

The 'Danger of Logic' Can Stifle Creativity

Every great business was once an idea in someone's mind.

And it's this continual stream of ideas that keeps a business vibrant and gives it a sustainable competitive advantage.

Too often though you'll hear people say, "I don't know what else we could do to improve this business" or "We've tried lots of things and found that what we do now is the only way for this business to operate properly."

Edward De Bono, a world authority on creative thinking, points out the 'danger of logic' being that it allows us to justify our current ideas and thereby prevents us from implementing new ones.

Creativity, on the other hand, requires us to step outside our current paradigm and to apply a lateral approach to the thinking process.

The question that everyone running a business needs to ask themselves is *How open am I to considering ways to improve what my business does.*

And related to that, What do I do to

Do I encourage my people to challenge the status quo?

proactively encourage people within my organization to challenge the status quo and continually seek to improve processes?

Ideas do not need to be huge to have a big impact. In fact, more often it's the little things that make a difference.

And that's why experimentation

and innovation are so critical to high performance.

An Important Closing Comment

Creating an environment in which team members' ideas are encouraged and listened to is not a chant for unconditional empowerment.

At the end of the day, critical decisions must be made by the CEO or by people who have been delegated to make the call.

Mastering the fine line between control and empowerment is probably the most difficult aspect of leadership and management.

Remember that clearly defined processes, responses and systems for approving and implementing ideas reduce the risk of anarchy and alleviate tensions.

Performing A Breakeven Analysis Critical to Success

Finding out what sales volume you need to achieve to at least breakeven point is critical to managing your business's success.

Working out your breakeven point is a straight forward exercise once you know your variable and fixed cost figures.

Variable costs are those directly related to your sales levels in dollars or units sold. They include things like materials and supplies, commissions on sales, sales in-

centives or bonuses for employees and shipping costs.

Fixed costs are those that stay the same no matter what sales volume your business has.

Things like rent, insurance, licenses, wages for permanent employees, interest on loans and operational expenses fall under fixed costs.

To determine your breakeven point, follow these steps:

- Subtract your variable cost per unit from the sale price per unit.
- Divide the resulting amount by the sale price per unit to give you a ratio—called your Contribution Margin Ratio.
- Now divide your fixed costs by your Contribution Margin Ratio.
- The result is the sales volume you need to achieve your breakeven point.

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What Motivates YOUR Sales Force?

If your sales are slow, it may be time to evaluate your sales team and systems.

- Is your sales team motivated by the sell itself?
- Are team members compensated based on amount of sales and value of sale?
- Are salaries low and incentives high?
- Are commissions competitive?

Do bonuses and commissions reflect a percentage of the value of the sale?

High salaries that aren't commission-driven are excellent motivators.

While the most successful sales people are driven by the sell itself, the challenge and the reward are important to keeping people pumped.

That does not mean that people who are apprehensive about be-

ing seen as pushy, annoying or unsolicited will be poor sales people.

With the right systems, these people can overcome their apprehension.

Use your most successful sales person to create and document the system that works best for your business.

Share success stories with your team and offer praise consistently.



“Do not follow where the path may lead. Go instead where there is no path and leave a trail.”

- Harold R. McAlindon

What's In It For Me?

The first basic principle in effective advertising lies in understanding that its true purpose is to get a response.

And to manage these responses you need mechanisms for customers to respond, such as phone, fax or email, and systems to convert those responses, such as a series of questions to help your team identify the respondents' needs.

And the easier you make it for a potential customer to respond, the better—you may wish to introduce toll free phone and fax numbers for instance.

Other ways you can encourage people to respond might be:

- “Call now for your free booklet full of hot tips on building

a backyard pool!”

- In ads or flyers, include detachable coupons that encourage readers to send in for more information
- Create an enticing offer for the first 'x' number that respond to an advertisement (for example, a “Free set of steak knives to the first 25 customers!”)

As to the advertisement itself, remember to write it from the customers' perspective of “What's In It For Me?”.

Create a story—some of the most successful advertising campaigns have been those that actually engaged with their readers to paint a picture.

And remember, in advertising your business, focus on the value and the benefits, instead of just the price.

“We run like mad and then we change direction.”

- Bert Roberts, MCI

“They're bloody fast.”

- Peter Bonfield, British Telecom

Calculating The Lifetime Value Of A Happy Customer

Follow this simple process to calculate the lifetime value of a happy customer.

And share the results you get with your team—there's no better way to impress upon them the importance of loyal customers and the value of customer satisfaction and retention!

1. Identify an average customer of your business—if you serve different market segments, you may want to focus on one to start with and repeat the exercise for the other segments later.
2. Identify the number of sales you'd make to this customer in the lifetime of your relationship with them.
3. Multiply that number by the number of products or services they'd buy in each transaction.
4. Now multiply *that* result with the average price that customer pays per product or service.
5. From this, subtract the average cost of acquiring a new customer. This gives you the lifetime value to your business of your average customer.

A simple estimator for the cost of acquiring a new customer

Divide your annual marketing and advertising costs by the number of new customers you acquire in one year.

Try this exercise again based on a loyal customer.

Remember, they'll be more likely to buy from you over a longer period, visit more frequently, and spend more with each visit. Plus they'll refer other customers to you.

“The only way of finding the limits of the possible is by going beyond them into the impossible.”

-Arthur C. Clarke

'Til Further Notice - Locking In Sales In Advance

This concept is extraordinarily simple, yet it results in nothing less than a guaranteed future cash flow.

It can be applied to any business that offers a continuing service (maintenance, cleaning, etc.), or a continuity-type product such as a newsletter.

The way it works is this: you get the customer started by offering the first installment free, or at very low cost, with the understanding in advance that if they like the product or service, the customer will continue at an agreed-upon price for a year or, even better, forever!

Consider a carpet cleaning business that offers new customers a free cleaning of one room, pro-

vided the customer agrees in advance that should they be happy with the work, they will sign up for regular cleanings four times a year and will be automatically billed to their credit card.

This is what's called “TFN” — ‘til further notice. The business simply keeps on billing until the customer cancels.

Do you see what this accomplishes?

Instead of waiting for customers to call when they need carpet cleaning, the company is now guaranteed that the customer will pay for a cleaning four times a year.

All the company has to do is call the customer each season to schedule the cleaning and then

just write up the charge slip.

Naturally, the company will lose money giving out free cleanings on the initial sale.

However, the loss will be more than compensated by the back-end profit made from the four-times-a-year cleanings — especially since the marketing cost for the future cleanings are zero.

This is what we call second dimension thinking.

For more information, contact us.



The Ins & Outs Of Hiring A Business Consultant

While small businesses have to be ever vigilant in how they spend their money, a consultant can be an effective resource for pushing the business into the next stage of growth.

A consultant can also offer a valuable outside perspective.

Often a financial advisor or consultant plays the role of a CFO.

Many small businesses can't afford a full-time position dedicated to assessing the financial impact of important business decisions.

Outsourcing this task to a respected, qualified and known consultant can give you valuable insight into critical financial business decisions.

Be careful not to be swept away by fast-pitching business consultants who use high-pressure tactics.

If someone comes on strong and makes you feel uncomfortable, listen to your instincts.

You need to feel confident with the advice and suggestions the person offers.

You need to trust this person has your best interests in mind and not his/her wallet.

Business consultants offer all kinds of services, so be sure to investigate.

Be clear about what your looking

Be clear about what services you are looking for and enquire about experience.

for (i.e. professional development training for you or your team, financial advice, organizational development, business development or marketing skills) and enquire about the person's experience.

Do not hesitate to ask for references. Don't just rely on their marketing materials.

Talk to current clients to get a sense of how the person works.

Ask a prospective consultant for a

list of referrals. Remember to enquire about ongoing support. It's not enough to have a plan in most cases.

You will want to make sure there will be support or help available if you run into trouble during implementation.

Negotiate fees for this support before signing a contract.

Clearly outline what kind of support (phone, face-to-face, repeat training etc.) and the charges in the contract.

Nothing will ever be attempted if all possible objections must first be overcome.
- Samuel Johnson

About Our Consulting Services

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

Our membership in the Principal 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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