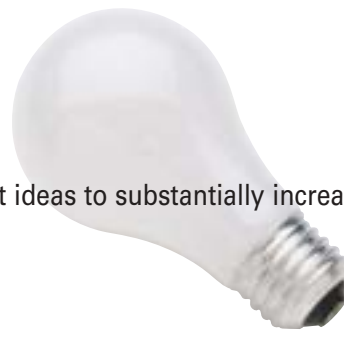


Profit Enhancement *Report*

Great ideas to substantially increase profits.



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Sales Are More Than the Sales Department's Responsibility

If you ask your employees, “Who in the company is responsible for sales?” you are likely to receive some variation of one of these answers:

- We have a terrific sales team. They're achieving all their quotas and are constantly on the road meeting customers and new prospects.
- Yes, revenues and profits are flat, but in this new economic reality what else can you expect?

The underlying message is, “not me,” yet in today's business environment, you must expect *all* employees to contribute to increasing sales. This could come in the form of producing higher-quality products, delivering on time or creating business solutions to customers' problems. And it's your responsibility to instruct workers on how to make a positive impact on the company's profitability.

Knowledge Is Power

Empowered, loyal and energized employees clearly understand the vision, purpose and direction of their employer. Managers often expect employees to take risks and make difficult decisions, and then hold them responsible for sales and customer satisfaction, but don't provide enough information for them to succeed.

Communicating your strategic plans and financials with all employees can generate momentum toward realizing your business's potential — including customer solutions — beyond the sale of products and services. Doing so creates opportunities for more informed business decisions.

Sales Is *Everyone's* Department

Everybody “sells” all the time; they just don't attach the word to the activity. For example, an employee may try to convince you his or her idea is beneficial for the company. Presented in this manner, it may be easier to show employees who aren't sales people that they can contribute to sales.

Demonstrate to nonsalespeople the ways they can contribute to sales by developing examples for every department. For example, the editorial department of a marketing publishing company can directly contribute to sales by producing high quality, appropriately focused newsletters on time, and responding to client complaints when they arise. The first can both attract new clients and keep existing ones, and the latter primarily increases retention, though it could boost new sales via referrals.



Employees Are People Too

Praise and recognition can build employee loyalty and commitment. People want to feel that their contribution makes a difference. Compensation in the form of bonuses, commissions and salary are important too, but money alone doesn't create motivated employees; personal and team recognition does. Consider these ways to recognize and motivate your employees for their sales-related efforts and don't forget to encourage group leaders to do the same:



- Hold a short party in the conference room to boost morale during a long, demanding project that will result in significant revenue for the company.
- Recognize individual success by sending a company-wide e-mail describing an employee's achievement and how it led (or will lead) to a new sale or retaining a client.
- Profile an outstanding employee in the company newsletter detailing how his or her efforts boosted sales or increased retention.
- Create a pride wall to post photos, memos and letters from satisfied customers who keep coming back for more and even referring new business.
- Celebrate the successful completion of a large project or landing a significant customer. Let your team choose the celebration.
- Call an employee into your office just to offer a simple thank you, emphasizing how their accomplishment helped make the company more profitable. Don't discuss anything else.

- Give a new and exciting assignment to a top performer to express your confidence in their ability to contribute to increased sales.

Empowered, loyal and energized employees clearly understand the vision, purpose and direction of their employer.

Communication Is Key

Business owners sometimes forget as the speed of business continues to increase that perhaps the most effective thing they can do to boost sales is to empower and energize their employees. And most of these efforts cost little. Provided a clear purpose and direction, employees will better understand how to make a positive impact on the bottom line. Give us a call to discover additional ways your employees can positively influence your company's financial picture. ■

Don't Let Delinquent Clients Ruin Your Business

Take Steps To Better Manage Receivables

With the pressures on revenues and profit margins during an economic downturn, the last thing a business needs is cash flow problems caused by lax credit and collection procedures. Slow cash flow can cause bank debt and interest expense to rise, further squeezing profits. But you can initiate internal measures to better manage your receivables. Let's focus on two: establishing sound credit policies and making the most out of collection calls.



Get To Know Your Customers First

Before extending credit to a customer, compile a complete credit history and background information. In addition to complete contact information, your files should include:

- Name of its bank and banker and at least three verifiable trade references,
- Dun & Bradstreet reports, and
- Contact information of the person who will receive and approve your invoice. (Call this person a day after the order is placed to ensure the number is valid.)

In addition, spell out sales terms when customers place orders — if you expect to receive a payment within 10 to 30 days, make that clear verbally and in written contracts. To help reduce risk, and significantly boost cash flow, it may be advantageous to require partial payments up front or progress payments. For out-of-town customers, consider COD terms.

Even with thorough background and credit checks, some collection efforts will always be necessary.

Don't Sweat Collection Calls

Unfortunately, even with thorough background and credit checks, some collection efforts will always be necessary. Almost no one likes to make collection calls, but if you





handle them correctly, they can not only be a good way to remind your clients of the importance of paying on time but also may turn into sales opportunities. For example, while you have a customer on the phone, explore any issues they have that may result in future sales opportunities. Follow these five tips to make the most out of collection calls:

1. **Know whom you are calling.** Is it the company's owner, controller or accounts payable clerk? Make sure it's someone who can authorize payment.
2. **Consider the company's payment history.** Doing so will help you determine whether there is a service issue or missing invoice rather than a cash flow problem.
3. **Have a positive attitude, ask questions and listen.** If you sound interested and enthusiastic about the job, you're more likely to create a positive response. Be

sure to listen for any service issues that may be affecting payment. Take notes and keep all pertinent information in the client's file. Last, don't ask when they will be sending the check — this gives the client control of the situation. Instead, ask if they will be sending the check today.

4. **Stay calm.** Don't let a call turn into an argument that may give the client a reason not to pay.
5. **Get a commitment.** A commitment to pay today is the goal. If that isn't possible, get them to commit to something. At the very least, get a commitment to call back with a payment date.

Don't forget that most collection calls are to customers you would like to continue doing business with. Treat them with the courtesy and respect you require from those who serve you.

Before extending credit to a customer, compile a complete credit history and background information.

Keep Your Cash Flow Flowing

When economic times are tough, your business can live or die by its cash flow. To keep your cash flow healthy, it's critical to review and, if necessary, revise your credit procedures. And when customers fail to pay their bills, don't be afraid to make collection calls — remember the old cliché, "The squeaky wheel gets the grease." We'd be happy to suggest additional tips on managing your receivables. Please give our profit advisors a call. ■

Ask and You Shall Receive

Conduct Customer Surveys To Learn Your Strengths and Weaknesses

Reliable customer feedback is a critical component for an organization's continued success. It can help you strengthen relationships and increase customer retention. To tap this valuable resource, ask your customers the right questions, be open, and listen to what they say and — sometimes more important — don't say. Your customers will welcome the chance to express their opinions about your company.

Customer surveys can be a simple and cost effective solution to learn how you can provide better service. But the quality of the



information the survey provides depends on its content and how you administer it.

MORE BENEFITS OF CUSTOMER SURVEYS

The main reason to conduct a customer survey is to better serve your customers, but doing so also will benefit your entire enterprise — including your top and bottom lines. When conducted properly, customer surveys can help you:

Evaluate your success with measurable data.

Quantifiable information such as the number of sales, clients served, hits on your Web site or dollars per transaction is measurable data you can use to help make business and operational decisions.

Identify opportunities in the marketplace. Customer comments can be a source of new ideas and innovation. Ask questions like “What products might you be looking for in the future?”

Discover areas where you're spending money unnecessarily. You may be putting money into a product feature or added service that customers don't value. Consider including a question in your survey asking customers whether you offer any products or services that provide them with little or no value.

Determine Your Course

Customer surveys come in all shapes and sizes, offering many effective options to fit your budget. For example, you could set up a call center survey and ask customers if they would like to take the survey when they place service calls. Administer your survey using e-mail, your Web site, or telephone or personal interviews targeting customers or potential customers.

While it's possible to conduct the survey in-house, it may be better to outsource the process to a qualified researcher. Customers often feel more inclined to be forthright with their comments when talking with an objective third party.

Whether you design the survey yourself or work with a third party, keep the questions simple, yet specific. Customer surveys often use rating questions: for example, “Based on a rating of 1 to 5, with 1 being poor and 5 being excellent, how do you rate our customer service?” While this line of questioning can give you an instant assessment, it doesn't provide many details. In addition to ratings questions, ask multiple-choice and open-ended questions: for instance, “How could we serve you better?”

Turn Negative Comments Into Positives

Responses from unhappy customers can alert you of a problem while there's still time to solve it. These responses also can reveal service problems that may affect multiple customers. Take time to follow up with these customers to let them know you're aware of the problem and are addressing it.

If you receive a number of responses indicating a specific problem, create informal advisory groups consisting of the unhappy customers and key staff members to address them. Meet with the groups to better

understand the problem and be open to their suggestions on how to solve it.

Never Stop Asking Questions

Defining superior products and services by using input from customers can increase your chances for future business success. After conducting your survey, use the information to make improvements throughout your organization. Then continue to ask customers for their input. You should find their opinions enlightening. If you have questions on conducting a customer survey, please give us a call. ■

Do Your Independent Contractors Pass the IRS Test?

Hiring independent contractors instead of employees can save your business time, money and headaches. They work only when needed, often can be productive immediately, and save you payroll taxes, insurance premiums and benefits expenses. The 20% to 30% potential savings compared with the cost of an employee's salary has caused more than one business owner to lean toward replacing employees with independent contractors.

But simply calling someone an independent contractor doesn't make him or her one. If the IRS determines you've improperly classified an employee as an independent contractor, the financial consequences can be devastating: The business will be required to pay all back taxes with interest — plus a penalty of 12% to 35% of the total tax bill. Here's a brief explanation of the IRS rule.

Understanding IRS Guidelines

Independent contractors earn a living practicing a specific profession or trade without an employer. In other words, they are in business for themselves, hence the term "independent." The most familiar examples are trades people such as plumbers and electricians, creative professionals such as writers and designers, and lawyers, accountants, doctors and consultants.

The IRS is likely to classify workers as independent contractors if they:

- Furnish their own tools and materials,
- Are paid on a project-by-project basis,
- Work for more than one company at a time,
- Pay their own expenses, and
- Set their own hours.

What causes the IRS to reclassify an independent contractor to employee status? Under the IRS's guidelines, workers are considered employees if the company they work for has the right to direct and control the way they work.

This would include the details of when, where and how a project is accomplished. If the company is providing supervision or training, or is furnishing the tools necessary to complete a job, that worker is most likely an employee.

Avoiding Company Peril

Before hiring independent contractors, make sure that's what the job calls for. Independent contractors are a lower cost solution only if they pass the IRS test — if they don't, the IRS will subject you to hefty penalties. To find out more about the IRS test, give our profit advisors a call. We'd be pleased to help you determine whether your independent contractors will pass muster with the IRS.