

## Loyal customers bring big dividends

**It's no secret that customer loyalty is important. But why is that so? Customer loyalty does two things. First, it increases your "inventory" of customers, and secondly, it dramatically increases your per-customer profit.**

Revenues grow as the best customers are swept into the company's business, building repeat sales and referrals. If your business's value proposition is strong, you can afford to be more selective in new customer acquisition and to concentrate its investment on the most profitable and potentially loyal prospects, further stimulating sustainable growth.

**Customer loyalty equals employee loyalty**

The other advantage of fostering customer loyalty is your business's ability to attract and retain the best employees.

Consistent delivery of superior value to your customers in-

## Double your average company's growth rate

creases your team members' loyalty by giving them pride and satisfaction in their work. They get to know their long-term customers, delivering still more value and so further reinforce loyalty on both sides.

Loyal long-term employees also learn on the job how to reduce

costs and improve quality, boosting productivity and enriching the customers' experiences of your business.

### Manage customer 'turnover'

It's common for a business to lose 15% to 20% of its customers each year. Slowing the defection rate of clients can have a dramatic increase in revenue over time—all other things being equal. In fact, simply cutting defections in half can more than double the average company's growth rate.

A mature customer generates cost savings, referrals, revenue growth and usually a price premium (i.e. will pay more because of the added benefit of staying with the same business).

## What's your EQ?

**Research has shown what distinguishes outstanding leaders is not their technical or analytical skills, but their degree of emotional intelligence. That is, their ability to effectively manage themselves and their relationships.**

The 5 key components of emotional intelligence (EI) are:

**Self-awareness** The ability to recognize and understand your moods, emotions, and drives. Self-aware people know their weaknesses and strengths, as well as how their behavior affects others.

**Self-regulation** The ability to control or redirect disruptive impulses and moods, suspend judgment, and think before acting. You stay calm in the midst of turmoil and confusion and can work in environments of uncertainty.

**Motivation** The ability to pursue goals with energy and persistence in spite of obstacles, and for reasons that go beyond money or status.

**Empathy** The ability to understand people's emotional makeup, and their needs, concerns and goals.

**Social skill** The ability to manage relationships, build networks, and find common ground. Having Emotional Intelligence isn't genetic, so strengthening your EI skills is possible. You can develop your EI skills through practice, getting feedback from those around you, and from your enthusiasm for making a difference.

Additional characteristics and responsibilities:

Contemporary business leadership calls for generous portions of decisiveness, coolness under

fire, and results-oriented thinking. It also calls for courage in the face of conflicting demands. The ability to make trade-offs between people, resources, money, and deadlines—often causing short-term pain for the sake of long-term benefit—remains a vital element of effective leadership.

Likewise, leaders must be future-focused; they must know how their group or unit fits into the bigger organizational picture. They must be able to efficiently organize short-term tasks according to long-term priorities.

Perhaps one of the most important responsibilities of today's leaders is creating the conditions that enable employees to excel. To achieve this aim, the most successful leaders are also the most flexible: They have learned to adapt their leadership style to the situation.

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## How fast can a business grow and survive?

***If your business is like most, you have to pay your bills before you get paid by your customers. You therefore need to have funds available to cover these commitments—your ‘working capital’.***

As a business grows, so does its need for working capital. Without careful management, working capital can exceed the organization's ability to fund it. And without an injection of additional capital, the business can become insolvent.

Some businesses don't need

much working capital because of the nature of their operating model. The lead time between when they have to pay their suppliers and when they get paid by their customers—or their ‘cash operating cycle’—is relatively short.

The length of this cycle, and your net profit margin, impacts the rate of growth your business can sustain. Your business's ‘Fundable Growth Rate’ or ‘FGR’ is a single number ‘summary’ that reflects your business's strength across all its elements.

Your FGR is a valuable tool for helping you manage your business's finances, and therefore define strategy. When you're developing a financial plan for your business, it is important to consider your cash flow as it is the revenue and profit. Once you understand the real meaning of your business's FGR and the relationships between the contributing variables, you'll be better armed to make informed decisions for your business.

***‘Any activity becomes creative when the doer cares about doing it right, or doing it better.’***

***John Updike***

## Pricing myths and misconceptions

***There are a lot of misconceptions about pricing, such as the lowest prices always increase volume and the highest prices always decrease volume; pricing isn't manageable; and that reactive, unstructured pricing doesn't affect sales.***

In fact, when businesses look closely at their own pricing, they often find little meaningful connection between the lowest price and the highest volume. On the contrary, mid-level pricing with good service and good relationships achieves the greatest volume of sales.

### **Gather Feedback**

One of the best ways to analyze your pricing structure is to get feedback on some of the sales you've won and lost to deter-

mine which factors influenced the customer's decision.

Obviously, price will be one factor, but others, such as service quality, location, and accessibility, will also be considered. For example, if location is an important issue for a distant customer, you may have to lower your price to undercut a competitor. Alternatively, if a customer is relatively close, you may be able to increase your price because you satisfy the proximity factor.

### **Implementation**

When you're looking at how to better manage your business's pricing structure, 3 areas lend themselves to improvement:

#### **Business process.**

Define clear guidelines for your

pricing process. Install effective feedback mechanisms to help you track the effects of your pricing decisions on sales volume.

#### **Information management.**

Keep good records and develop systems that ensure you have all the information you need to make effective decisions.

#### **Organization.**

If appropriate, decide who is best person on your team to make pricing decisions, and set limits on their authority.

Price is not simply an equation of cost plus a standard margin. It's a function of product and service differences in the context of a competitive market.



## Apply 80/20 analysis to your business

**At some time we've all heard, "The devil is in the details" and "Don't sweat the small stuff." These aren't mutually exclusive statements. Execution will always be important. In your own work, a simple error can create loads of pain and hours wasted.**

In the late 19<sup>th</sup> century, an Italian economist observed in nearly every country he examined, that 20% of the population controlled 80% of the wealth. Since then, many other academics have observed these phenomena in other aspects of life—

that 80% of the results of something usually come from 20% of the efforts.

For instance, even though everything or everyone you come in contact with makes up the whole of your life, you already know it'll be a precious few people and events that will truly bring meaning to your life.

What the '80/20' principle tells us is that we need to concentrate our execution on those aspects which are going to have the greatest pay-off. Often, it's neither the first 20% nor the last

20% of efforts that produces the 80% of results, but rather it's distributed amongst all the effort.

An important exercise, for your business and yourself, is to stop every now and then. Examine what's really important, so you can make decisions that will ultimately lead to the success you're looking for.

***"You must stick to your convictions but be ready to abandon your assumptions."***

***Denis Waitley***

## Speaking for impact — lessons from a great leader

**One of the greatest leaders of the 20<sup>th</sup> century was also one of its greatest communicators. Sir Winston Churchill's rules for success in communicating with an audience were few but seminal:**

1. Get their attention

Communication is 2-way. You can't communicate with your listeners if they're not listening. Begin by grabbing their attention powerfully.

2. Repeat regularly

Churchill was known for having a few principles and tirelessly repeating them. There's nothing like artful repetition to make sure a message gets across.

3. Bring language to life

Churchill well understood the

importance of variety in tone, speed, language, and emphasis to hold the audience's attention. He paid particular attention to verbs in public speaking, knowing that verbs make language come alive.

4. End powerfully

People remember the last thing you've said, so make it good. Save some of your best stuff for your close.

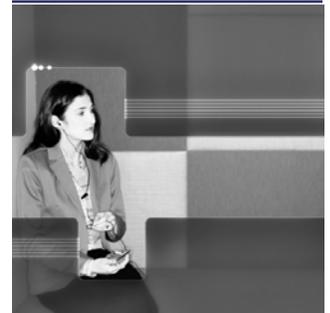
5. Use simple gestures

A study of videos of Churchill's speeches shows a man who stood squarely, usually with one hand grasping his lapel or resting firmly on his hip. The other arm occasionally comes forward to make a strong vertical gesture emphasizing a point he's making. His arms never 'windmill'

around his body; the effect of that is to undercut the strength and dignity of the speaker.

6. Pause

One of the longest pauses ever recorded in a political speech came in an address Churchill made to the Canadian Parliament in 1941. Churchill had been told that England would "have her neck wrung like a chicken." His riposte to this threat? "Some chicken. [Pause.] Some neck." Churchill confidently waited for the laughter and applause to end before uttering the next phrase. It's a classic moment of oratory.



## 7 hazards in handling difficult people

From Harvard ManageMentor

**In trying to motivate problem employees, most managers mistakenly try to 'sell' their viewpoint to employees—or simply dismiss them as 'bad characters'. These mistakes stem from common but false assumptions: that everyone else thinks like we do, that we can change others, and that employees are problems to be solved.**

### 1. The mulberry bush chase

Have you been going round and round with someone, having the same fruitless conversations over and over? That's as sure sign of the need for a new approach. Discard your assumptions about the person and start afresh.

### 2. The huckster hazard

Have you been trying to 'tell and sell'—that is, convince the person of the reasonableness of your position? Don't be an evangelist. Be a psychologist. The most successful salespeople discover and fulfill people's needs rather than try to change them.

### 3. The ignorance-is-bliss syndrome

Have you been contentedly clueless, neither knowing nor caring much about what makes an employee tick? You have to dig deeper to find out what drives that person—and what may be blocking those drivers.

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### 4. The self-centeredness trap

Do the words that spring to mind when you think about this person's behavior reflect a blinkered point of view? As yourself what words this individual would use to describe those same behaviors. It may give you a fresh insight into the nature of the problem.

### 5. The hanging judge ten-

### gency

Have you been proudly occupying a moral high ground in your perspective on this person? It won't help to think of your employee as in the wrong while you act out the role of judge or high priest. Decide now whether you really want to solve the problem or sit in judgment.

### 6. The monochrome vision

Have you failed to search for any redeeming features in this person? Think hard. Because discovering even one positive characteristic in someone can color your relationship in entirely new ways and create a starting point for you to connect.

### 7. The denial danger

Have you been dismissing out of hand how someone perceives you? Remember the dictum, "If something is perceived as real, it is real in its consequences." It's the other person's reality you are going to have to work with, not just your own.

## About our consulting services

**We're not your average advisory firm. Far from it.**

Our membership in the Principa Alliance means you have access to the collective knowledge and expertise of an international network made up of hundreds of professionals who specialize in consulting to small and medium-sized businesses, just like yours.

When you add to that our experience, support and guidance, you can be confident you'll have all the help you need to make your business truly extraordinary.

**We can and will do so much more for you than just 'keep the score'.**

Our goal is to help you build a

stronger, more profitable business, so you can enjoy greater financial freedom and a higher quality of life as a result.

Contact us today to discuss how we can help you build a business that delivers on its promise—to you, your team, and your customers.



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