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Grow Your Business By Increasing The Number Of Times Customers Come Back

In the last issue we discussed the first of the 4 ways that you can grow a business – increasing the number of customers of the type you want to have. This month we discuss the second way, increasing the number of times customers come back to buy from you.

Chasing new customers versus encouraging repeat business

It's a simple fact of business – most companies are obsessed with getting new customers. They advertise, plead, bribe, bend over backwards and sometimes beg to get a new customer.

And after all that, once they get them, they ignore them.

Think about this. It can cost up to 6 times more to win a new customer than it does to have an existing customer purchase again. Why? Because you invested time and money to acquire that customer for the first sale, but every additional sale after that doesn't involve any extra acquisition cost. So for every sale you make to an existing customer you actually keep more as profit.

In other words, it 's a well recognized fact that retaining and having customers come back for more – and more – is the most profitable way to sell.

So how can you encourage repeat business?

Know your best customers and treat them well

One of the first ways to ensure repeat business is to classify your customer base into tiers according to how profitable they are. This can be as simple as categorising them as A, B, C and D customers. This classification process means that your ongoing communication and marketing approach will be more appropriate for each group. For example, your A customers are the ones you most want to keep working with, so you might invite just them to join a preferred customer club, or As and Bs would get special mailings and offers, etc. You could even go so far as to ask your D customers to go elsewhere, freeing up more time and energy for your preferred customers.

Provide awesome service

Creating a team commitment to service can impress your customers enough to keep them returning and referring others. The commitment could make certain promises of performance

standards and could explain your business ethics and mission. These can make great unique core differentiators as well.

Awesome service, like good telephone technique and selling technique, can actually be systemised so all the team knows what they are expected to do for a customer and just how far their authority extends in bending the rules. You can't stop at saying you want your customers to be given awesome service – you need to train the team so they can deliver it consistently and effectively.

Nurture your customers

It's important to nurture your relationships with your customer in the same way you would any other important relationship. Nurturing is the most cost effective way to make customers feel valued and motivated to keep purchasing from you. The more you stay in touch with them the more likely they are to remember you. Some effective nurturing strategies are:

- Regular mailings to build on the relationship such as newsletters, offers, calendars, service reminders, thank you notes, special articles of interest, holiday cards
- Establish a loyalty programme that rewards frequent purchasers

Use customer comment

Asking for feedback lets customers know that you are truly interested in them and their opinion – something other businesses just may not bother with. And the feedback you get can be extremely valuable for your strategic planning.

Follow-up calls just to make sure they are happy with their purchase or to get in with some damage control if they are not; satisfaction surveys; customer advisory boards – all can be very useful in encouraging repeat business.

When you do make the effort to gather feedback, and the customer has made the effort to give it to you, don't waste it. Use the information to continually improve the way you do business, and let customers know that their suggestions are being used.

How To Fire Someone

Sooner or later it becomes the unpleasant task of a manager to have to fire someone. The employee can be hit hard too. They can be personally shocked and hurt. It will likely disrupt their life and throw out all their certainties – such as where the mortgage repayment is coming from next month. In fact the situation is one of potential high drama and maybe even dire consequences if improperly handled. When it happens you need to handle it legally and sensitively.

Handling dismissal sensitively

First, be very sensitive to timing. Firing someone the day their child went into hospital for an operation is one way to ensure resentment and to arouse a sense of unfairness that could lead the employee to start looking at ways to get back at you.

Firing isn't a public event or one you can delegate. The news should be delivered personally in a short private meeting. It is wise to have one other respected or impartial person present as a

witness to the proceedings. In an age of litigation that's the best measure you can take to protect yourself.

If you want to extend some empathy by offering praise of any good action then be judicious. It may sound callous, but overdoing praise in this situation can have negative repercussions ranging from creating an unfounded hope that the decision can be reversed through to use in court as evidence of the unfairness of your action.

The timing and nature of the departure announcement to the rest of the team and the employee's day of departure must both be settled at this meeting. For both actions the best strategy is 'as soon as possible'. The shorter the time, the less opportunity for rumour to spread or for the situation to upset regular work. This is not heartlessness – it doesn't do the departing employee any good to be hanging around in these circumstances.

Handling dismissal legally

Stick to the facts. Those facts need to be the legally justifiable reasons why you are terminating the employment contract. "*I don't like ...*" or "*You don't have the right attitude about X, Y or Z*" won't cut it in court. The best favour you can do yourself is to read up on basic labour law, particularly as it relates to such things as discrimination and unfair dismissal.

And you need to be able to back your legally justifiable reason with chapter and verse on the actual incidents that demonstrate the employee has breached regulations or failed to live up to performance standards. That means you need to have, and maintain, a good personnel record management system to track the history of the incidents the employee has been involved in and the warnings or whatever you have given them. Implementing a formal performance reviews routine, whereby you can record the discussions you have had about performance shortfalls, is a good start. In the context of dismissal these records provide the justificatory evidence that has bought you to this action. Documented history of poor or illegal behaviour is what a court will look for if the matter ever goes that far.

Terms of severance such as pay and benefits should be detailed and accurate. An employee who feels they are being cheated as well as fired is as good as in court.

If you feel unsure of any aspect of the firing process then call your lawyer and take advice. Their most expensive advice will likely be less than a court case will cost.

Tapping Into Testimonials

Positive, believable comments from real life customers with real names who live in real places about their experience with your business and your products are proof positive to potential buyers that you can be trusted. And with that foundation in place to overcome their natural scepticism, selling to them becomes so much easier.

Here are 5 tips to help you get persuasive testimonials and use them to convert prospects into buyers.

1. Go after testimonials

Unsolicited casual comments from customers in conversation or over the phone, or comments in correspondence with them are good, but you should have no hesitation in coming right out and asking for a testimonial when you know you have a happy customer.

You can actively stimulate customers to give you testimonials. For example, send a postcard or email message to recent customers asking them what they liked best about your product or service or offer a free sample to a select group of your customers in exchange for their thoughts on the product.

Customer focus groups are another great opportunity to get customers talking about your products and services and what they appreciate most about them.

One easy way to collect testimonials is to include a link on your website with a form that allows your customers to give you their vote of confidence.

2. Get them for all your products and their different benefits

All of your prospects and customers are not exactly the same. They don't buy the same products and may even buy from you for different reasons. Different aspects of your products and services are likely to appeal to different prospects just as they do to different customers.

Try to get testimonials that mention a variety of different benefits your customers derive from using your product and get them for products across your entire range.

3. Use only testimonials with the right characteristics

- The message should mention benefits rather than features – that's what people really buy. *"This product doubled our profits in a month!"* rather than *"This product is easily installed"*.
- It must substantiate your marketing claims – if you say your product can do something, your testimonials should back up your claim, complete with actual facts and figures.
- It must sound credible – accompany each testimonial with the first name, last name and hometown of each testimonial-giver. You should get their permission first of course.

4. Don't fudge it

Don't edit or rewrite your testimonials to exclude a negative comment or to elaborate on what is there. If you can't use the testimonial pretty much as the person offered it then either ask them, if you can, to rephrase it themselves or don't use it.

5. If you've got it, flaunt it

Where do you use testimonials? Where don't you!

- On all marketing – your website, ads, newsletter, brochures, on your product packaging, etc.
- In your store, especially in product displays
- In your office / waiting area
- On the back of your business cards

Testimonials are a great persuader. Start applying them now in your business and you will quickly start converting more prospects into buyers.

Don't Mistake Profits For Cash

In business there are some fundamentals that are common to each and every organisation regardless of size or type of structure. One of the most important of these is the management of profitability and cash flow. It is vital to understand the difference between them and the fact that profitability and good cash flow do not necessarily go together.

In fact, profitable businesses can go out of business because of cash flow problems.

How does that work?

Profit is the difference between sales and costs within a specified period, say a month or a year. But while a sale may have been secured and goods delivered, the related payment for the sale may be deferred, for instance as a result of giving credit to the customer. While you wait for receipt of your money however, you must continue making payments to suppliers for inventory, to employees for wages, for repayments on equipment and so on.

Sales, costs and, therefore profits, do not necessarily coincide with their associated cash inflows and outflows. The net result is that cash receipts often lag cash payments and, whilst profits are being reported, the business may still be experiencing cash shortfalls.

That can have two very serious consequences – at best a slowing in the rate of growth of your business; at worst, complete business failure. Rapid growth by profitable businesses may well lead to shortages of cash, because extra money is needed to finance expansion (for example to buy extra stock or purchase fixed assets). In extreme circumstances this can lead to failure. Knowing you'll have enough cash to pay a bill next month isn't enough if your creditors are pushing for payment today and you can't come up with it.

Good financial organisation and having a strategy to manage cash flow will reduce the likelihood of disruption to your business. The strategy revolves around implementing effective business practices for improving cash flow and using a cash flow forecast mechanism to predict and manage slow periods.

Good practices for ensuring cash flow continuity

1. Manage the credit you give – develop policies and procedures to ensure credit is only offered to reliable and profitable customers; reduce the average debtor's days outstanding by e.g. specifying payment terms on your invoices or charging interest on late accounts.
2. Keep your books up to date – if your books are not kept up to date and accurate your cash flow forecast and other reports will not be accurate and the benefits of forecasting will be lost.
3. Put contingency plans in place to borrow money at short notice for unexpected crises in cash flow. Better to be prepared than to have to arrange finance on unfavourable terms at short notice,
4. Manage your bill payment schedule – don't pay early (unless good discounts apply) since that removes cash you could be using to earn interest or investing elsewhere; don't pay late since that puts suppliers, who might otherwise have been prepared to carry you over an emergency on the basis of your good reputation, offside.
5. Fund your business properly – outlay of capital expenditure should be matched by long-term funding such as a term bank loan or a hire purchase agreement over a number of years. That way,

the cash outlays are timed to coincide with the expected cash inflows to be derived from the investment in the fixed asset.

6. Keep inventory to the minimum necessary – if you can decrease the amount of stock you are holding without decreasing your sales, then you have less money tied up in stock and have released cash into the business.

Forecasting – knowing and planning for the peaks and troughs of cash flow

Your cash flow needs constant monitoring and planning using a cash flow forecast report to make sure you always have enough ready cash to meet your costs on time.

Profit and cash flow are two factors that do not *necessarily* go hand-in-hand. More businesses fail for lack of cash flow than for want of profit. For this reason it is essential to manage the procedures that determine cash flow and to forecast the cash flow situation to be aware of where there may be problems looming.

Having the right procedures in place can help you manage your cash flow effectively. Both your accountant and your business advisor can help by looking at your processes, recommending changes that will protect cash flow and providing you with a regular cash flow forecast.

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

Lots of folks confuse bad management with destiny - Elbert Hubbard

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

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