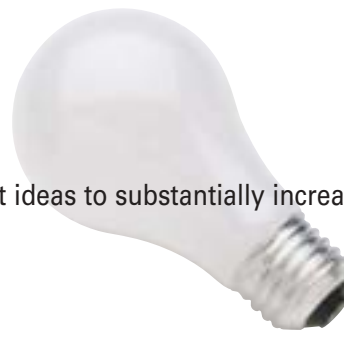
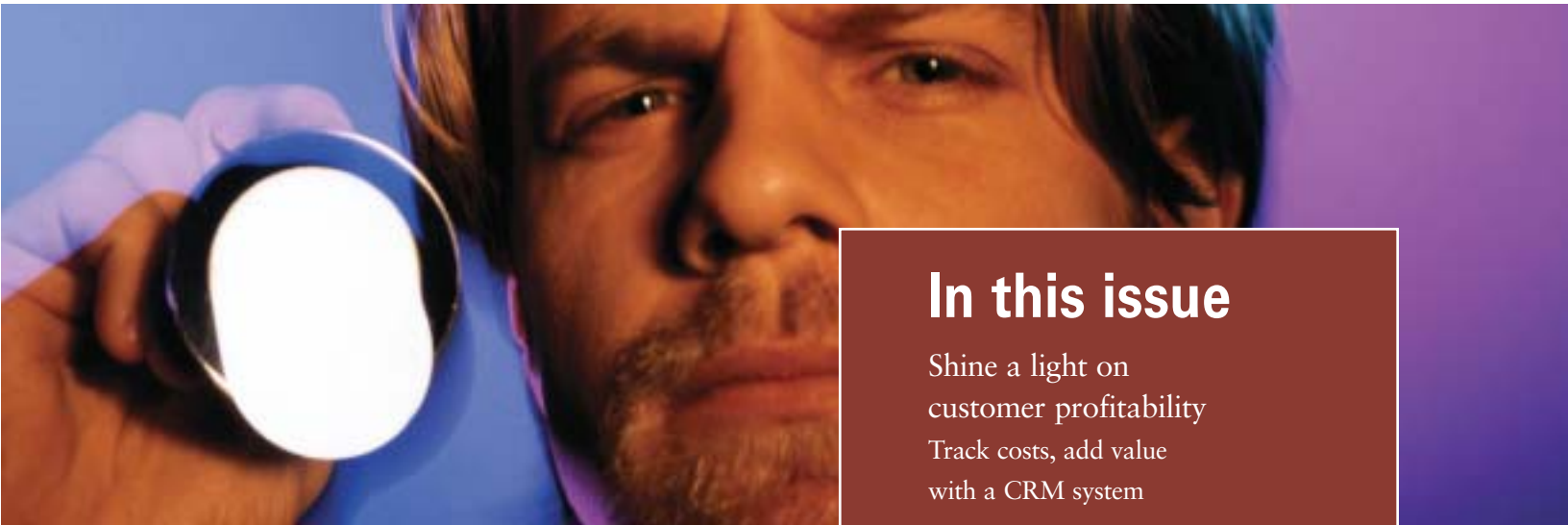


# Profit Enhancement *Report*

Great ideas to substantially increase profits.



August/September 2004



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# Shine a light on customer profitability

*Track costs, add value with a CRM system*

**W**ho are your best customers? If you're like most business owners, you probably don't know — not for sure.

Think about it for a moment. There's the customer who places two or three orders a week, like clockwork, and pays the bills on time. Does he or she qualify? How about the customer who's been loyal to you through thick and thin? Or the one whose purchases contribute 15% of your annual revenue?

Actually, your most valuable customers are those with whom you have the most profitable relationships. By attaching profit and loss attributes to each customer relationship, you can boost revenues. And if you know where your service is lacking, you can address problems before they cost you business. Customer relationship management (CRM) software can help.



## Pricing each interaction

To put a price on a relationship you need to know what each interaction costs. That means attaching a cost-value component to every transaction or activity, and gathering and synthesizing data on each customer. So how can you do that without losing money just trying to come up with the calculations?

That's where a good CRM system comes in. Luckily, you'll find a variety of software packages on the market, so there's no need to start from scratch. In fact, vendors often will customize their systems to meet your needs.

You decide which features and functions to get based on how you plan to use the data. Usually, more is better. The customer relationship management system you choose should gather and evaluate sales, customer service and marketing information.

Many systems go beyond focusing on purchase transactions to determine customers' needs and behaviors. They also track customer profitability across touch points such as advertising, in-store service, Web site transactions and post-sale service. This lets you know where your greatest profits are coming from, and how. It also tells you what's hurting profitability, so you can take action to turn things around.

## Analyzing ROI

With a fully integrated real-time CRM system, you decide which activities to track and create a way to calculate the associated cost. You can access and allocate company-wide expense data to know costs and values by customer segment and activity.

There are a number of ways to create the structure you want. For example, you can have your staff or outside experts:

- Come up with criteria to define and identify your most valuable customers,
- Profile and rank your customers by net profitability and lifetime value, creating distinct customer segments based on value, and
- Use the value determination to identify what touch points each customer segment prefers.

The result? A return on investment (ROI) analysis by products and services, channel distribution, marketing medium, and customer touch points.

## Enhancing relationships

The next step is developing plans to attract and retain high-value customers, increase the value of less profitable customers and eliminate unprofitable ones. For instance:

**Problem:** Low-value customers are overusing company representatives' personal services, preventing the staff members from optimizing production or income. This is causing a low ROI in staff resources.

**Solution:** Encourage these customers to use convenient, lower cost, Web-based planning tools.

**Result:** Your touch point costs better match your revenue, and you increase long-term profitability.

Another example:

**Problem:** High-value customers appreciate one-on-one connections with managers but want to see their portfolio results in personalized printed communications.

**Solution:** Create a personalized letter giving investment results and mentioning other products and services the customer might want to explore.

**Result:** You strengthen your relationships and retain high-value customers with

more frequent, personalized notes and letters. You also increase your ROI through customized cross selling.

While your focus is increasing profits, the actions you take will enhance your customer relationships as well.

## Satisfying customers

The data from your CRM system should make it clear where service is lacking and suggest how to improve it.

For instance, a call center tracking system can report each customer's hold time, the duration of the call once answered and how the customer responded when the rep asked, "Did I answer all your questions?" or "Is there anything else I can help you with today?" If customers spend long periods on hold and then aren't getting their needs met, it's time for some changes.

*To put a price on a relationship you need to know what each interaction costs.*

Your tracking system can keep tabs on other occurrences that erode customer satisfaction, such as delivery of a damaged product. Knowing this has happened lets you take corrective action. And accurate inventory listings keep you from disappointing and ultimately losing good customers.

Besides speeding up transactions and boosting staff efficiency, many software systems include activity triggers that automatically send thank-you notes, acknowledge orders and issue invoices.

## Doing it all

When you know who your best customers really are, you'll start finding ways to increase the profitability of all your business relationships. What's more, your customers will know you're doing everything possible to keep them satisfied. Consider a CRM system for your company today. ■

# The right words seal the sale

**W**hat's your business's single most important asset? In some ways, its true currency is words. You're constantly communicating your ideas, your offers and the benefits of your products or services.

Your choice of words can promote positive feelings, encourage a customer's optimism and lead to more sales. Unfortunately, negative words can create fear, uncertainty and discomfort — and poison sales.

## Word power

Words play a significant role in marketing a business, promoting products and building brand identity. But consumers bombarded by an estimated 2,000 daily ad messages tune most of them out. To break through the information glut, try following these simple principles:

### Know your prospects and clients.

The more you know about them, the easier it is to craft messages that really speak to them. For example, you might say, "In your business, when you need Internet access you need it now! Armed with the latest technology, we deliver connectivity with the click of a mouse."

### Use a problem-solution approach.

People identify most with their own business problems. And if you can show how your product can solve those problems, you're both winners. One example might be, "Keeping cool in hot summer months gets more expensive. Our stylish ceiling fans offer an economic cooling method and enhance any meeting room."

### Discuss benefits rather than features.

Ask yourself, "How does this help the buyer?" If you don't know, don't mention it. For instance, you might say, "Our software processes your customer orders faster than your current product and automatically prints an invoice." But resist saying the invoice is customized if you aren't sure.

A few more tips: Pose a question in your message; it engages the reader in a dialogue. Some words are music to the ears — "free," though overused, is one of them. Finally, the word "you" is direct and personable and reflects an intuitive understanding of the customer's needs.

## Verbal fine tuning

Saying the wrong thing can sabotage sales discussions, meetings or presentations. Try replacing the following negative terms with positive ones:

- If your service is superior to and higher priced than the competition's, the word "quote," "estimate" or "bid" suggests the prospect is going to shop around and might choose a less expensive service. Stress the value you're providing by saying, "When we meet next week, I will have a customized proposal based on your company's needs and goals."
- Replace "cheap" with "value-priced" or "economically priced." "Cheap" implies poor products and services — and a poor business.
- To customers, the word "contract" can suggest a lack of trust, something binding or legal involvement. Instead, use the word "agreement," which conveys both parties' trust and involvement.
- Avoid saying "no" to a prospect. If he or she asks for a discount you're unwilling to offer, a better refusal is "I wish we could." Be careful not to say, "I wish I could," because a sharp customer will respond, "Let me speak with the person who can."
- Parting with money is emotional, and one of the most agonizing moments for a customer is the decision to buy. So smart sales people talk about "owning" — for instance, "I'm sure you'll enjoy owning this product as much as our other customers do."



## PROBLEM WORDS AND THEIR SOLUTIONS

Business conversations are full of problem words or phrases. But by staying alert, you can turn the conversation in a more positive — and profitable — direction. For instance:

- Replace “If we achieve our revenues ...” with “When we achieve our revenues ....” “When” is positive. “If” creates doubt.
- Replace “I like your proposal, but ...” with “I like your proposal, and ....” “And” lets you present your opinion without undermining the compliment.
- Replace “I’ll try my best” with “I’ll do my best.” The word “do” demonstrates commitment.

Avoiding verbal pitfalls can help you build better relationships with customers, leading to increased sales.

Be attentive to the use of words and you’ll be well on the way to increasing sales.

### Suggestions, not commands

Customers don’t need to be told what to do. They must decide for themselves whether to buy a product or service. Ask your sales staff to try the following phrases:

- “Here’s some information to consider ....”
- “Only you can decide ....”
- “Why commit before you know? Give us a try and judge for yourself.”

There is a world of difference between “This is the best option for you” and “Here’s what I suggest for your situation.” The first issues a command to the customer, while the second offers a suggestion to consider.

### Passwords to success

Using words to achieve goals may be the single most important activity any business owner or employee performs. So choose your marketing words carefully, and watch them turn into leads and sales. ■

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# Turning Web traffic into sales

**I**n the not-so-distant past, a Web site was a nice but nonessential part of business sales strategy. Today, in most industries, it’s vital. But just having a Web site isn’t enough — you need one that will convey your company’s professionalism, reliability and readiness to satisfy customer needs. And you must make sure people visit it.

### Set up shop

Before anything else, make sure your company’s Web site has an attractive, user-friendly navigational structure. Organize

your links in order of importance and place important links in the same location — usually the top or left side — on every page.

On your home page, use pictures of your main products or short descriptions of your primary services, with links to more specific information. Get permission to include appropriate testimonials from real clients. Update your site frequently. Keep a list of new material to be added and schedule dates for replacing existing content.





## Hang out shingles

The vast majority of companies have Web sites, so how can you increase the chances of people finding yours?

The first key is promotion. Place your company's online address, or URL, on everything customers and prospects see, including your letterhead, e-mails, business cards, marketing material and media advertising.

With the proliferation of viruses and questionable sites, potential visitors are going to come to you via well-known search engines such as Google or Yahoo. To encourage search engines to accept your listing, make sure you're ready before you submit your URL, with clear and concise navigation and all links working properly.

Also, use meta tags. These are HTML tags that appear in the header portion of a page. They supply information that's not visible to Web site users, but can tell search engines what your site has to offer and furnish a description that appears with search results.

Finally, choose an effective "mission statement" for the first page of your site. Customers will find you based on keywords. Including the keyword in the mission statement increases the likelihood they'll see your listing.

## Build solid relationships

Once customers arrive, you want them to buy a product or service, ask a question, tell you where they heard of your site and how to contact them, or at least bookmark your address in order to return later. Here are areas to focus:

**Access.** Provide a customer service e-mail address and a toll-free phone number for access to a live person. Respond to all inquiries in 24 hours or less.

**Shipping and returns.** If you ship using FedEx, UPS or another company that offers tracking, include links for customers to track their shipments. And to boost customer confidence, display a clearly defined return policy.

**Payment security.** Stress that it's safe to pay online by displaying the logo and link to the service that has certified your Web site (such as VeriSign or thawte). But consider offering other payment options such as a toll-free hotline, a form to fax in and an e-mail address to which customers can send orders. And let them search for your nearest location by entering their ZIP codes.

## REAL CUSTOMERS IN A CYBER WORLD

For a growing number of companies, marketing and advertising campaigns are no longer primarily designed to bring customers to a physical location. Instead, the Internet has become these businesses' main sales channel. Having a well-run, frequently visited Web site means:

- You're open for business 24/7,
- You've expanded your universe of potential customers to virtually anyone, anywhere, and
- You can gather customer information for future sales promotions and product research and development.

Best of all, customer purchases made over the Internet shorten the sales cycle, increasing cash flow and profits. Invoicing, collection and check clearing all take time. But online credit card buying equals instant purchase and payment.

**Privacy.** Provide a link to a written privacy policy at the bottom of every page of your Web site. Let customers know what data you're gathering and get their permission to use it in specific ways. E-mail product information and sales specials only if customers have requested it. If they haven't, it's annoying spam.

## Get online

If you develop and maintain it properly, your company's Web site can become a lucrative sales tool. The keys: Make it easy to use, convey your professionalism and ability to fulfill customers' needs, and guard their privacy and security. ■

## Have you covered your bases with cross training?

If you're like most business owners, you've faced high turnover and recruitment costs. You've had to deal with employee burnout leading to the loss of workers with hard-to-replace skills or knowledge. And you've struggled with employees so fearful of being replaced that they hoard information.

What do all these problems have in common? You can address them using cross training.

### One hand washes the other

Simply put, cross training is teaching employee A to perform the job duties of employee B. Often but not always, employee B also learns employee A's duties.

"Horizontal" cross training in a retail operation, for instance, would be training cashiers to stock shelves and stockers to ring up sales. Then, managers can move employees between duties as traffic flow dictates. Some companies refer to horizontal cross training as job enlargement.

"Vertical" cross training also is known as job enrichment. For example, a company's department heads would train to fill in for the general manager so they can take over when he or she is away for any length of time.

A successful cross training program can ward off employee burnout. Learning new and varied skills gives workers a sense of variety and empowerment. Companies that practice regular cross training will likely have fewer interdepartmental squabbles and better cooperation and teamwork. And training people to fill in for each other boosts know-how and productivity, leading to better customer service.

### Details make or break

Once you decide to put a cross-training plan into place, some difficulties are predictable. But with awareness, you can either reduce their impact or avoid them completely. Here's how:

**Select the right candidates.** Choose employees for cross training who are willing to learn new skills, understand the program's importance and have a history of teamwork, self-motivation and flexibility.

**Foresee productivity fluctuations.** As they go through the retraining process, employees will be working outside their comfort zones. In the short term, this may result in reduced productivity and frustrations among personnel. Be prepared to help them over the rough spots.

**Stay with the program.** Intermittent starts and stops in the training can cause you to lose ground. So once you have a program in place, keep moving forward. A well-developed work sequence with time-lines will keep the process on track.

The usual reason for failure in a cross-training program is poor planning, so be informed before you start. Then, monitor progress and make adjustments as needed.

### Everybody wins

Cross training is a simple but powerful tool that benefits everyone involved. If you approach it with proper planning and buy-in from managers and staff, you'll probably see your time and commitment pay off handsomely.