinion.

Review the resumes and application materials, and divide the applications into three piles: interview, no interview, and maybe. From here you can begin to call candidates and set up a first interview.

It is also a good idea to be in touch with unsuccessful candidates, and politely let them know that you will not be asking them in for an interview. If you anticipate your response rate will be overwhelming, you may wish to consider stating in your advertisement that only successful applicants will be called.

## **Step Three: First Interview**

The first interview is also a screening interview; your objective is to develop a first impression of the candidate as a person, and to determine if they are qualified for the position. If you feel you have found an ideal candidate, this is also your opportunity to convince them to choose your company over any others they may be considering. Good people don't stay in the market long.

### **Interview Structure**

You will need to decide on a structure, or system, for the interview process as well. Will you be conducting the first interviews, or will another manager? Will the interviews be conducted one on one, or will several employees participate? If you are replacing an employee, you may want to consider inviting that employee into the interview to provide insight into the role.

### **Interview Materials**

Just as you are asking the potential candidate to come prepared to the interview, you must be as well.

- Have an outline prepared of what you would like to cover. Topics include: company history, job description, interview questions, compensation structure, availability, and room for advancement.
- Bring two copies of a typed job description. Include all tasks the candidate will be responsible for completing or assisting with.

- A company profile or overview document (other marketing collateral will also work here).

## **Interview Attitude**

Begin to build a relationship with each applicant. The purpose of the interview is not just to discuss the job description, or for the applicant to get all the interview questions “right.” It is to determine if this person has the right attitude for the job, and whether or not they will fit in with the company’s culture and its employees.

Keep the interview professional, but make sure the applicant is comfortable. Interviews test our ability to perform under pressure, but you will want to gain an understanding of the applicant’s true nature. Remember that even if the applicant is not well suited to the role they have applied for, they may be suited to a future opportunity with the company.

## **Interview Questions**

The questions you decide to ask the candidate are highly specific to your company and the role you are hiring for. Take some time to brainstorm what you really need to know about each person, and what questions you can ask to get that information.

Keep in mind that part of the objective of the first interview is to get a sense of the candidate’s personality. You will want to ask questions about their responses, and begin to establish a real relationship with them.



Here are some starter interview questions to get you going:

- Tell me a little bit about your background.
- What has been your first impression of our company/product/services?
- Tell me about a time when...[insert a likely scenario they will encounter in the position]. How did it make you feel? How did you handle the situation?
- What advantages do you feel you have over the other candidates?
- What are your strengths? Weaknesses?
- Tell me about an achievement you're proud of.
- Why did you leave your last position?
- Where do you see yourself in five years?
- ...and so on.

Make sure you take good notes, or ask a junior member of your team to take notes for you. Also record your impression of the candidate after each interview. You will want to be able to reflect on each interview before inviting the candidate to the next phase of the selection process.

When the first interviews have been completed, review your notes and discuss your first impressions with other employees involved in the process. Then, decide who you would like to invite back for a second interview, and let the unsuccessful candidates know they are not right for this particular role.

## **Step Four: Second Interview + Reference Check**

The second interview is used to confirm your impressions of the applicants you believe are well suited to the job. It can also be used to get more information, or to more closely compare two solid candidates.

Make sure you only offer a second interview to those you are considering hiring. If you are on the fence about a candidate, chances are your instincts are right, and bringing them in for a second interview is a waste of their time and yours.

### **Callbacks**

When you call a candidate to invite them to come in for a second interview, remain professional and don't make any allusions to a job offer. If your impression of them changes during the second interview, you do not want to have to go back on something you said. Let them know what you thought of them based on the first interview, and ask if they would be interested in meeting with you a second time.

Give yourself and the candidate at day or two between interviews to reflect on the first interview and prepare for the second.

### **Interviewer**

You may wish to change the person or team of people who conducted the first interview. Usually the second interview is conducted with more senior team members at the table.

## **Interview Questions**

While the second interview is often less structured than the first, a relationship has already begun to be established, you should still prepare a list of questions for the candidate.

These questions should focus on the specific tasks related to the job, and on providing more information about the culture, systems, and values of the company. You can also use the second interview to ask questions you may not have had the chance to in the first interview.

## **Office Tour + Introductions**

Once you have determined that you have found the candidate for the job, take them on a tour of your office or business, and introduce them to your staff members. This is a good way gaining an initial understanding of how the candidate might interact with your existing staff members.

## **Calling References**

This is the final, arguably most important, step to make before offering the job to the candidate. You should ask your candidate for at least three employment references, and perhaps one character reference.

Call each reference contact, and explain who you are and why you are calling. Then ask if they have a few moments to answer some questions about the candidate. You will want to find out information about punctuality, professionalism, skills, and their reason for leaving. Cross reference this

information with your interview notes to ensure consistency between the candidate and their reference.

### **Step Five: Hire Your Employee**

Provided their references are solid, now is the time to make them an offer of employment.

Call the candidate personally to offer them the job. Make sure you congratulate them, and express your enthusiasm in welcoming them into your team. You will also need to follow up your conversation with a letter or email that includes the job offer document or contract.

In the case a candidate declines the job offer, you may wish to do a reference check on your second pick candidate and make them an offer.

Good luck!

## **Training Your Dream Employees**

Once you have landed your dream employees through a rigorous recruitment process, it is essential that you continue to invest in your decision by putting them through a thorough training process.

Training is actually an element of recruitment. A new employee's orientation and training sets the tone for their entire employment; this includes their impression of your business, its systems, and respect for its leaders. This has an impact on your ability to retain good people, and avoid

unnecessary or redundant recruitment processes.

Too often, businesses rely on junior employees to train new ones without any guidelines or ‘curriculum.’ New employees are thrown into the deep end without clear expectations or an understanding of ‘how things are done around here.’

These elements affect how an employee perceives their own required level of effort or performance. A business that doesn’t give much thought to planning, expectations, and preparation will end up showing a new employee that the same lack of attention is expected from them.

Here are some things to ensure you implement when you create your comprehensive training system:

### **Prior Learning / Existing Knowledge**

Acknowledge your new employee’s prior learning, and don’t overestimate or underestimate their existing knowledge.

### **Choice of Trainer**

Make sure the person or people who will be training the new employee are sufficiently qualified and experienced. If an administrator is leading a salesperson’s training and orientation, consider asking another salesperson or more senior team member to assist on specific days or sessions.

## **Training Materials**

Have all the required training materials handy. This includes company manuals, industry guidebooks, common reference materials, work samples and anything else that will aid in the training efforts.

## **Training Tools**

Also ensure you have the tools available to train your new recruit. Will the training be held at their workstation, or another workstation? Do you have all the software you need? All the equipment required? Doing so will ensure the training runs smoothly and the time provided will be used effectively.

## **Time**

Provide more than ample time for training – including time for questions and elaboration. Rushing training benefits no one, including your profits.

## **Testing**

Consider including some ‘tests’ or checks to ensure the new recruit understands each component of the training. Ask the trainer and the trainee to sign-off on each section.

## **The Big Picture**

Each team member's role is part of a larger picture: the company as a whole. Ensure that the trainee understands how their role contributes to the big picture on each level. If they are a junior member of a department, they should understand how their job contributes to the department, as well as how the department contributes to the entire company.

## **Feedback**

The trainee should be able to ask questions and review information at any time, including after the training process. Create an environment that encourages open dialogue and encourages employees to ask questions when they are unsure of a task.

The other common mistake that many companies make is ending training after the first few weeks of a new recruit's employment.

Training is an ongoing process for every single member of your team, and there should be a system or structure in place to ensure that staff training and development happens on a regular basis. This can include cross-training, employee development, and new systems orientation. Regular training not only benefits your staff and improves their performance, but it allows you, the business owner, to:

- Implement new policies + procedures
- Invest in your staff, thereby improving confidence and morale
- Evaluate staff performance at an individual and team level

- Reward staff based on performance improvements
- Provide a regular arena for feedback and discussion, including positive and negative experiences and issues

## **One-on-One Training + Evaluation**

An effective system of ongoing training is weekly, monthly, or quarterly staff reviews. When conducted one-on-one, this provides a forum for regular communication with employees to review performance and identify areas for improvement. A one-on-one environment will encourage more open and honest dialogue than if the session were conducted as part of a team.

As a business owner, these sessions are valuable sources of information and insight into the strengths, weaknesses and motivations of your team.

If you have a large staff, consider pairing junior staff with senior staff and establishing mentorship relationships. This is a powerful way to build the synergy of your team, and frees you up from weekly meetings with each staff member. Instead, each senior staff member can report back to you on the results of their regular training sessions, and you only need to conduct these sessions with your senior staff.

## **Team Training**

Team training events are great team builders, and provide insight into how your team interacts as a whole. These can take the form of “lunch



and learns”, where senior staff or guest speakers conduct an hour long session with staff members, or more social team building exercises with a less formal program.

Team training exercises will shed light on the leaders and followers in an organization and bring together employees who may work outside of the office. These can be especially helpful if you and your senior staff do not see the team ‘in action’ on a daily basis.

## **Keeping Your Dream Employees**

Now that you have spent hours of time and potentially hundreds or thousands of dollars recruiting and training your staff, your human resource job is done, right?

I suppose you’ve done what you’ve set out to do: get the right people working for you. But what happens when those people get bored? Or stolen by another company? Or feel they’ve “done all they can do” at your company?

The final step in the overall recruitment process is employee retention. This includes keeping your employees happy, supporting their development, and giving them incentive to continuously improve their performance.

## **Environment**

The environment you create for your staff has a huge impact on your employee retention rates. This includes the interior design and layout of your office or business, the lighting, plants, and kitchen amenities available. It also includes the culture of the company, what is the general working atmosphere? Are most people loud? Quiet? Is there a buzz or hum to the office space?

The bottom line is that employees should enjoy and feel comfortable coming to their workplace, they do spend most of their waking hours there.

Spending a little more on comfortable office furniture and amenities like coffee, tea, snacks and social spaces will go a long way toward keeping your employees happy at work.

## **Recognition, Rewards, and Incentive Programs**

Did you know that many employees place more value on positive public recognition for a job well done than they do on salary?

Recognition and rewards are powerful tools when it comes to keeping employees happy. Positive feedback from those in more senior positions has a higher perceived value than a 3-5% salary increase – and it costs the business little to nothing to implement.

Incentive programs are a formalized way of rewarding employees for their achievements and successes. Clear targets and milestones are

identified, and when an individual or team reaches those milestones they are rewarded with bonuses or prizes.

Recognition, rewards and incentive programs are an important part of employee retention, as well as team building. They will be discussed in further detail in the Team Building chapter.

### **Professional Development Programs**

Another common reason employees choose to leave their positions is professional development. Many feel they need to move to another company in order to develop their careers or gain more responsibility. They may not necessarily dislike their current role, but become bored or stagnated and believe they have ‘done all they can do’ at that particular company.

Keeping good people means providing opportunities for growth and advancement within your company. This benefits the company because you can hire from within, and save money and time on recruiting and training new staff. It also benefits your employee and increases their loyalty toward your business.

Professional development programs are an important part of staff retention – but they are also an important part of business growth and development. A company with staff who are always increasing their knowledge and improving their skills will stay on the ‘cutting edge’ of their industry, and have an advantage over the competition.

Ongoing training and development should be a primary focus for any growing business. Here's why:

- Increases productivity
- Increases staff retention
- Increases workplace safety and morale
- Increases customer service
- Increases sales

Professional development programs typically focus on the big picture ambitions of the company and its staff members. The longer-term goals and career ambitions are recorded and taken into consideration.

Professional development can be easily worked into your ongoing one-on-one training systems. Keep a folder or binder for each staff member that outlines current role responsibilities, short and long term goals, and areas for improvement, and review it during your weekly or monthly meetings. Identify specific areas for growth, and develop plans of action for that growth.

For example, if your marketing assistant wants to grow into a marketing coordinator or manager role, and needs to improve her people management skills, consider putting her through a management course.

Maintaining this program doesn't have to be a time-consuming task. With some simple system tools and a commitment to regularly scheduled meetings, you can have a clear and effective program for your staff.

- Evolving job description document to monitor role responsibilities and tasks
- Regular performance evaluations
- Goal planning worksheets
- Continuing education programs at local business schools
- Regular meetings between staff and supervisors
- Rewards and incentives

# 5

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## Define Your Target Market

### What is a Target Market?

Many businesses can't answer the question: *Who is your target market?* They have often made the fatal assumption that *everyone* will want to purchase their product or service with the right marketing strategy.

A target market is simply the group of customers or clients who will purchase a specific product or service. This group of people all have something in common, often age, gender, hobbies, or location.

Your target market, then, are the people who will buy your offering. This includes both existing and potential customers, all of whom are motivated to do one of three things:

- Fulfill a need
- Solve a problem
- Satisfy a desire

To build, maintain, and grow your business, you need to know who your customers are, what they do, what they like, and why they would buy

your product or service. Getting this wrong – or not taking the time to get it right – will cost you time, money, and potentially the success of your business.

## **The Importance of Knowing Your Target Market**

Knowledge and understanding of your target market is the keystone in the arch of your business. Without it, your product or service positioning, pricing, marketing strategy, and eventually, your business could very quickly fall apart.

If you don't intimately know your target market, you run the risk of making mistakes when it comes to establishing pricing, product mix, or service packages. Your marketing strategy will lack direction, and produce mediocre results at best. Even if your marketing message and unique selling proposition (USP) are clear, and your brochure is perfectly designed, it means nothing unless it arrives in the hands (or ears) of the right people.

Determining your target market takes time and careful diligence. While it often starts with a best guess, assumptions cannot be relied on and research is required to confirm original ideas. Your target market is not always your ideal market.

Once you build an understanding of who your target market is, keep up with your market research. Having your finger on the pulse of their motivations and drivers – which naturally change – will help you to anticipate needs or wants and evolve your business.

# Types of Markets

## Consumer

The Consumer Market includes those general consumers who buy products and services for personal use, or for use by family and friends. This is the market category you or I fall into when we're shopping for groceries or clothes, seeing a movie in the theatre, or going out for lunch. Retailers focus on this market category when marketing their goods or services.

## Institutional

The Institutional Market serves society and provides products or services for the benefit of society. This includes hospitals, non-profit organizations, government organizations, schools and universities. Members of the Institutional Market purchase products to use in the provision of services to people in their care.

## Business to Business (B2B)

The B2B Market is just what it seems to be: businesses that purchase the products and services of other business to run their operations. These purchases can include products that are used to manufacture other products (raw or technical), products that are needed for daily operations (such as office supplies), or services (such as accounting, shredding, and legal).



## Reseller

This market can also be called the “Intermediary Market” because it consists of businesses that act as channels for goods and services between other markets. Goods are purchased and sold for a profit – without any alterations. Members of this market include wholesalers, retailers, resellers, and distributors.

## Determining Your Target Market

### Product / Service Investigation

The process for determining your target market starts by examining exactly what your offering is, and what the average customer’s motivation for purchasing it is. Start by answering the following questions:

<b>Does your offering meet a basic need?</b>	
<b>Does your offering serve a particular want?</b>	
<b>Does your offering fulfill a desire?</b>	
<b>What is the lifecycle of your product / service?</b>	
<b>What is the availability of your offering?</b>	

<p><b>What is the cost of the average customer's purchase?</b></p>	
<p><b>What is the lifecycle of your offering?</b></p>	
<p><b>How many times or how often will customers purchase your offering?</b></p>	
<p><b>Do you foresee any upcoming changes in your industry or region that may affect the sale of your offering (positive/negative)?</b></p>	

### **Market Investigation**

- **On the ground.** Spend some time on the ground researching who your target market might be. If you're thinking about opening a coffee shop, hang out in the neighborhood at different times of the day to get a sense of the people who live, work, and play in the neighborhood. Notice their age, gender, clothing, and any other indications of income and activities.
- **At the competition.** Who is your direct competitor targeting? Is there a small niche that is being missed? Observing the clientele of your competition can help to build understanding of your target market, regardless of whether it is the same or opposite. For example, if you own a children's clothing boutique and the majority of middle-class mother's shop at the local department store, you may wish to focus on higher-income families as your target market.

- **Online.** Many cities and towns, or at least regions, have demographic information available online. Research the ages, incomes, occupations, and other key pieces of information about the people who live in the area you operate your business. From this data, you will gain an understanding of the size of your total potential market.
- **With existing customers.** Talk to your existing customers through focus groups or surveys. This is a great way to gather demographic and behavioral information, as well as genuine feedback about product or service quality and other information that will be useful in a business or marketing strategy.

### Who is Your Market?

Based on your product / service and market investigations, you will be able to piece together a basic picture of your target market, and some of their general characteristics. Record some notes here. At this point, you may wish to be as specific as possible, or maintain some generalities. You can further segment your market in the next section.

### Consumer Target Market Framework

<b>Market Type:</b>	<b>Consumer</b>
<b>Gender:</b>	<input type="checkbox"/> Male <input type="checkbox"/> Female
<b>Age Range:</b>	
<b>Purchase Motivation:</b>	<input type="checkbox"/> Meet a Need <input type="checkbox"/> Serve a Want <input type="checkbox"/> Fulfill a Desire

<b>Activities:</b>	
<b>Income Range:</b>	
<b>Marital Status:</b>	
<b>Location:</b>	<input type="checkbox"/> Neighborhood <input type="checkbox"/> City <input type="checkbox"/> Region <input type="checkbox"/> Country
<b>Other Notes:</b>	

## Institutional Target Market Framework

<b>Market Type:</b>	<b>Institutional</b>
<b>Institution Type:</b>	<input type="checkbox"/> Hospital <input type="checkbox"/> Non-profit <input type="checkbox"/> School <input type="checkbox"/> University <input type="checkbox"/> Charity <input type="checkbox"/> Government <input type="checkbox"/> Church
<b>Purchase Motivation:</b>	<input type="checkbox"/> Operational Need <input type="checkbox"/> Client Want <input type="checkbox"/> Client Desire
<b>Purpose of Institution:</b>	
<b>Institution's Client Base:</b>	
<b>Size:</b>	
<b>Location:</b>	<input type="checkbox"/> Neighborhood <input type="checkbox"/> City <input type="checkbox"/> Region <input type="checkbox"/> Country
<b>Other Notes:</b>	

# B2B Target Market Framework

<b>Market Type:</b>	Business to Business (B2B)
<b>Company Size:</b>	
<b>Number of Employees:</b>	
<b>Purchase Motivation:</b>	<input type="checkbox"/> Operations Need <input type="checkbox"/> Strategy <input type="checkbox"/> Functionality
<b>Annual Revenue:</b>	
<b>Industry:</b>	
<b>Location(s):</b>	
<b>Purpose of Business:</b>	
<b>People, Culture &amp; Values:</b>	
<b>Other Notes:</b>	

# Reseller Target Market Framework

<b>Market Type:</b>	<b>Reseller</b>
<b>Industry:</b>	
<b>Client Base:</b>	
<b>Purchase Motivation:</b>	<input type="checkbox"/> Operations Need <input type="checkbox"/> Client Wants <input type="checkbox"/> Functionality
<b>Annual Revenue:</b>	

<b>Age:</b>	
<b>Location:</b>	<input type="checkbox"/> Neighborhood <input type="checkbox"/> City <input type="checkbox"/> Region <input type="checkbox"/> Country
<b>Other Notes:</b>	

## Your Target Market: Putting It Together

Based on the information you gather from your product / service and market investigations, you should have a clear vision of your realistic target market. Here are a few examples of how this information is put together and conclusions are drawn:

# Target Market Sample 1: Consumer Market

<p><b>Business:</b> Baby Clothing Boutique</p>	<p><b>Business Purpose:</b>  <i>Meet a need</i> (provide clothing for infants and children aged 0 to 5 years)  <i>Serve a want</i> (clothing is brand name only, and has a higher price point than the competition)</p>
<p><b>Market Type:</b> Consumer</p>	
<p><b>Gender:</b> Women</p>	
<p><b>Marital Status:</b> Married</p>	
<p><b>Market Observations:</b>          located on Main Street of Anytown, a street that is seeing many new boutiques open up, proximate to the main shopping mall two blocks from popular mid-range restaurant that is busy at lunch</p>	<p><b>Industry Predictions:</b>          large number of new housing developments in the city and surrounding areas          two new schools in construction          expect to see an influx of new families move to town from any city</p>

<p><b>Competition Observations:</b>          baby clothing also available at two local department stores, and one second-hand shop on opposite side of town</p>	<p><b>Online Research:</b>          half of Anytown’s population is female, and 25% have children under the age of 15 years          Anytown’s population is expected to increase by 32% within three years          The average household income for Anytown is \$75,000 annually</p>
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**TARGET MARKET:**

The target market can then be described as married mothers with children under five years old, between the ages of 25 and 45, who have recently moved to Anytown from any city, and have a household income of at least \$100K annually.

## Target Market Sample 2: B2B Market

<p><b>Business:</b> Confidential Paper Shredding</p>	<p><b>Target Business Size:</b> Small to medium</p>
<p><b>Market Type:</b> B2B (Business to Business)</p>	<p><b>Target Business Revenue:</b> \$500K to \$1M</p>
<p><b>Business Purpose:</b>  <i>Meet an operations need</i> (provide confidential on-site shredding services for business documents)</p>	<p><b>Target Business Type:</b>          produce or handle a variety of sensitive paper documentation          accountants, lawyers, real estate agents, etc.</p>
<p><b>Market Observations:</b>          there are two main areas of office buildings and industrial warehouses in any city          three more office towers are being constructed, and will be completed this year</p>	<p><b>Industry Predictions:</b>          the professional sector is seeing revenue growth of 24% over last year, which indicates increased client billing and staff recruitment</p>

<p><b>Competition Observations:</b>          one confidential shredding company serves the region, covering any city and the surrounding towns          provide regular (weekly or biweekly) service, but does not have the capacity to handle large volumes at one time</p>	<p><b>Online Research:</b>          any city's biggest employment sectors are: manufacturing, tourism, food services, and professional services</p>
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**TARGET MARKET:**

The target market can then be described as small to medium sized businesses in the professional sector with an annual revenue of \$500K to \$1M who require both regular and infrequent large volume paper shredding services.



# Segmenting Your Market

Your market segments are the groups within your target market – broken down by a determinant in one of the following four categories:

- Demographics
- Psychographics
- Geographic
- Behaviors

Segmenting your target market into several more specific groups allows you to further tailor your marketing campaign and more specifically position your product or service. You may wish to divide your ad campaign into four sections, and target four specific markets with messages that will most resonate with the audience.

For example, the baby clothing store may choose to segment its target market by psychographics, or lifestyle. If the larger target market is *married females with children under five, between the ages of 25 and 45, who have a household income of at least \$100K annually*, it can be broken down into the following lifestyle segments:

- Fitness-oriented mothers
- Career-oriented mothers
- New mothers

With these three categories, unique marketing messages can be created that speak to the hot-buttons of each segment. The more accurate and specific you can make communications with your target market, the greater impact you will have on your revenues.

## Market Segmentation Variables

Demographic	Psychographic	Geographic	Behavioristic
Age	Personality	Region	Brand Loyalty
Income	Lifestyle	Country	Product Usage
Gender	Values	City	Purchase
Generation	Attitude	Area	Frequency
Nationality	Motivation	Neighborhood	Profitability
Ethnicity	Activities	Density	Readiness to Buy
Marital Status	Interests	Climate	User Status
Family Size			
Occupation			
Religion			
Language			
Education			
Employment Type			
Housing Type			
Housing			
Ownership			
Political			
Affiliation			

## Understanding Your Target Market

Once you have determined who your market is, make a point of learning everything you can about them. You need to have a strong understanding of who they are, what they like, where they shop, why they buy, and how they spend their time. Remind yourself that you may *think* you know your market, but until you have verified the information, you'll be driving your marketing strategy blind.

Also be aware that markets change, just like people. Just because you knew your market when you started your business 10 years ago, doesn't

mean you know it now. Regular market research is part of any successful business plan, and a great habit to start.

## **Types of Market Research**

### **Surveys**

The simplest way to gather information from your clients or target market is through a survey. You can craft a questionnaire full of questions about your product, service, market demographics, buyer motivations, and so on. Plus, anonymous surveys will produce the most accurate information since names are not attached to the results or specific comments.

Depending on the purpose—whether it is to gather demographic information, product or service feedback, or other data—there are a number of ways to administer a survey.

#### *1. Telephone*

Telephone surveys are a more time-consuming option, but have the benefit of live communication with your target market. Generally, it is best to have a third party conduct this type of survey to gather the most honest feedback. This is the method that market researchers use for polling, which is highly reliable.

#### *2. Online*

Online surveys are the easiest to administer yourself. There are many web-based services that quickly and easily allow you to custom create your survey, and send it to your email marketing list. These services can also analyze, summarize and interpret the results on your behalf. Keep in mind

that the results include only those who are motivated to respond, which may slant your results.

### *3. Paper-based.*

Paper surveys are seldom used, and can prove to be an inefficient method. Like online surveys, your results are based on the feedback of those who were motivated for one reason or another to respond. However, the time and effort involved in taking the survey, filing it out, and returning it to your place of business may deter people from participating.

Keep in mind that surveys can be complex to administer, and consume more time and resources than you have planned. If you have the budget, consider hiring a professional market research firm to lead or assist with the process. This will also ensure that the methodology is standard practice, and will garner the most accurate results.

## **Website Analysis**

Tracking your website traffic is an excellent way to research your existing and potential customer's interests and behavior. From this information, you can ensure the design, structure and content of your website is catering to the people who use it, and the people you want to use it.

User-friendly website traffic analytics programs can easily show you who is visiting your site, where they are from, and what pages of your site they are viewing. Services like Google Analytics can tell you what page they

arrive at, where they click to, how much time they spend on each page, and on which page they leave the site.

This is powerful (and free!) information to have in your market research, and easy to monitor monthly or weekly, depending on the needs of your business.

### **Customer Purchase Data (Consumer Behavior)**

If you do not have the budget to conduct your own professional market research, you can use existing resources on consumer behavior. While this data may not be specific to your region or city, general consumer research is actual data that can be helpful in confirming assumptions you may have made about your target market.

Your customer loyalty program or Point of Sale system may also be of help in tracking customer purchases and identifying trends in purchase behavior. If you can track who is buying, what they're buying and how often they're buying, you'll have an arsenal of powerful insight into your existing client base.

### **Focus Groups**

Focus groups look at the psychographic and behavioristic aspects of your target market. Groups of six to 12 people are gathered and asked general and specific questions about their purchase motivations and behaviors. These questions could relate to your business in particular, or to the general industry.

Focus group sessions can also be time consuming to organize and facilitate, so consider hiring the services of a professional market research firm. You may also receive more honest information if a third party is asking the questions, and receiving the responses from focus group participants.

For cost savings, consider partnering with an associate in the same industry who is not a direct competitor, and who would benefit from the same market data.

# 6

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## **Leverage From Marketing Case Studies**

The strategies in this program mean absolutely nothing unless you choose to implement them.

The beauty of each of these time-tested strategies is that you can begin implementing them at any time – and start virtually anywhere in the program. There is no need to completely rework your entire marketing campaign or put off making changes until you can make all the changes at once.

This section profiles the success of others who have taken the information in this program and used it to better their businesses.

In each case, it took only a handful of changes to dramatically increase sales and generate higher revenues.

Let their stories motivate you to start working today to better your own business.

# Case Study One

## Think Coffee News

**Business Type:** Small Magazine Publisher

**Objective:** Increase profits with cross selling opportunities, without any time expense.

**Strategy:** Education

**Solution(s):** A prominent marketing personality was asked to write a regular column and create a series of workshops. The column and workshops were designed to educate clients on easy-to-implement and cutting-edge marketing initiatives, as well as sell clients a twelve-month program (Starter Program).

**Value Add Proposition:** The twelve-month program would assist advertising clients on marketing their own business, creating better offers, back end sales, as well as profitable joint-venture opportunities.

**Method:** Free Series of Marketing Workshops + Newsletter Column

**Marketing Materials:**

- Sales Script to promote Starter Program
- Email template
- Workshop invitation

**Result!** A sustainable joint venture and cross selling opportunity was established, and is now worth thousands of dollars in additional revenue per year.



# Case Study Two

## Young Realtor of the Year

**Business Type:** Independent Contractor

**Issue:** Need to increase revenues, but has no extra time available after a successful marketing campaign.

**Strategy:** Intellectual Capital

**Solution(s):** When other local realtors phone for free advice, he sells them on shadowing him in action for a day. Less successful realtors ride his coattails for a day and are free to take as many notes as they like. Must guarantee they will not impede his ability to work nor talk to his clients at any stage.

**Value Added Proposition:** A one-hour debrief is included in the session, plus a hand out to ensure the client experienced/noticed most important parts of day. A less successful realtor is educated, and the young realtor is positioned as an expert through this mentorship program.

**Method:** Regular, time-consuming phone calls were turned into a source of revenue.

**Marketing Materials:**

- Sales Script
- Referral Program

**Result! Realtor now makes \$1,000 per day in addition to successful sales revenues with limited time investment.**

# Case Study Three

## Personal Trainer

**Business Type:** Independent Contractor

**Objective:** Need to generate more new leads and create a loyal (more valuable) client base

**Strategy:** Risk Reversal and Service Packaging

**Solution(s):** The personal trainer needed to understand why first-time buyers are reluctant to purchase training services. In response, the first session was offered for free to clients who were qualified through a series of questions. This demonstrated credibility, empathy, insight, and most importantly the ability to provide a benefit to the person. Potential clients had the opportunity to evaluate the service before they opened their wallets.

**Value Added Proposition:** First session free, with package program of services available for \$3,000 for Platinum clients.

**Method:** Advertise and promote free session

**Marketing Materials:**

- Training Program
- Referral Program
- Sales Scripts

**Result! Personal Trainer tripled industry average revenues with this service package that sold for 10 times the industry average.**

# Case Study Four

## Oil and Gas Company

**Business Type:** Large-format company

**Objective:** Need to find a way to keep customers coming back; most customers make ‘one-time’ purchases of large products that sell for approximately \$70,000.

**Strategy:** Maintenance Program (Service Plan)

**Solution(s):** Machines sold for \$70K and seldom had any issues inside five years. A warranty and Maintenance Program was developed to upsell each client, and provide an opportunity to ‘get in the door’ of the customer. A condition of the warranty is that we must come in quarterly to service the machine and ensure it was in good health.

**Value Added Proposition:** The \$2,500 maintenance program was up-sold to each customer, providing an (almost) unconditional warranty and ease of mind.

**Method:** The serviceperson who made quarterly visits to each client also served as a salesperson that would look for other opportunities to provide the client with products or services.

**Marketing Materials:**

- Collateral for other products
- Questionnaire
- Sales Script

**Result!** The ‘lifetime value’ of each client went up dramatically, and most sales were increased by \$2,500 for the Maintenance Program.

# Case Study Five

## Accounting Company

**Business Type:** Service-based Company

**Objective:** Need to grow business and increase revenues.

**Strategy:** Education and Expertise Positioning

**Solution(s):** Educate the market regarding tax strategies ‘The Government Didn’t Want You to Know’. Position the business as the experts with cutting edge advice and innovative money saving solutions for clients.

**Value Added Proposition:** Potential clients were able to gain ‘free’ information from the business, without making a purchase, which eliminates the risk involved in finding an accountant.

**Method:** Accountant wrote educational and informative tax columns as well as developed a regular string of seminars.

**Marketing Materials:**

- Newspaper + Newsletter Columns
- Free Seminars
- Referral Program.

**Result!** Firmly established themselves as the ‘go to’ company for businesses looking to pay less tax.

# Case Study Six

## Music Teacher

**Business Type:** Independent Contractor

**Objective:** Need to generate more income to support ambitious business owner

**Strategy:** Risk Reversal + Education

**Solution(s):** Developed a free Loss Leader two-hour group lesson for adults. The most popular song requested was taught, and all participants were guaranteed to be able to play it after the two hours. His clients (adults) were not interested in playing technically well, just in knowing a few songs to play at Christmas, etc.

**Value Added Proposition:** Clients were not required to put down any money up front, and would have the opportunity to purchase a 12-month training course to continue to develop their skills.

**Method:** Loss Leader was heavily promoted, and at the end of the session the students were sold a 12-month training course (highly systemized and very little 'time' attached).

**Marketing Materials:**

- SWOT Analysis
- Advertisements
- Newsletter
- Joint Ventures
- Loss Leader

**Result! Licensed his program. He reckons he will have made more money off 'Unchained Melody' than the Righteous Brothers!**

# Case Study Seven

## Lawn Mowing Business

**Business Type:** Service-based Business

**Objective:** Find a way to increase revenues and reduce overhead.

**Strategy:** Competitor Research

**Solution(s):** Researched the five most successful businesses in their industry. Found the major competitors were companies selling ‘licenses’ rather than other lawn mowing companies. Created framework of everything needed to ‘license’.

**Value Added Proposition:** Offer \$30,000.00 licenses, rather than \$50 lawn mowing jobs.

**Method:** Took everything the company was doing successfully to operate a ‘lawn mowing business’, and completed manuals for operations and marketing based on existing systems.

**Marketing Materials:**

- Operations Manual
- Marketing Manuals

**Result!** Licensed company and tripled previous year’s sales with equal or reduced overhead. **PLUS:** Realized everything that worked for the lawn mowing business could also work with minor changes for dog groomers and carpet cleaners. Also licensed these businesses.

# Case Study Eight

## Community Supermarket

**Business Type:** Product-based Business

**Issue:** Needs to find a way to compete with other, larger, grocery stores and stop losing money.

**Strategy:** Joint Venture Marketing

**Solution(s):** Create a private label alternative with excellent branding and POS (point of sale) material. Joint venture with other small town supermarkets and ensured long term strategy to ‘compete with big boys’.

**Value Added Proposition:** Huge increases in profit margin for an excellent product

**Method:** Full blown brand strategy.

**Marketing Materials:**

- Direct Mail
- Newspaper Ads
- Joint Ventures

**Result! 22% increase in profitability.**

# Case Study Nine

## Local Restaurant

**Business Type:** Service-based Business

**Issue:** Revenues in a downward spiral.

**Strategy:** Target Market Research

**Solution(s):** Restaurant found that their clientele had changed, but they were still modeling their business on what had worked in the past. The name was changed from 'Family Restaurant' to 'Pastaria'; younger staff were recruited; a calendar of events was created to draw crowds; and the brand identity was updated. The new image was one that their desired clientele would resonate with.

**Value Added Proposition:** Past influential customers were invited to try the revamped restaurant for free (through gift certificates).

**Method:** Personal letters were mailed to all popular and influential people in the local area (athletes, successful business people, Mayor, Council Representatives, Newspaper publisher, etc.).

**Marketing Materials:**

- Personal Letters including Gift Certificates
- Calendar of Events
- New brand identity

**Result! Revenues tripled over twelve months.**



# Case Study Ten

## Business Incubator

**Business Type:** Service-based Business

**Objective:** Increase occupancy in short-term offices and increase profit.

**Strategy:** Risk Reversal; Powerful Offer

**Solution(s):** A powerful offer was created and targeted at small to medium sized business owners currently operating from home. The offer included minimal financial investment, ease of transition, and no commitment.

**Value Added Proposition:** New clients were offered their first month free, no deposit, no contract, and a free moving service. There was no risk involved for the client, and a powerful business operation environment was provided.

**Method:** Direct mail sales letter to potential business clients who currently operate at home, with follow up calls made by contract salespeople to close the sales.

**Marketing Materials:**

- Sales Letter
- Referral Program.
- Sale Script

**Result! Doubled profits in first year and sustained growth..**

# Case Study Eleven

## Business Incubator

**Business Type:** Service-based Business

**Objective:** Business Incubator had developed a system that increased occupancy 22% above industry average (this basically doubled ‘profits’) and needed to find new ways to grow the business.

**Strategy:** Purchase Competitors

**Solution(s):** Developed a list of competitors, and created a financial strategy to acquire them. Most of the business centers jumped at the chance to exit the business as they were operating at industry average. Grew business and market share immediately and also created a viable option for someone looking to sell.

**Value Added Proposition:** The clients received superior service and were provided with greater leverage through the expanded service centers.

**Method:** Direct mail piece to all business centers offering to purchase.

**Marketing Materials:**

- Sales Letter
- Sales Script
- Sales Presentation

**Result!** Bought several of their competitors, increased market share and brand awareness substantially, profits grew by 75%.

# Case Study Twelve

## Mortgage Broker

**Business Type:** Independent Contractor

**Objective:** Talented Mortgage Broker needs to grow clientele

**Strategy:** Expert Positioning

**Solution(s):** Increased her fees. Developed series of ongoing seminars, free information conferences, and wrote a column for magazines (hired ghost writer and licensed those available on the net).

**Value Added Proposition:** People wanted to work with her and seek her counsel because they were able to hear her opinions, numbers, success stories and advice prior to committing.

**Method:** Public speaking, free information nights and regular seminars/lunch and learns. Systemizing, recording and subsequently scripting initial consultations. She also leveraged existing joint venture with very popular real estate office.

**Marketing Materials:**

- Phone Script
- SWOT Analysis
- Fax Flyers
- Speakers Notes

**Result! \$27,245.00 profit in the first month as well as a successful business model that will be able to be licensed/sold.**

# Case Study Thirteen

## Hockey Rink (in Australia!)

**Business Type:** Service-based Business

**Objective:** Develop a school league for a sport that was not popular or well known in the Southern Hemisphere.

**Strategy:** Aggressive Education

**Solution(s):** Developed a skating program as lead generation and beginner hockey for those interested in trying the new sport. Becoming a school sport was difficult, but the clear and obvious route for immediate and sustainable growth.

**Value Added Proposition:** Kids and parents were offered an alternative sport activity, and the possibility of being an elite player in a new and emerging league.

**Method:** Created a school league driven from the ground up through the kids (they spoke to parents... who in turn spoke to the teachers) as opposed to the school system.

**Marketing Materials:**

- Fundraising Program (for local schools)
- Activities Program (skating, hockey, birthday parties, sleepovers)
- Referral Program (bring a friend)

**Result! A school league with over 70 (paid) teams registered and state championships.**

## **Case Study Fourteen**

### **Magician**

**Business Type:** Independent Contractor

**Objective:** Make a profit!

**Strategy:** Value Added Packaging

**Solution(s):** A merchandise program was established to supplement the income generated from regular magic shows. Instead of relying on donations at the end of each show (like most street performers), a table was created with t-shirts and magic kits available for purchase. A salesperson was hired to man the table while the magician worked the crowd.

**Value Added Proposition:** Instead of a \$5 donation, parents and kids could purchase \$25 kits for home magic trick practice – a far better value.

**Method:** Table set up to sell magic kits and merchandise; salesperson was hired.

**Marketing Materials:** POS (point of sale) Material

- Magic Kits
- Uniforms + T-Shirts
- Referral Program
- Sales Training

**Result! Tripled income immediately and was referred to larger paid gigs by audience members.**

# Case Study Fifteen

## Magazine Publisher

**Business Type:** Independent Contractor

**Objective:** Find a niche market used for publishing expertise. The successful magazine publisher sold her business with a ‘non-compete’ clause for a high profit. She wanted to continue working and this is the only business she knew.

**Strategy:** Education + Expert Positioning

**Solution(s):** Become a consultant. Train other struggling publishing businesses how to turn a handsome profit and avoid the common pitfalls of the business.

**Value Added Proposition:** Publishing businesses benefit from the expertise of a former competitor, without the high salary. The highly profit but high failure industry of publishing has access to a proven success.

**Method:** Sales letter followed by a phone call to all local publishing businesses.

### **Marketing Materials:**

- Sales Script
- Referral Program
- Sales Letter

**Result! She made more in this business than she did in the last!**

# Case Study Sixteen

## Carpet Cleaning Company

**Business Type:** Service-based Business

**Objective:** Need to increase repeat clients and reduce expense of attracting new clients.

**Strategy:** Client Education + Service Program

**Solution(s):** Most repeat clients only have their carpets cleaned every three to five years. A customer education program was created to encourage clients to increase that frequency to every six months. With hot extraction steam, the ongoing carpet cleaning program would provide health benefit for clients rather than a health detriment.

**Value Added Proposition:** The six-month frequency would provide clients with a health benefit, instead of a health detriment.

**Method:** Educate sales team and train all staff on new scripts, then create marketing material to back up claims.

**Marketing Materials:**

- Staff Sales Script
- Bonus Structure for Salespeople
- Marketing Collateral

**Result! 27% (consistent with standard upselling statistics) of the clients bought into the program resulting in a HUGE increase in profitability.**

# 7

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## **Profiting from Internet Marketing**

Is your business online? If not, it should be.

The internet is today's primary consumer research tool. If your business does not have an online presence, it is harder for customers to find and choose your business over the competition. With over 73% of North Americans online, it is no wonder that individuals and businesses in all industries are looking to the internet to enhance their marketing strategies.

Luckily, it has never been easier to establish and maintain a comprehensive online presence. Internet marketing, also referred to as online marketing, online advertising or e-marketing, is the fastest growing medium for marketing.

But it is not just company websites that users are viewing. Blogs, consumer reviews, chat rooms and a variety of social media are growing rapidly in popularity.

The internet is a very powerful tool for businesses if used strategically and effectively. It can be a cost saving alternative to traditional marketing approaches, and may be the most effective way to communicate with your target consumer.



A major advantage of the internet is that you are always open. Users can access your business 24 hours a day, 7 days a week, and depending on your business and the purpose of the website, visitors can also purchase goods at any time.

## **Internet Marketing for Everyone**

The internet is a great way to create product and brand awareness, develop relationships with consumers and share and exchange information. You can't afford not to be taking advantage of online marketing opportunities because your competition is likely already there.

Internet marketing can take on many different forms. By creating and maintaining a website for your business, you are reaching out to a new consumer base. You can have full control over the messaging that users are receiving and has a global reach.

Internet marketing can be very cost effective. If you have a strong email database of your customers, an e-newsletter may be cheaper and more effective than post mail. You can deliver time sensitive materials immediately and can update your subscribers instantaneously.

### **Top 10 Websites (Globally Jan 2018)**

- |    |              |     |            |
|----|--------------|-----|------------|
| 1. | Google       | 7.  | Wikipedia  |
| 2. | Facebook     | 8.  | Tencent QQ |
| 3. | YouTube      | 9.  | LinkedIn   |
| 4. | Windows Live | 10. | Taobao.com |
| 5. | Yahoo        | 11. | Twitter    |
| 6. | Baidu.com    |     |            |

You will notice that half of these websites are search engines. An increasing number of consumers are first researching products, services and companies online, whether it be to compare products, complete a sale, or look for a future employer. Most people in the 18-35 age group obtain all of their information online, including news, weather, product research, etc. The remaining sites are interactive sites where users can upload information for social networking, or information sharing.

## **Internet Marketing Strategies**

Internet marketing, like all other elements of your marketing campaign, needs to have clear goals and objectives. Creating brand and product awareness will not happen overnight so it is important to budget accordingly, ensuring there is money set aside for maintenance of the website and analytics.

Be flexible with ideas and options, do your research first, try out different options, then test and measure the results. Metrics and evaluations can be updated almost immediately and should be monitored regularly. By keeping an eye out for what online marketing strategies are working and which are not, it will be easier to create a balanced portfolio of marketing techniques. You might find that in certain geographical areas, certain marketing strategies are more effective than others.

This list is by no means the full extent of options available for marketing online, but it is a good place to start when deciding which options are best suited to your company.

## **Create a website**

The primary use for the internet is information seeking, so you should provide consumers with information about your company first hand. You have more control over your branding and messaging and can also collect visitor information to determine what types of internet users are accessing your website.

## **Search Engine Optimization**

Since search engines comprise 50% of the most visited sites globally, you can go through your website to make it more search engine friendly with the aim to increase your organic search listing. An organic search listing refers to listings in search engine results that appear in order or relevance to the entered search terms.

You may wish to repeat key words multiple times throughout your website and write the copy on your site not only with the end reader in mind, but also search engines.

Remember when you design your website that any text that appears in Flash format is not recognized by search engines. If your entire website is built on a Flash platform, then you will have a poor organic search listing.

## **Price Per Click Advertising**

If you find that visitors access your website after searching for it first on a search engine, then it may be beneficial to advertise on these websites and bid on keywords associated with your company.

These advertisements will appear at the top of the page or along the left side of the search results on a search engine. You can have control over the specific geographic area you wish to target, set a monthly budget and have the option on only being charged when a user clicks on your link.

## **Online Directories**

Listing your business in an online directory can be an inexpensive and effective online marketing strategy.

However, you need to be able to distinguish your company from the plethora of competitors that may exist. Likely, you will need to complement this strategy with other brand awareness campaigns.

## **Online Ads (i.e. banner ads on other websites)**

These advertisements can have positive or negative effects based on the reputation and consumer perception of the website on which you are advertising. These ads should be treated similar to print ads you may place in local newspapers or other publications.

## **Online Videos**

With the growing popularity of sites such as YouTube, it is evident that people love researching online and being able to find video clips of the information they are seeking. Depending on your small business, you may want to upload informational videos or tutorials about your products or services.

## **Blogging**

Blogging can be a fun and interactive way to communicate with users. A blog is traditionally a website maintained by an individual user that has regular entries, similar to a diary. These entries can be commentary, descriptions of events, pictures, videos, and more. Companies can use blogging as a way to keep users updated on current information and allow them to post comments on your blog. If blogging is something you wish to invest in, make sure that it is regularly updated and monitored.

## **Top 10 Mistakes to Avoid**

### **Failure to Measure ROI**

Which metrics are you using? Are your visitors actually motivated to purchase or sign up? If the benefits of your online campaign are not greater than the costs incurred, then you may wish to re-evaluate your strategy.

## **Poor Web Design**

This can leave a poor impression of your company on the visitor. A poor design could result in frustration on the visitors' part if they are not able to easily find what they want on your site to search for and also does not build trust. If consumers do not trust your company or your website, you will not be able to complete the sale and develop a longer relationship with that customer. You also need to include privacy protection and security when building trust.

This also includes ensuring all information on the website is current and having customer service available if users are experiencing difficulty or cannot find the information they are seeking. This could be as simple as providing a 'Contact Us' email or phone number for support.

## **Becoming locked into an advertising strategy early**

Remember your marketing mix when creating a marketing strategy and avoid putting all of your eggs in one basket. Online marketing is a very valuable tool, but depending on your business and your target markets, other marketing campaigns may be the best option for you. Especially if this is your first time making a significant investment into your online sector, you want to remain flexible and able to adapt your strategy based off feedback received by researching and analyzing different options.

## **Acting without researching**

Similar to becoming locked into an advertising strategy early, this mistake implies not dutifully testing and researching different online marketing options. For example, if your target consumer is aged 65+ and you are spending all of your marketing efforts into creating a blogging website (where the average ages of bloggers are 18-35), then you are likely not going to have a successful campaign.

## **Assuming more visitors means more sales**

You have to go back to your original goals and the purpose of your company. More visitors may not mean more sales if your website is used primarily for information and consumers purchase their products elsewhere. This is also vice versa. You could have an increase in sales without an increase in unique visitors if your current consumer base is very loyal and willing to spend lots of money.

Often people will collect information online about products they wish to purchase because it is easier to compare options, but they purchase in person. Even though shopping online is becoming quite popular, people still prefer to see and feel the physical product before purchasing.

## **Failing to follow up with customers that purchase**

Return sales can account for up to 60% of total revenue. It's no wonder that organizations are always trying to maintain loyal customers and may have customer relationship management systems in place. It is easier to

get a happy customer to purchase again than it is to get a new customer to purchase once.

### **Not incorporating online marketing into the business plan**

By ensuring that your online marketing plan is fully integrated and accurately represents your organization's overall goals and objectives, the business plan will be more comprehensive and encompassing.

### **Trying to discover your own best practices**

It is very beneficial to use trial and error to determine the best online strategy from your company, but do not be afraid to do your research and learn from what other have already figured out. There will be many cases where someone was in a very similar position as you and they may have some suggestions and secrets that they wish to share. Researching in advance can save a great deal of time and money.

### **Spending too much too fast**

Although it may be cheaper than traditional marketing approaches, internet marketing does have its costs. You have to consider the software and hardware designs, maintenance, distribution, supply chain management, and the time that will be required. You don't want to spend your entire marketing budget all at once.



## **Getting distracted by metrics that are not relevant**

As discussed in the following section, there are endless reports and measurables that you can analyze to determine the effectiveness of your campaign. You will need to establish which measurables are actually relevant to your marketing.

## **Testing and Measuring Online**

As with any element of your marketing campaign, you will need to track your results and measure them against your investment. Otherwise, how will you know if your online marketing is successful?

These results, or metrics, need to be recorded and analyzed as to how they impact your overall return on investment.

Some examples of metrics are:

- New account setups
- Conversion rates
- Page stickiness
- Contact us form completion

Due to the popularity in online marketing and the importance of having a strong web presence, companies have demanded more sophisticated tracking tools and metrics for their online activities. It can be very difficult to not only know what to measure, but also HOW to measure.

Thankfully, it is easier than ever to get the information you need with the many types of software and services available, including Google Analytics, which are free and relatively accurate.

## **8 Metrics to Track**

The following are the key measurables to watch for when testing and measuring your internet marketing efforts:

### **Conversions**

How many leads has your online presence generated, and of those leads, how many were turned into sales? Ultimately, your campaign needs to have a positive impact on your business.

Regardless of the specific purpose of the campaign, from lead generation and service sign-up, to blog entries, you need to know how many customers are taking the desired action in response to your efforts. Your tracking tool will be able to provide you with this information

### **Spend**

If you are not making a profit, or at least breaking even, from your internet marketing efforts, then you need to change your strategy. Redistribute your financial resources and reconsider your motives and objectives for your online campaign.

An easy way to do this analysis is to divide your total spend by conversions. This could also be broken down by product. You could also use tracking tool and view reports on the 'per visit value of every click,' from

every type of source. Your sources can include organic/search engine referrals, direct visit (i.e. person typed your web address into their address bar), or email/newsletter.

### **Attention**

You need to keep a close eye on how much attention you are getting on your website. One of the best ways to analyze this would be to compare unique visitors to page views per visit to time on site. How many people are visiting, how many pages they are viewing, what pages they are viewing, and how much time they are spending on the site.

A unique visitor is any one person who visits the website in a given amount of time. For example, if Evelyn visits her online banking website daily for an entire month, over that one month period, she is considered to be one unique visitor (not 30 visitors).

You may also want to incorporate referring source as well, the places online that refer customers to your website. You'll be able to determine what referring sources offer the 'best' visitors.

### **Top Referrals**

Know who is doing the best job of referring clients to your website, and note how they are doing this. Is it the prominence of the link? Positioning? Reputation of the referring company?

Understanding where the majority of your visitors are coming from will allow you focus on those types of sources when you increase your

referral sites. They also allow you to gain a better understanding of your online market, and target audience.

## **Bounce Rate**

The bounce rate is the number of people who visit the homepage of your website, but do not visit other pages. If you have a high bounce rate, you either have all the necessary information on your homepage, or you are not giving your customers a reason to click further.

In Google Analytics, view the 'content' or 'pages' report and view the column stating bounce rate.

## **Errors**

It is very important to track the errors that visitors receive while trying to access or view your website. For example, if someone links to your website, but makes a spelling error in typing the link, your users will see an error page in their browser, and will not ultimately make it to your website.

You can also receive reports on errors that customer's make when trying to type in your website address in their browser. You may wish to buy the domains with common spelling mistakes, and link those addresses to your true homepage. This will increase overall traffic and potential conversions.

## **Onsite Search Terms**

If you have a 'search website' function on your website, it is useful to monitor which terms users are most frequently searching. This can provide valuable insight into the user friendliness of your site and your website's

navigation system. This information will be included in the traffic reporting tool.

## **Bailout Rates**

If you provide users with the option to purchase something on your website (i.e. shopping cart), then you can track where along the purchasing process people decided not to go through with the sale.

This could be at the first step of receiving the order summary and total, or further when stating shipping options. By obtaining this information, a company can reorganize or revamp their website to make the sales process more fluid and possibly encourage more purchases.

**Here are the three main questions you should be asking yourself when evaluating your website presence:**

- Who visits my website?
- Where do visitors come from?
- Which pages are viewed?
- How does your sales funnel flow?

# 8

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## Immediate Sales

If you're a business owner, you're also a salesperson.

You've had to sell the bank to get them to loan you your start-up capital. You've had to sell the best employees on why they should work for your business. You've had to convince your business partner, spouse, and friends why your business idea is a good one.

Now you have to repeatedly sell your product or service to your customers.

The ability to sell effectively and efficiently is one every successful business owner has cultivated, and continues to develop. It can be a complicated and time consuming task; one that you will have to continually work on throughout your career in order to be – and stay – successful.

Fortunately, making sales is a step-by-step process that can be learned, customized, and continuously improved. There are a wide range of tools available to help and support your sales efforts.

You don't have to be the most outgoing, enthusiastic person to be successful at sales. You don't even have to be a good public speaker. All

you need is an understanding of the basic sales process, and a genuine passion for what you are selling.

## **Sales 101**

As I said before, making sales is a process. There are clear, step-by-step actions that can be taken and result in a sale.

The sales process varies according to the type of business, type of customers and type of product or service that is offered; however, the core steps are the same. Similarly, sales training varies from individual to individual, but the core skills and abilities remain the same.

Here is a basic seven-step process that you can follow, or fine tune to suit your unique products and services. Remember that each step is important, and builds on the step previous. It is essential to become adept at each step, instead of solely focusing on closing the sale.

### **1. Preparation**

Make sure you have prepared for your meeting, presentation, or day on the sales floor. You have complete control of this part of the sales process, so it is important to do everything you can to set the stage for your success.

- Understand your product or service inside and out.
- Prepare all the necessary materials, and organize them neatly.

- Keep your place of business tidy and organized. Reface product on shelves.
- Ensure you appear professional and well groomed.
- Do some research on your potential client and brainstorm to find common ground.

## **2. Build a Relationship**

The first few minutes you spend with a potential customer set the stage for the rest of your interaction. First impressions are everything. Your goal in the second step is to relax the customer and begin to develop a relationship with them. Establishing a real relationship with your customer will create trust.

- Make a great first impression: shake hands, make eye contact, and introduce yourself.
- Remain confident and professional, but also personable.
- Mirror their speech and behavior.
- Begin with general questions and small talk.
- Show interest in them and their place of business.
- Notice and comment on positives.
- Find some common ground on which to relate.

## **3. Discuss Needs + Wants...Theirs! Find their PAIN by asking questions!**

Once you have spent a few moments getting to know your prospect, start asking open-ended questions to discover some of their needs and wants.



Never Assume you know what they are. If they have come to you on the sales floor, ask what brought them in the store. If you are meeting them to present your product or service, ask why they are interested in, or what criteria they have in mind for that product or service.

- If you are making a sales presentation, ask for a few moments at the outset to outline the purpose of your visit, as well as how you have structured the presentation.
- Listen intently and repeat back information you are not sure you understand.
- Ask open-ended questions to get them talking. The longer they talk, the more insight they are providing you into their needs and purchase motivations.
- Ask clarifying questions about their responses.
- If you become sure the customer is going to buy your product or service, begin to ask questions specific to the offering. i.e., what size/color do you prefer?

#### **4. Present the Solution**

Once you have a solid understanding of what they are looking for, or what issue they are looking to resolve, you can begin to present the solution: your product or service.

- Explain how your product or service will solve their problem or meeting their needs. If several products apply, begin by presenting the mid-level product.

- Illustrate your points with anecdotes about other happy customers or awards the product or service has earned.
- Use hypothetical examples featuring your customer. Encourage them to picture a scenario after their purchase.
- Begin by describing the benefits of the product, then follow up with features and advantages.
- Watch your customer's behavior as you speak and ask further qualifying questions in response to body language and verbal comments.
- Give the customer an opportunity to ask you questions or provide feedback about each product or service after you have described or explained it.
- Ask closed-ended questions to gain agreement.

## **5. Overcome Objections**

As you present the product or service, take note of potential objections by asking open-ended questions and monitoring body language. Expect that objections will arise and prepare for it. Consider brainstorming a list of all potential objections, and writing down your responses.

- Repeat the objection back to the customer to ensure you understand them correctly.
- Empathize with what they have said, and then provide a response that overcomes the objection.
- Confirm that the answer you have provided has overcome their objection by repeating yourself.

## **The Eight Most Common Objections**

The product or service does not seem valuable to me.

There is no reason for me to act now. I will wait.

It's safest not to make a decision right away.

There is not enough money for the purchase.

The competitor or another department offers a better product.

There are internal issues between people or departments.

The relationship with the decision maker is strained.

There is an existing contract in place with another business.

## **6. Close**

This is an important part of the sales process that should be handled delicately. Deciding when to close is a judgment call that must be made in the moment during the sale. Ideally, you have presented a solution to their problem, overcome objections, and have the customer in a place where they are ready to buy.

Here are some questions to ask before you close the sale:

- Does my prospect agree that there is value in my product or service?
- Does my prospect understand the features and benefits of the product or service?
- Are there any remaining objections that must be handled?
- What other factors could influence my prospect's decision to buy?
- Have I minimized the risk involved in the purchase, and provided some level of urgency?

Once you have determined it is time to make the sale, here are some sample statements you can use to get the process rolling:

- So, should we get started?
- Shall I grab a new one from the back?
- If you just give me your credit card, I can take care of the transaction while you continue browsing.
- When would you like the product delivered?
- We can begin next month if we receive payment by the end of the week.
- Can I email you a draft contract tomorrow?

## **7. Service + Follow-up**

Once you have made the sale, your work is not over. You want to ensure that that customer will become a loyal, repeat customer, and that they will refer their friends to your business.

Ask them to be in your customer database, and keep in touch with regular newsletters. Follow up with a phone call or drop by to ask how they are enjoying the product or service, and if they have any further questions or needs you can assist them with.

This contact opportunity will also allow you ask for a referral, or an up sell. At the very least, it will ensure you are continuing to foster and build a relationship with the client.

## Up selling

Up selling is simply inviting your customers to spend more money in your business by purchasing additional products or services. This could include more of the same product, complementary products, or impulse items.

Regardless, up selling is an effective way to increase profits and create loyal clients – without spending any money to acquire the business. These clients are already purchasing from you – which means they perceive value in what you have to offer – so take the information you have gained in the sales process and offer them a little bit more.

You experience up selling on a daily basis. From “do you want fries with that?” to “have you heard about our product protect program?” companies across the globe have tapped into and trained their staff on the value of the up sell.

Up selling is truly rooted in good customer service. If your client purchases a new computer printer, you’ll need to make sure they have the cords required to connect it to the computer, regular and photo paper, and color and black and white ink.

If you don’t suggest these items, they may arrive home and realize they do not have all the materials needed to use the product. They may choose to purchase those materials somewhere closer, cheaper, or more helpful.

Customer education is another form of up selling. What if your customer doesn't realize that you sell a variety of printer paper and stationery in addition to computer hardware like printers? Take every opportunity to educate your customer on the products and services you offer that may be of interest to them.

An effective way of implementing an up sell system into your business is simply by creating add-on checklists for the products or services you offer. Each item has a list of related items that your customer may need. This will encourage your staff to develop the habit of asking for the up sell.

Other up sell strategies can be implemented:

- **At the point of sale.** This is a great place for impulse items like candy, flashlights, nail scissors, etc.
- **In a newsletter.** This is an effective strategy for customer education.
- **In your merchandising.** Place strips of impulse items near related items. For example, paper clips with paper and pens near binders.
- **Over the phone.** If someone is placing an order for delivery, offer additional items in the same shipment for convenience.
- **With new products.** Feature each new product or service that you offer prominently in your business and ask your staff to mention it to every customer.

# Sales Team

Employing a team of strong salespeople

## What Makes a Good Salesperson?

There are a lot of salespeople out there – but what qualities and skills make a great salesperson? These are the attributes you will want to find or develop in your team:

- Willingness to continuously learn and improve sales skills
- Sincerity in relating to customers and providing solutions to their objectives
- An understanding of the company’s big picture
- A communication style that is direct, polite, and professional
- Honesty and respect for other team members, customers, as well as the competition.
- Ability to manage time
- Enthusiastic
- Inquisitive
- A great listener
- Ability to quickly interpret, analyze, and respond to information during the sales process
- Ability to connect and develop relationships of trust with potential clients
- Professional appearance

# Team Building – Keeping Your Team Together

In many businesses, sales is a department or a whole team of people who work together to generate leads and convert customers. Effective management of your sales team is a skill every business owner should cultivate.

Teambuilding, recruitment, and training will be discussed in later sections, but take some time to consider the following aspects of managing a sales team:

## **Communication**

- Are targets and results regularly reviewed?
- Are opportunities for input regularly provided?
- Do sales staff members have a clear understanding of what is expected?
- Do all staff members know daily, weekly, and quarterly targets?

## **Performance Management**

- Are sales staff members motivated to reach targets?
- Are sales staff recognized and rewarded once those targets are reached?
- Are there opportunities for skills training and development?
- Do staff members have broad and comprehensive product or industry knowledge?
- Is there opportunity for growth within the company?
- Is performance regularly reviewed?



## **Operations**

- Do you have a solid understanding of your sales numbers (revenue, profit, margins)?
- Are your sales processes regularly reviewed?
- Do you have a variety of sales scripts prepared?
- Do you measure conversion rates?
- How are your leads generated?

## **Sales Tools**

Every salesperson should have an arsenal of tools on hand to assist them in the sales process. These tools can act as aids while a sale is taking place, or help to foster continual learning and development of the salesperson's skills and approach.

The list below includes some popular sales tools. Add to this list with other resources that are specific to your business or industry.

<b>Tool</b>	<b>Description + Benefit</b>
<b>Scripts</b>	<p>Used for incoming and outgoing telemarketing, cold calls, door-to-door sales, in-store sales</p> <p>Create several different scripts throughout your business</p> <p>Maintains consistency in your sales approach</p> <p>Revise and renew your scripts regularly</p>
<b>Presentation Materials</b>	<p>High-quality information about your product or service</p> <p>Forms: PowerPoint presentation, brochure, product sheets, proposal</p> <p>Serves as an outline of your sales presentation, and keeps you on task</p>
<b>Colleagues</b>	<p>A source of help and advice, especially when you are on the same team or sell similar products</p> <p>Also a source of support</p>
<b>Customer Databases</b>	<p>An accurate, up-to-date database of customer contact information and contact history</p> <p>Used to stay in touch with clients</p> <p>Can also be used for direct mail and follow-up telemarketing</p>
<b>The Internet</b>	<p>A powerful resource for sales help and advice</p> <p>Information to help improve your sales process</p> <p>Online sales coaching</p> <p>Source for product knowledge</p>
<b>Ongoing Training</b>	<p>Constant improvement of your sales skills</p> <p>Constant increase in product knowledge</p> <p>Investment in yourself and your company</p>

## 8 Tips for Better Sales

- **Dress for the sale.** Dress professionally, appear well put together and maintain good hygiene. Ensure you are not only dressed professionally, but *appropriately*. Would your client feel more comfortable if you wore a suit, or jeans and blazer?
- **Speak their language.** Show you understand their industry or culture and use phrases your customer understands. This may require researching industry jargon or common phrases. Remember to avoid using words and phrases that are used in the sales process: sold, contract, telemarketing, finance, interest, etc. Doing so will help break down the salesperson/customer barrier.
- **Ooze positivity.** Show up or answer the phone with a smile and leave your personal or business issues behind. Be enthusiastic about what you have to offer, and how that offering will benefit your customer. Reflect this not only in your voice, but also in your body language.
- **Deliver a strong pitch or presentation.** Be confident and convincing. Leave self-doubt at the door and walk in assuming the sale. Take time to explain complex concepts, and always connect what you're saying to your audience in a specific way.
- **Be a poster-child for good manners.** Accept any amenity you're offered, listen intently, don't interrupt, don't show up late, have a

strong handshake, and give everyone you are speaking to equal attention.

- **Avoid sensitive subjects.** Politics, religion, swearing, sexual innuendos and racial comments are absolutely off-limits. So are negative comments about other customers or the competition.
- **Create a real relationship.** Icebreakers and small talk are not just to pass the time before your presentation. They are how relationships get established. Show genuine interest in everything your customer has to say. Ask questions about topics you know they are passionate. Speak person to person, not salesperson to customer. Remember everything.
- **Know more than you need to.** Impress clients with comprehensive knowledge – not only of your product or service – but also of the people who use that product or service, and industry trends. Been seen as an expert in order to build trust and respect.

# 9

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## **How to Create Repeat Business and Have Clients that Pay, Stay and Refer**

When it comes to marketing and generating more income, most business owners are focused outward.

They've carefully established and segmented their target market, and created specific offers and messages for each market segment. They spend thousands of dollars in advertising and direct mail campaigns in hot pursuit of more leads, more customers, and more foot traffic.

While this is an effective way to build a business, it is costly and time consuming. It requires constant and consistent effort, and while this approach does generate results, those results quickly disappear when the effort stops or becomes less intense.

Successful businesses that see sustained growth have a double-edged marketing strategy. They focus their efforts *outward* – on new potential customers and marketing – as well as *inward* – on existing customers and referral business.

These successful businesses have leveraged their existing efforts to generate more revenue. Simply put, their customers buy from them over and over again.

For most businesses, this is the easiest way to increase their revenues. Simple customer loyalty strategies and outstanding customer service are often all you need to dramatically increase your sales – from the customers you already have.

## **The Cost of Your Customers**

Do you know how much it costs your business to buy new customers?

Each new customer that walks through your door – with the exception of referrals – has cost you money to acquire. You have spent money on advertising and promotions to generate leads and turn those leads into customers.

For example, if you have placed an ad in your local newspaper for \$1,000, and the ad brings in 10 customers, you have paid \$100 to acquire each customer. You would need to ensure each of those customers spent at least \$200 to cover your margin and break even.

Alternately, if you spent two hours of your time and \$10 per month on an email marketing program to send a newsletter to your existing database of customers, and you bring in 10 customers as a result – each customer has cost you \$1.

Generating more repeat business means focusing on the marketing strategies that aim to keep your existing customers instead of purchase new ones – effectively reducing the cost of attracting new customers to your business.

These strategies are simple to implement, and don't require much time investment. Just a solid understanding of how to make customers want to come back and spend more of their money

## **Keeping Your Customers**

Marketing strategies that focus on keeping your current customer base are easy and enjoyable to implement. They allow you to build real relationships with the people you do business with, instead of dealing with a revolving door of people on the other end of your sales process.

Repeat customers create a community of people around your business that presumably share the same needs, desires and frustrations. The information you gain from these customers (market research) can help you strengthen your understanding of your target audience, and more accurately segment it.

Remember – 80% of your revenue comes from 20% of your customers. Always focus on these customers. They are ideal customers that you want to recruit, and hold on to.

## **Customer Service: Make them love buying from you**

Every business – even those with excellent service standards can improve the service they provide their customers. Customer service seems to be a dying concept in most businesses; more focus seems to be placed on the speed of the transaction. These days you can even go to the grocery store now and not speak to a single sales associate thanks to self-serve checkouts.

To improve your company's customer service standards, take a survey of your customers and your employees to brainstorm ways you can improve the experience of buying from your business.

Successful customer service standards – those that make your customers *buy* – are:

**Consistent.** The standards are up kept by every person in your organization. Expectations are clear and followed through. Customers know what to expect, and choose your business because of those expectations.

**Convenient.** It is nearly effortless for the customer to spend money at your place of business. Convenience can take many forms – location, product selection, value-added services like delivery – and it is also consistent.

**Customer-driven.** The service the customer receives is exactly how they would like to be treated when buying your product or service. It is reflective of your target market, and appropriate to their lifestyle. Customers



would probably not appreciate white linen tablecloths at a fast food restaurant, but they would appreciate a 2-minutes or less guarantee.

### **Newsletters: Keep in touch with your customers**

A regular newsletter is an easy, time-effective, and inexpensive marketing strategy to implement. Unfortunately, many small businesses think these are too time consuming and too expensive to adopt as part of their marketing strategy.

The most popular type of newsletter distribution is email. This will cost your business as little as \$10 per month for an email marketing service subscription, and can be customized to your unique branding.

Here is an easy five-step process to starting a company newsletter:

- 1. Pick your audience.** New customers? Market segment? Existing customers?
- 2. Choose what you're going to say.** Company news? Feature product? New offer?
- 3. Determine how you're going to say it.** Articles? Bullet points? Pictures?
- 4. Decide how it's going to get to your audience.** Email? Mail? In-store?
- 5. Track your results.** How many people opened it? Read it? Took action?

## **Value Added Service: Give them happy surprises**

Adding value to your business is an effective way of getting your customers back. Every person I know would choose a mattress store that offered free delivery over one that did not. It's that simple.

There are many ways to add value to your business, including:

- **Feature your expertise.** Use your knowledge to provide additional value to your customers. Offer a free consumer guide or report with every purchase.
- **Add convenience services.** Offer a service that makes their purchase easier, or more convenient. The best example of this is free shipping or delivery.
- **Package complementary services.** Packaging like items together creates an increase in perceived value. This is great for start-up kits.
- **Offer new products or services.** Feature top of the line or exclusive products, available only at your business. Offer a new service or profile a new staff member with niche expertise.

Value added services generate repeat customers in one of two ways:

**1. Impress them on their first visit.** Impress your customer with great service, a product that meets their needs, and then wow them with

something extra that they weren't expecting. Get them to associate the experience of dealing with your business with happy surprises, and create a perception of higher value.

**2. Entice them to come back.** The introduction of a new value-added service can be enough to convince a customer to buy from you again. Their initial purchase established a trust and knowledge of your business and its processes. They will want to “be included” in anything new you have to offer – especially if there is exclusivity. It is easier to attract clients that have purchased from you than potential clients who have not.

### **Customer Loyalty Programs: Give them incentives**

Another simple way to keep in touch with existing customers and keep them coming back to you is to create a customer loyalty program.

These programs do not have to be complicated or costly, and are relatively easy to maintain once they have been implemented. These programs help you gain more information on your customers and their purchasing habits.

Here are some examples of simple loyalty programs that you can implement:

**Free product or service.** Give them every 10th (or 6th) product or service free. Produce stamp cards with your logo and contact information on it.

**Reward dollars.** Give them a certain percentage of their purchase back in money that can only be spent in-store. Produce “funny money” with your logo and brand.

**Rewards points.** Give them a certain number of points for every dollar they spend. These points can be spent in-store, or on special items you bring in for points only.

**Membership amenities.** Give members access to VIP amenities that are not available to other customers. Produce member cards or give out member numbers.

Remember that in order for this strategy to work, you and your team have to understand and promote it. The program in itself becomes a product that you sell.

# 10

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## **How to Double your Referrals**

What if I told you that you could put an inexpensive system in place that would effectively allow your business to growth itself?

For most business owners, a large part of their customer base is comprised of referral customers. These people found out about the company's products or services from the recommendation of a friend or colleague who had a positive experience purchasing from that company.

If your business benefits from referral customers, you will find that these customers arrive ready to buy from you and tend to buy more often. They also tend to be highly loyal to your product or service.

Seem like great customers to have, don't they?

Referral customers cost less to acquire. Compared to the leads you generate from advertising, direct mail campaigns, and other marketing initiatives, referral customers come to you already qualified and already trusting in the quality of your offering and the respectability of your staff.

With a little effort, and the creation of a formalized system – or strategy – you can not only continue to enjoy referral business, but easily double the number of referral customers that walk through your door. All of this is possible for a minimal investment of time and resources.

## **Is Your Business a Referral Business?**

Referral based businesses benefit from a stream of qualified customers who arrive at their doorstep ready to spend. These businesses put less focus on advertising to generate new leads, and more focus on serving and communicating with their existing customers.

Generally speaking, a referral program can generate outstanding results for nearly any business. Since most referrals do not require any effort, the addition of a strategy and a program will often double or triple the number of qualified referrals that come through a business door.

There are, however, a few types of businesses that will not benefit from a formalized referral strategy. These are businesses with low price points – like fast food restaurants and drugstores. Their customer base is large already, and their efforts would be best spent on increasing the average sale.

A referral program can:

- **Save you time.** Referral strategies – once established – don't require much management or time investment.

- **Deliver more qualified customers.** Your customer arrives with an assumption of trust, and willing to purchase.
- **Improve your reputation.** Your customer’s networks likely overlap and create potential for a single customer to be referred by two people. This encourages the perception that your business is “the place to go.”
- **Speed the sales process.** You will have existing common ground and a reputation with the referred customer.
- **Increase your profit.** You will spend less time and money generating leads, and more time serving customers who have their wallets open.

## The Cost of Your Customers

As we discussed in the “Repeat Business” section, you don’t “get” customers, you *buy* them. The money you spend on advertising, direct mail, and other promotions ideally results in potential customers walking through your doors.

For example, if you placed an ad for \$200, and 20 people make a purchase in response to that ad, you would have paid \$10 for each customer.

Referral customers cost you next to nothing. Your existing customer does the work of selling your business to their friend or associate, and you

benefit from the sale. Aside from the cost of any referral incentives or coupon production, there is no cost involved at all.

Referral customers cost less and require less time investment than any other customer. That means you can spend that time making them a loyal customer, or a devoted fan.

## **Groom Your Customers**

Referral strategies can allow you to groom your customer base. As we have previously discussed, 80% of your revenue comes from 20% of your customers – these are your ideal customers.

These are also the people you have established as your target market, and are the people you cater your marketing and advertising efforts toward.

You also have a group of customers who make up 80% of your headaches. These are the people who complain the most and spend the least.

Use your referral strategy to get more of your *ideal* customers. Spend more time servicing your ideal customers – do everything you can to make them happy – and less time on your headache customers. You can even ask your headache customers to shop elsewhere.

Then, focus your referral efforts on your ideal customers. Ask them to refer business to you and reward them for doing so. Try to avoid referrals from your headache customers – chances are you'll just get another headache.



## **Referral Sources**

Take some time to brainstorm all the people who could potentially refer business to you. Think beyond your business, to your extracurricular activities and personal life. There are endless sources of people who are ready and willing to send potential customers your way.

Here are some ideas to get you started:

### **Past Relationships**

No, not romantic relationships. I'm talking about anyone you have previously had a relationship with, but for one reason or another have fallen out of touch. This includes former colleagues, associates, customers and friends.

Including them in your referral strategy can be as simple as reaching out through the phone or email and updating them on your latest business initiative or career move. Gently ask at the end of the correspondence to refer anyone who may need your product or service. They will appreciate that you have attempted to re-establish the relationship.

### **Suppliers and Vendors**

Your suppliers and vendors can be a great source for referrals, because they presumably deal daily with businesses that are complementary to your own. The opportunities to connect two of their customers in a mutually beneficial relationship are endless. These businesses should be

happy to help out - especially if you have been a regular and loyal customer.

## **Customers**

Customers are an obvious source of referrals because they are the people who are dealing with you directly on a regular basis. Often, all you have to do is ask and they will happily provide you with contact information of other interested buyers or contact those buyers themselves.

Your customers also have a high level of product knowledge when it comes to your business and are in a great position to really sell the strength of your company. Remember from the Testimonials section, the words of your customers are at least 10 times more powerful than any clever headline or marketing piece you could create.

## **Employees and Associates**

Give your employees and associates a reason to have their friends and families shop at your business with a simple incentive program. These people have the most product knowledge and are in the best position to sell you to a potential customer.

This is also a way to tap into an endless network of people. Who do your employees and associates know? Who do their friends and friends of friends know? A referral chain that connects to your employees can be a highly powerful one.

## **Competitors**

This doesn't seem so obvious, but it can work. Your direct competitors are clearly not the ideal source for referrals. However, indirect competitors can refer their clients or potential clients to you if they cannot meet those clients' needs themselves.

For example, if you sell high end lighting fixtures, the low-budget lighting store down the street may be able to refer clients to you, and vice versa. You may wish to offer a finder's fee or incentive to establish this arrangement.

## **Your Network**

Don't be shy about asking your friends and family members for referrals. Too many people do not provide enough information to their inner circle about what they do or what their business does. This doesn't make sense, since these are the people who should be the most interested!

Take time to explain clearly what your business is all about, and what your point of difference is. Then just ask them if they know anyone who may benefit from what you are offering. You could even provide your friends and family with an incentive – a gift, a meal, or a portion of the sale.

## **Associations + Special Interest Groups**

This is another place you likely have a network of people who have limited knowledge about what you do or what your business does. The advantage here is that you have a group of people with similar beliefs and values in the same room. Use it!

## **The Media**

Unless a member of the media is a regular customer of yours, or you are in business to serve the media, this may not seem like an obvious choice either.

The opportunity here is to establish a relationship with an editor or journalist and position yourself as an expert in your field or industry. Then, next time they are writing a related story, they can ask to quote you and your opinion. When their audience reads the story, they will perceive your business as the industry leader.

## **Referral Strategies**

A referral strategy is any system you can put in place to generate new leads through existing customers. The ideal way to do this is to create a system that runs itself! Here are some ideas for simple strategies you can begin to implement into your business immediately.

### **Just Ask**

This may seem simple and obvious, but it's true. Be open with your customers and associates, and simply ask them if they can refer any of their friends or associates to you. Make it part of doing business with you, and your customers will grow to expect the question. Or, let them know in advance that you'll be asking at a later date.

Remember that this can include potential customers – even if they don't buy from you. The reason they chose not to purchase may have nothing to do with your business; any person who has begun to or actually done business with you can refer to you another person.

## **Offer Incentives**

When you speak to your customers, when you ask them for something, you typically try to answer the question “what's in it for me?” before they ask it.

The same is true when you ask your customers for a referral. Incentive-based referral strategies work wonders and can easily be implemented as part of a customer loyalty program, or as part of your existing customer relations systems.

Consider offering customers who successfully refer clients to you discounts on products, free products or services, or gifts. Offer incentives relative to the number of referrals, or the success rate of each referral.

This can have a spin off effect, as your referral customers may become motivated to continue the referral chain. They too will be interested in the incentives you have provided and tell their friends about your business.

## **Be Proactive**

The only way your referral program will work is if you put some effort into it and maintain some level of ongoing effort.

Here are some ideas:

- Put a referral card or coupon in every shopping bag that leaves your store
- Promote gift certificates during peak seasons
- Offer free information seminars to existing customers, and ask them to bring a friend
- Host a closed-door sale for your top 20 customers and their friends

## **Provide Great Customer Service**

An easy way to encourage referral business is to treat every potential customer with exemplary customer service. Since the art of customer service is lost in many communities, people are often impressed by simple added touches and conveniences. That alone will encourage them to refer your business to their network.

## **Stay in Touch**

Make sure you are staying in touch with all of your potential and converted customers. Through newsletters, direct mail, or the Internet, keep your business name at the top of the minds, ahead of the competition.

Even if they have already purchased from you, and may not need to purchase for some time, a newsletter or email can be a simple reminder that your business is out there. If someone in their network is looking for the product or service, it will be more likely that your customer will refer your business over the competition.

# 11

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## **Funding your Business - Raising Capital**

So, you ask, how do I raise the capital I need to make my business a success?" For the clear majority of start-ups, traditional bank financing is not available. Thus, an alternative source of capital is critical. While we may have the strategic plan in place, and know how to execute on that plan, how do we raise the money we need to make our business a success? There are many important considerations in this regard, but none more so than the source. Many of the other variables, from structure and dilution to tax and other terms will be dictated by your primary source(s) of capital. Legal considerations are also of paramount concern.

Here are some of the preliminary concerns to be addressed.

First, prepare a term sheet! A term sheet lays out the basic terms of the deal. While it may well be that a lead investor will drive many of the terms, that doesn't relieve you of having a well thought term sheet. There must be a starting point and that starting point rests with you. The more sophisticated your prospective investors the more critical this is. It is



essential that you demonstrate that you are prepared and have thought of all key considerations. A well-considered term sheet not only demonstrates your preparedness, it also gives you a basis (and your basis, at that) for discussion.

Another common area in business is raising capital....other than conventional financing like banks or credit unions which unless you have a large amount of collateral they wont help you at all. Sure, there are government programs, but we'll talk about down the road.

Here's the thing about potential investors...we all have them, we just need to know where to look. Family, friends and close business associate and others whom you know who have an interest or stake in the field your business occupies. Nine times out of ten, this is where your first round of financing originates from.

Typically, the next source of investment is embodied by the term "sophisticated investors" or "angel investors". In many instances these categories overlap. Sometimes, these include other entrepreneurs but, paradoxically, these are often the hardest nuts to crack.

### **Let's dig a little deeper:**

#### **Entrepreneurs:**

Entrepreneurs are often mistaken as the most fruitful source of investment. Statistics show that is more often not the case....unless. We will get to the unless later. Suffice it to say for now that, in realty, successful entrepreneurs overwhelmingly invest their resources back into their own businesses. After all, It's the best investment they have ever made.

### **A True Investor:**

Your key target markets. A true investor is someone who, typically, was an entrepreneur but who divested himself of his interest or at least his active involvement in the business he or she created. They've dispossessed; they have cash. Most importantly, they no longer have their own "baby" and are thus eager to find their next "thing" ...without the blood, sweat and tears. Statistics show that this somewhat elusive but highly evocative group is interested and pliable. So, what do they look for? A well thought out and deliverable plan. That's what.

This integral group of entrepreneurs have learned through their own failures and success and have continuously added to their toolbox of success. They have come to understand: systems, processes, innovations, efficiencies, operations, etc. They have become intimately aware of what it takes to be successful. And you, in order to attract their money, must present to them what they know. Thus, a meticulously well-structured plan and the ability to deliver on that plan becomes key...it's that simple!

### **Venture Capital: The Big Boys on the Block**

Venture capitalists are investors who either provide capital to start-up ventures (such as yours) or who support small companies that wish to expand but do not have access to conventional equity markets. Venture capitalists are willing to invest in such companies because they can earn a massive return on their investments if and when they are a successful. They are prepared to take risk.

They are pro's...typically lawyers, accountants and MBA's who have worked and succeeded in the arena of venture capital. They are smart...very smart. The bottom line is that they take the definition above "A True Investor" and put it on steroids. This is the venue where serious capital congregates.

### One final note:

If you have a business and have not yet managed to start to create wealth and systems that allow you to take time off, build retirement accounts or pay for your children's college, then learn and master the steps outlined in my book. I am a huge advocate of education and mentorships. Get the right information, find someone that knows how to walk you through them and watch your quality of life take new shape.

To learn how to avoid the 3 key mistakes all small business owners make, visit [www.usethe.com](http://www.usethe.com)



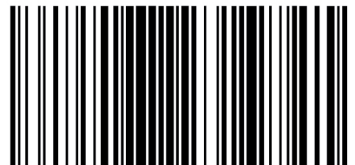
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Thomas Jones is a management professional with 20 years of experience working in the financial services sector, land development, franchise operations and the restructuring of corporations. His breadth of professional experience covers a wide spectrum of executive management including conceptual and strategic planning, operations management, business development, raising capital, relationship sales, marketing, and leadership management.

Having led numerous multidisciplinary teams and developed effective go forward strategies, Mr. Jones is well versed in identifying growth opportunities and developing systemized operations. His business development experience has focused largely on conducting analysis of potential growth areas, and developing comprehensive recommendations for strategic company direction, as well as development of financial firm channels.

Over the past 15 years, Mr. Jones has also individually and collectively raised capital in excess of CDN \$400M of both debt and equity for limited partnership ventures and corporations.

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