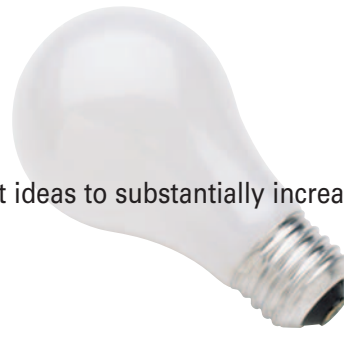


Profit Enhancement *Report*

Great ideas to substantially increase profits.



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Mastering the art of networking

We've all heard the expression: "It's not what you know, it's who you know." To grow a company you have to be willing to extend yourself and make connections. Networking sets you apart from the competition and can put you well ahead in the running for new and repeat business.

Get attendees' names before an event and select those you specifically want to meet. Figure out how you can help them and they can help you.

Networking can be tricky to do successfully, though. You have to get out and make contact with the right people, convey to them what you can mutually accomplish, and carefully nurture your connections. Here are some guidelines for networking to achieve optimal results.



Connect with people

Networking is not a science, but the art of making others feel comfortable and encouraging conversation. It's never about simply getting what you want, but should focus on connecting with people of common needs and interests.

For instance, association membership lets you share your expertise with the business community through speaking at meetings and events, while building your network of contacts. However, you can network just as effectively by attending events where you're not a speaker.

To network effectively, you must be prepared to talk about yourself and your business. So when you attend any event, gathering or conference, have goals and an agenda. Practice a 60-second self-introduction and description of your company. If the meeting is outside your area, read current local newspapers and trade publications to make a connection between your business and the local business environment.

Perhaps your goal is to have at least one in-depth conversation, make five new acquaintances and remember their names. If so, get attendees' names before the event and select those you specifically want to meet. Figure out how you can help them and they can help you.

Say an engineering firm is having difficulty finding seasoned, experienced civil engineers. You make a point of meeting the firm's owner, acknowledging the problem and offering to share your screening process, which has a proven track record for selecting qualified individuals.

When you're at an event, plan your route around the room. Always have a

brochure in your pocket, not just a business card. If you want to join a group's conversation, stand on the periphery. Then, when someone nods your way, move in and introduce yourself. Be specific — tell them who you are and why you think you should know each other. Listen carefully to what they have to say.



Attending meetings or events with a purpose, keeping the conversation simple and authentic, and asking engaging questions can go a long way toward improving your business and personal network, and continually updating your knowledge base.

Nurture your connections

Good networking is the capacity not only to have a conversation with anyone you want, but also to build a lasting connection. Some people have lots of superficial acquaintances and call that networking. But they're not successful — you feel disconnected when you talk with someone like that.

Just as you wouldn't begin marketing your services and products the day you need the revenue, you shouldn't put off picking up the telephone to call that customer you haven't seen for a while, or answering the e-mail from your community service group inviting you to attend or speak at its monthly gathering. In every communication, be gracious and courteous, and display professionalism as a statement of who you are and what you do.

You have to work to keep your connections current. Woody Allen once said that 80% of success is just showing up. Well, 80% of networking is just staying in touch. It's a simple message on a friend's or customer's voice mail, a humorous (but tasteful) birthday card or a quick e-mail acknowledging a special occasion. See "Maintain quality relationships" below for advice on how to keep up and improve your connections.

Finally, consistently foster your connections with acknowledgments. These are more than giving people compliments — they empower contacts by providing authentic, constructive feedback. For example: "Bill, I just want to thank you for your great feedback and direction to Karen. It's extremely useful when troubleshooting difficult service issues. I know she appreciates it."

Make it a lifestyle

Networking helps you create visibility — and enhance your business — through participation. Organizations and clubs provide a place to meet like-minded people and a forum for exchanging ideas. Once you've established initial bonds and nurtured your relationships, you can call on your contacts when you need them. ■

MAINTAIN QUALITY RELATIONSHIPS

Here are a few suggestions for maintaining quality relationships in your business network:

Make an impact with business cards. Your business card represents you when you are absent. Make sure it's easy to read and attractive, and conveys the message you want people to remember.

Manage your contact data. Create a system for retrieving the names, addresses, phone numbers and other information about the people in your network. Develop methods that suit you, and are easy to access and keep up.

Ask for others' support. People all around you can contribute to your business in some way. Look for those capable of providing the objective support and insight you need.

Get the most from your marketing dollars

A famous CEO was once heard to grouse, “I know we’re wasting half the money we spend on marketing — the problem is I don’t know which half!” Sound familiar? Many businesses operate in the dark when it comes to the effectiveness of their marketing and advertising programs.

This situation has many causes. One important one: Some companies confuse branding campaigns with marketing campaigns. But they’re very different. Branding is making the marketplace aware that you (your company or a specific product or family of products) exist and why. Marketing is your strategy for actually pricing, promoting and delivering your products or services to your target audience.



So how do you ensure you’re spending your marketing dollars cost effectively? Two keys: Have a plan and be able to quantify and measure your results.

Prepare a thorough plan

A marketing plan is a blueprint that helps you define your business goals and develop the action plans to achieve them. Design it to consider all of the variables that may contribute to or detract from your marketing initiatives.

Begin with a written overview of your market that answers the following questions:

- What is its size in terms of potential sales?
- How is it segmented — by demographics, geography, pricing or some other way?
- Is it growing or declining?
- Who are your potential customers?
- Who are your potential competitors? Are they already in the market? If not, who is likely to follow your lead?

Next, perform a competitive analysis. What other companies and products will you be competing with? For instance, if you are going to sell frozen yogurt, are you competing with ice cream products as well as other frozen yogurt sellers?

The third step is to make the case for your product or service. What makes it stand out? Why should someone buy it? Define its purpose, features, benefits and advantages over the competition.

Step four is to assess your operational strengths and weaknesses, and the opportunities and threats presented by the market itself, your existing and potential competitors, and the economy. This is commonly known as a SWOT analysis.

The last step is to set your sales goals and develop the action plans that will make them happen. Based on your analysis, where do you expect your sales to be a year from now? Will the increase be spread evenly over the next four quarters or will there be a ramp up? Take this all the way down to the individual sales representative level.

Measure your plan’s impact

“What you can measure you can manage.” This classic bit of wisdom seems to go

out the window when companies are creating budgets to support their marketing plans.

Here are some tips to measure your marketing plan's impact and help ensure that your company's hard-earned profits are not swallowed up by the black hole known as marketing costs.

Build a response mechanism into your direct advertising pieces. Count the number of responses vs. the number of pieces mailed or e-mailed to develop a response ratio. This mechanism can take many forms. One is to offer a free report relating to the product or service you're offering. Another is to provide coupons for discounts or free samples. Keep track of the responses. After several campaigns you'll be able to develop data on which approach brings the best response ratio and better focus your efforts and dollars.

Ask customers where they heard about you. When people contact your company to make a purchase or request information, ask where they learned about you — and track their responses.

Use customer satisfaction surveys. These can help take the guesswork out of marketing. Ask customers what they like or dislike about your products and services, why they chose you the first time, and why they keep coming back. Then make adjustments accordingly.

Maximize your investment

Having a marketing plan and finding a way to measure the results will go a long way toward maximizing your marketing efforts. If you would like more information on developing your marketing strategies, please contact one of our profit advisors. ■

Client testimonials: A dynamic sales tool

The words of a satisfied customer are powerful tools for building trust, promoting your business reputation, and increasing sales and profitability. Testimonials “speak” to potential customers in an honest, believable way.

Let your customers say it

Hardly a day goes by that the national press doesn't report some major breach of ethics by business or political leaders. It's easy to understand why customers temper their buying decisions with caution. Eliminating this natural fear and skepticism is the job testimonials do best. Why? If you say you're good, people ignore your self-serving back patting. But if others say you're good, potential customers sit up and take notice.

“We can sit all day with a prospect and bore them with how great we are,” says a consultant from a nationwide firm. “But testimonials from our well-known clients willing to endorse our business provide an enormous edge and establish our credibility.”

When you deliver a compelling offer that is both credible and believable, your sales and profits will increase. In fact, many marketing and advertising firms believe a testimonial marketing campaign has the potential to increase sales by 200% or more.

Ask and you'll receive

Just about any kind of business can put the power of testimonials to work for it. Satisfied customers are the best endorsement

candidates. All you need to do is ask. One good way: Invite customers to fill out a feedback form. You'll not only get first-hand comments about your products and services, but also obtain solid information to use for future business enhancements.

Encourage clients providing testimonials to share exactly how your service or product helped them. For example, "I increased my company's profits by \$78,350 last year using your advice" is a lot more effective than "I enjoyed working with your company."



When a client compliments your business, write back and thank the person for the kind words. Ask for written permission to use what he or she said. Where appropriate, use the name of the company as well as that of the individual providing the endorsement.

Often customers will e-mail you or your business with a question or comment that requires research. Answer the e-mail thoroughly, then follow up with a request for a testimonial.

But don't assume happy customers will write to you. Be proactive. For example, when you successfully complete a demanding project, ask the customer to evaluate your work. If they congratulate you on a job well done, ask whether they would provide an endorsement.

Customers rarely say no and in many cases will ask you to draft what you would like them to say and send it to them for review and approval. If they do, always resist the urge to exaggerate, but keep the testimonial straightforward and factual.

Facts tell, stories sell

Potential customers read testimonials for two reasons: first, out of curiosity, and second, to determine whether they could affect a buying decision. If you currently use written testimonials, ask yourself: Would these statements cause *me* to pick up the phone and buy? Or do they just communicate that "so what" feeling?

For instance, the message: "They are wonderful people to do business with. We've been working with them for 10 years," is too passive and has little action impact. To be effective, testimonials need a specific message and an implied "act now." Here are a few examples:

- "I overcame my fear of speaking. I improved my skills 300% in three days."
- "Don't let price get in the way of your success. I invested in it and it paid."
- "Our new tracking system has helped us realize a 42% savings in labor and consulting fees."

These messages turn prospects into customers. A written testimonial should remove a risk or neutralize a fear. It should also demonstrate value, benefit or a specific enhancement. The message can describe action or contain a call to action:

- "I used to work with a competitor, but I switched to the ABC Company and so should you."

Or it can overcome an objection:

- "I thought your price was too high, but I bought it anyway and ultimately realized you had the best value."

A testimonial can reinforce a claim:

- "I increased my productivity and earned more profit."

But it should always have a happy ending:

- "Customers complained our product tracking system was slow to access and confusing. With little disruption, we enhanced the program application and

customers are happy with the ease of use and speedy access.”

The power of testimonials is strongest at the time someone is ready to decide for or against doing business with your company. So always use them at the end of the sales cycle as the potential customer is making up his or her mind.

Reduce risk, substantiate value

Testimonials can dispel any doubt and reduce the customer’s feeling of risk, substantiate your product’s or service’s value, and pave the way to the sale. Simply said, testimonials sell. If you’d like more information about how to effectively use testimonials, please give our profit advisors a call. ■

Is activity-based costing right for your company?

Sales are good but profits are under budget. You suspect the culprit may be your product mix, but because so many of your costs are commingled it’s hard to know which products are profitable and which are dragging you down. Should you concentrate on increasing sales and hope the profitability issue takes care of itself?

That may not be the answer. An overall sales increase doesn’t always lead to greater profits. A more likely scenario is that some of your products are far costlier to make than others and you’re pricing them improperly. You need a way to distinguish between the winners and losers, allowing you to either reduce costs to fix the less profitable products or eliminate them from the mix. One answer may be a widely used costing method known as activity based costing (ABC).

What is ABC?

ABC is an accounting method that assigns costs to activities rather than products and services. This lets you better match resources and overhead costs to the products and services that consume them.

Example: The Best Bicycle Company manufactures (you guessed it) bikes. See the table below for a comparison of how a traditional accounting system and an ABC system might differently track the associated costs.

The total costs don’t change under the two methods, but ABC matches them to specific activities. Using the traditional method, equipment and overhead costs are allocations, so you don’t have enough information to know which, if any, of these costs you can reduce. Thus, cutting costs would likely mean decreasing salaries and supplies.

Traditional method vs. ABC method

Traditional		ABC	
Salaries	\$25	Pick parts	\$50
Equipment	\$100	Parts inspection	\$25
Supplies	\$25	Assemble bicycle	\$125
Overhead	\$100	Paint bicycle	\$50
<u>Total</u>	<u>\$250</u>	<u>Total</u>	<u>\$250</u>

But using the ABC method, you can compare the costs of activities and look to combine or eliminate certain ones. For instance, you may be able to inspect parts while picking them and reduce the combined costs.

Ultimately, ABC focuses on work rather than workers. Its basic premise is that products and services consume activities, these activities consume resources, and these resources in turn drive costs.

Should you make the move?

The move to ABC is not to be taken lightly. It requires investing time and money, basically calling on you to reorganize your accounting and production systems. But if you have high overhead, produce a wide variety of products or services, work with slim margins, and face tough competition, you may wish to make the change. To find out more about ABC, and how it might help you distinguish winning products from losers, call us today.