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### **Create A Network Of Wealthy Customers**

The New York-based Luxury Institute tells us there are 11 million households in the U.S. with an average net worth of \$US 3.1 million and an average annual income of \$US 256,000 - "*For most luxury goods and services firms, these are the 20% or less of the clients who deliver 80% of the profits.*" Whether the 80/20 rule applies to your business or not, if you can identify your wealthy customers you can target them directly with high-value offerings. And even if you don't have 20% of customers that you'd consider 'wealthy' you can create a network of customers that will help you grow your business and greatly benefit your bottom line.

#### **Define your trading area**

Start with an accurate definition of your trading area – where your customers are. The geographic area you identify as your trading area will be the boundaries for choosing members of your network. For some businesses it will be a neighbourhood, and for others it will be an entire city or state. This is an important step in the process because the demographics of your trading area will be used to identify the pockets of wealth that lie therein.

#### **Find your pockets of wealth**

Every area, from the size of a suburban neighbourhood to a city or state, will have parts that are wealthy and some that are not so wealthy. Demographic data can be used to locate the wealthy, that is, high income segments in your overall trading area. This information can be sourced from local libraries and government departments, and is generally segregated by post codes, electoral boundaries, place names or some other identifier you can use in your research.

#### **Cross reference your customer database**

How many of these 'wealthy' individuals are already in your customer database? This is the first thing to check. You may already have the contact details for a significant number of regular customers who fit into this category. Because you haven't thought about segmenting them according to their wealth you may never have thought about creating high-value offers that target them directly.

#### **Create lists of wealthy prospects**

Now you want to obtain mailing lists and other contact details of people who live in those areas you've identified as wealthy. If it's simply people living in a particular part of town you

could do it by renting a mailing list from a list broker for those neighbourhoods or for particular post code areas. If it's all wealthy people in a city or state you'd be best to speak with a commercial mailing list provider who could create the list that you need and arrange to have your marketing materials sent out on your behalf.

### **What can your offering be?**

This will naturally depend on the business you're in. A wine retailer might want to make these wealthy prospects an offer of a dozen bottles of fine red wines. A furniture store might offer them a home decorating service. A car dealer could offer them a test drive in a luxury vehicle. Your offering to them should be the best products and brands your industry has to offer because you know they can afford it.

### **How do you communicate your offer?**

Because your data will probably be geographic in nature this is a natural for direct mail that can target specific addresses. When you have your offer ready, create a direct mail piece that presents it attractively with appropriate up-market illustrations. Link this offer to your Internet site where it can be repeated for those who want to place their order online.

Focus your content on what your wealthy customer will get. Show an understanding of their lifestyle and tastes. For most of your prospects this will be your one opportunity to make a good impression, so demonstrate that you know what they want and have taken the trouble to make it available to them.

## **How To Conduct A Reference Check**

Finding managerial talent is a difficult task in a small business. Most SMEs don't have an HR department to handle the role, so the owner winds up looking after everything from writing the advertisement to interviewing candidates and making the final selection. At this point, it looks like the job is over, but one critical task remains – checking the candidate's references.

Most instances where a managerial appointment has gone wrong result from an incomplete check of references. This could be because only favourable referees have been included, or it can be because the references have been fraudulently created. The only way you'll ever know if the person is as they represent themselves is to put in the time and effort necessary to check their background. Then, and only then, should you offer the position to the candidate.

### **The purpose of checking references**

A reference check allows you to gather information about the candidate that you'd otherwise never get. You're speaking with people who know them, who've managed them, and who've worked with them; and they know a lot more about that person than you do. Even if the person whose reference you're checking is appointed and settles in well, your reference checking can provide you with guidelines as to how best to manage and develop them.

In the worst case you'll discover that the candidate who seems right for the position has something unsavoury or criminal in their background. This can save your business from exposure to problems like fraud, theft, lawsuits or other inconveniences you don't need or want.

## How to handle referees

You should ask candidates to offer at least three referees, but more will be even better. You naturally want confirmation of the candidate's background and competencies, but you also want to gather examples of the candidate's strengths and weaknesses, their management style, and how they relate to others in the workspace. The person with whom you're checking the reference doesn't know you and will be wary about giving out any information that could rebound on them. For this reason, it's essential that you spend some time establishing with them that you can be trusted and will maintain their confidence.

Outline the position you're seeking to fill and the impressions you've had from your initial exposure to the candidate. Cover any areas of uncertainty, and be sure to verify anything about that referee that's been included on the candidate's paperwork or said in an interview. Then let the referee do the talking as much as possible, only stepping in when more information is needed. Ask as many open ended questions as possible, and give the referee a chance to express their feelings and opinions. Try and gauge their like or dislike for the candidate and look for some emotion when they're describing them. If they use a word that rings an alarm bell, don't hesitate to ask what they really mean.

## The questions to ask referees

You'll naturally be interested in the candidate's abilities that relate directly to the requirements of the position you're filling. Some sample questions are shown here, but you'll also want to create specific questions that relate to your own requirements. Write them all down before making calls to referees and be sure to cover the same questions with each referee to build up a complete picture.

- I've told you about the job we're trying to fill; how do you think (candidate) would fit into it?
- What would you say (candidate's) best features are?
- What qualities do you think might help (candidate) make greater progress in their career?
- What did (candidate) achieve for your business?
- How well did (candidate) relate to co-workers?
- If (candidate) had stayed with your business, where might he/she have wound up?
- What advice would you give me regarding developing (candidate's) abilities?
- Is there anything else you'd like to tell me about (candidate)?

## Commercial background checking

It's also well worth paying a professional background checking service to perform a final check before making any appointment. They'll find out whether the candidate has correctly stated all details of their employment history, education, and whether or not they have a criminal record.

## Experiment To Find Your Product's Price Flexibility

Pricing is an art and if you don't get your prices right you'll have trouble finding either profits or buyers for your products or services. Most experts agree that there are just three basic methods of pricing:

*Cost-based:* You take the cost of the product and add a fixed percentage of this as a markup or apply a fixed multiplication factor to calculate the final price.

*Market-based:* You let the market tell you what to charge by monitoring your competitors and matching their pricing.

*Value-based:* You price your product on the value it delivers to customers rather than on the cost of making it.

Value-based pricing is by far the best of these three pricing methods. It incorporates an understanding of the value your customers receive and focuses your thinking on the benefits you provide. However, of the three basic pricing methods, value-based pricing is the hardest to calculate.

### **Problems with other methods**

Cost-based pricing is severely limiting. It doesn't take into consideration some of the things consumers value most – quality and service. If your manufacturing or purchasing costs are excessive your selling price will be too high and your products won't sell. Market-based pricing is dangerous. To gain market share either you or one of your competitors will lower prices, leading to a price cutting spiral that reduces margins and profitability. It's a lose-lose situation.

### **Pricing flexibility is critical**

Value-based pricing gives you the flexibility you need to grow a business by improving your value proposition. As the value of your product grows, so will your revenues, so it's worth making an investment to add value to what you sell. There will, of course, be less flexibility when you're selling physical goods, especially commodities. However, if you are selling something like a service or an online product you have a much wider range of possible price levels and a much more flexible pricing structure.

### **Just how flexible is your pricing?**

Look at what you're selling and think about how you see your business. How good is your product and what level of customer are you selling to? If your product saves a customer a hundred hours of drudgery a year it's worth quite a bit, regardless of what it costs. And if you've positioned your business above its run-of-the-mill competitors you should be targeting a premium price for everything you sell.

The only way to find out exactly how flexible your pricing can be is to test the product at different price levels in real life situations. This will give you hard data on which you can base your pricing decisions. Let's use a hypothetical example of a product that costs you \$18; you want to test three pricing levels – 'bargain' (\$28), 'reasonable' (\$36) and 'outrageous' (\$49). How you market test these three levels of pricing is another matter and requires a great deal of thought. But let's say you get the following results:

1. At the 'bargain' price of \$28, 300 units sold for revenues of \$8400 and a profit of \$3000;
2. At the 'reasonable' price of \$36, 280 units sold for revenues of \$10,080 and a profit of \$5040;
3. At the 'outrageous' price of \$49, 250 units sold for revenues of \$12,250 and a profit of \$7750.

These figures indicate a great deal of pricing flexibility and suggest that further testing at even higher prices could produce an even higher level of profitability. Only by testing at a range of prices will you know how people will respond to your offering. The aim is to optimise the sales/profitability combination which is just what this kind of testing will do.

If your goal is to acquire new customers you would probably choose the 'reasonable' price as the increase from \$28 to \$36 cost very little in terms of volume. If your customer base is relatively stable you could charge the 'outrageous' price and optimise your profits. Only after you have the facts can you choose the price that best suits your overall business objectives.

## **Good Business Deeds Can Be Good Business Deals**

'Cause' marketing that links your company or brand to a non-profit group or charity enables you to promote your business while you give something back to your community. Perhaps the most interesting aspect of this kind of marketing is that it's been shown to make customers feel better about deciding to purchase and that translates into an increase in repurchase intentions.

### **Consumers transfer their emotional bonds**

Many people have emotional bonds with a non-profit group. They may even be regular financial contributors or do volunteer work for a non-profit organisation. When these people see a business that's supporting this organisation they'll often be predisposed to purchasing from it. *"Look at what you sell and understand the targets you're trying to reach. Then align yourself with causes that will bring out the emotions of that audience, from a grassroots, a community and a media standpoint,"* advises Rodger Roeser, of Justice & Young Public Relations in Cincinnati.

### **Employees feel better about their employer**

Surveys consistently show that whether candidates are choosing an employer or employees are deciding whether to stay with their present company, the degree to which a business demonstrates a social conscience is perceived as increasingly important. In fact, a majority of employees of companies in many industries have said they'd work for less money if they felt their employer was socially responsible.

### **It's good for PR and community relations**

Naturally, there are a lot of positives about supporting a cause that will benefit the image your business has in the community. You'll be seen as a good corporate citizen and as an organisation that contributes to the welfare of everyone in the community.

### **Seek alignment with your business and your customers**

There are thousands of causes and some will no doubt relate to your business activities. Find a cause that has a link with your company, no matter how tenuous, so that people will understand how your business fits into the cause overall. The cause needs to also be related to the interests of your customers. It should align with their feelings and beliefs, and not be in conflict with other organisations they might want to support.

### **Tell the world what you're doing**

Although it might seem a bit 'commercial', your business will only benefit if it tells the world at large about your involvement with the cause. You need to spell out what it is you're doing and why you're doing it. It will also help if your business becomes a conduit for your

customers to help the cause by making donations through your website or at your business premises.

- Your cause marketing activities should be part of both your external marketing and your internal communications. It should be featured in your promotions, your packaging and your website, as well as referred to in your employee newsletters.
- Give your employees and your customers a chance to participate in the cause by hosting a function or sponsoring an event where the proceeds go to the cause
- Ask the cause you're supporting to promote your association with them. They have every reason to do this; the non-profit world depends on donations and they like to tell prospective donors that they'll be in good company when they part with their funds.

In today's competitive world consumers want to know what a business stands for. Cause marketing will tell them about your business values and reassure them that part of their purchase money is going to a good cause.

## Regular Pieces

### How To Make The Most Of Your Newsletter

Be sure to read each article with the mindset 'How could this apply to our business.' Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member. To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We're here to help you get started.

### Memorable Quotation

*"Anybody can cut prices, but it takes a brain to produce a better article."* – P.D. Armour

### An Important Message

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