

Special points of interest:

- Here are just some of the business issues we can help you with:
- How to work ON your business, not IN it—following the E-Myth.
- What it takes to create the perfect turn-key operation.
- How to develop your essential business skills.
- How to create the ideal marketing plan.
- How to build a business that works by itself.
- How to get extraordinary results from ordinary people.

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What Do Debtors REALLY Cost You?

Imagine having every cent that you're owed by customers sitting in your bank account now. Would that ease the frustration of cash flow constraints and an inability to re-invest WHAT you want to in your business WHEN you want to?

People who owe you money are your debtors (also known as receivables). So what is debt, really? Quite simply, debt is your money—in somebody else's pocket!

Many business owners find the whole issue of dealing with debtors uncomfortable. Let's face it, it can be tricky approaching long standing customers to ask them to pay up.

Too often, the job of collecting debts is handed over to somebody else, or simply isn't done at all.

Cash flow and control of your debtors affects every part of your business. It

can have a dramatic impact on your long term profitability too. And it doesn't have to be hard.

The first step is to take a look at the numbers. They always speak louder than words, and in the case of debtors/receivables, they can paint a vivid picture about your business.

First, answer the following:

1. What is the average size in days of your accounts receivables?
2. What do you collect before you start the work compared to after the work has been completed?
3. What is the ratio of your bad debts to accounts paid?

The answers to these questions are your telltale signs. Consider them the Key Performance Indicators of your debtor situation.

Now do the numbers for yourself. If you could reduce the time you have to wait for an account to come in by 10 days, (from 30 days to 20 days) how would this affect your cash flow?

What would happen if you collected 10% more of your fees before you started the work? Or instead of just 20%, try collecting 30% before you start the job.

Or, instead of sending your clients a final bill at the end of the job, you bill them periodically at the end of each completed stage?

What impact would these simple changes have on your bottom line?

Future editions of Profit Builder will look at different ways to make collecting what's owed to you FUN!

Deleting Products Can Raise Your Profits

A professional gardener knows that on occasion he must prune his trees, shrubs and plants to keep them alive and healthy. The same thing applies to your products.

From time to time products require pruning if they no longer make a profitable contribution to the well-being of the business.

Weak products consume a disproportionate amount of management time and energy. It's the 80/20 principle. Often, 80% of your profit will come from just 20% of your product lines.

In some cases, 20% of your products will consume 80% of your time and energy and return little or no profit in return.

Have you analyzed your product line profitability? Do you know which of your products or services produce the bulk of your profit?

If not, it's time to perform that analysis and to eliminate the products and services that no longer add value to your business. Some questions to consider before making a final decision on which

products to delete are:

1. Is it possible to modify the product in a way to improve margins?
2. Can you increase the price dramatically or reduce the quality (or both) without losing sales?
3. How much management time and resources can be freed up by deleting the product or service?
4. How much is the inclusion of this product in your portfolio contributing to the sale of other products?

Yellow Pages Advertising That Gets Results!



When it comes to making your phone directory advertising work harder for your money, what's needed is something that really stands out from the pack.

You've got to compel the reader to pick up the phone and call your business, NOT the competition listed next to you. Advertising in the Yellow Pages puts us all on an equal playing field—unless we do it right!

Anyone can buy the largest ad in the phone book, so if your ad is as big as your biggest competitors, customers will see both companies as equal in size. However, it is possible to compete on level ground and still leave the others in your wake.

If the phone book is an important source for your business, be sure to consider the following information.

1. Size does matter!

Independent research has shown that the number of calls received does increase with the size of the ad in the phone directory.

2. White space is useless.

The key here is making the most of the available space. Each square centimeter of the paper costs the same, so it's important to make sure it's *all* doing the job of selling your business.

3. You must have a headline.

99% of phone directory ads have one thing in common—a headline. It's what draws people to your ad. It's your attention grabber. Yet the problem is this: 99% of advertisers have the SAME headline—their company name or their logo! Most people rely on 'XYZ COMPANY' to attract people's attention, while the ad next to it says 'ABC COMPANY.' Who would you call? Make sure your headline contains a big dose of

"What's in it For Me" for your reader.

4. 'What's in it—For Me?'

The question on every customer's lips is 'What's in it—For Me?' The text of your ad must sell your products and services. It must give the readers great reasons why they should call you—not just the **features** of your products or services. You must list benefits to your customers as well.

5. Make an offer.

Placing an offer in your advertisement has been shown to boost the response to your phone directory advertising by up to 300%, yet it's something that almost no one does. Interestingly, it could be the difference between winning a new customer and having your phone directory ad bring you a return on your investment—or losing one you never even met!

"If you want to know what's really going on in most companies, you talk to the guy who sweeps the floors. Nine times out of ten, he know more than the President."

**Kenneth Herndricks,
CEO, ABC Supply Company**

The Power of Testimonials

"When you say it, I don't believe it. When someone else says it about you, I believe it." This is the power of testimonials. In short, credibility sells!

From a customer's point of view, when a business is marketing itself, of course, it's going to say it's the best at providing this and that. Or that the team is the most experienced, or that their customers are always happy with the service they receive, etc.

The truth is some potential customers think to themselves, 'Well, of course they're going to say all that about themselves. They're trying to sell me something!'

It's this attitude that makes testimonials all the more powerful.

You see, reading real-life testimonials from your customers tends to diminish this buying cynicism, and gives potential customers real-life examples of how your business

has helped others in their situation. Testimonials are a great way to verify the services your business offers. It builds credibility.

Potential customers are always more likely to believe a third party over you.

These testimonials will then be used on all your marketing material—in your ads, letters, and brochures—to increase sales.



Humor —Drawbacks of Working in a Cubicle

1) Being told to "Think Outside the Box" when I'm sitting in the box all day!

2) Not being able to check E-mail attachments without first seeing who is behind me.

3) Fabric cubicle walls don't

offer much protection from any kind of gun fire.

4) That nagging feeling that if I just press the right button, I will get a piece of cheese.

5) My walls are too close together for my hammock to work

right.

6) 23 power cords, 1 outlet.

7) Prison cells are not only bigger, they have beds.

8) Can't slam the door when you quit and walk out.

Raise the Productivity of Your Sales Team

Most businesses would benefit from an increase in productivity from their sales force. First, let's define the term "productivity".

Productivity concerns the relationship between inputs and outputs. Using sales as an example. Productivity increases if either:

- The existing sales team achieve an increase in the volume of sales (same input but increased output); or

- Sales volumes are maintained at present levels, but by fewer sales people (same output achieved from a lower input).

Some of the ways you can improve productivity of your sales team are:

- Train them in time management techniques
- Set sales targets and motivate them to exceed them.
- Offer performance based remuneration incentives.
- Make sure you hire the right people in the first place.
- Instigate constant and frequent communications with your sales team.
- Ensure they possess high levels of product knowledge.
- Refine their selling skills. Invest in training.
- Explore alternative forms of selling (e.g. over the web)



Building Business Through "Word of Mouth"

What happens when we're looking for a particular product or service? Usually we don't start out with a particular supplier in mind, so we browse the Yellow Pages or scan the local newspapers, but more often than not, we'll rely on advice and recommendations from friends or colleagues. A massive amount of business is generated this way every day.

In fact, when asked, most business owners or managers would say that a great percentage of new leads or new inquiries come

from 'word of mouth' or 'referral.' That is, your happy customers or clients talk about you in a positive way that means they're literally sending people to your door.

Many business owners would estimate as much as 70% of new sales comes from this source.

However, relying entirely on Word of Mouth strategies puts you at the mercy of your customers. In other words, it's up to them whether they talk about

you. Until now.

Chances are, many of your best customers would be happy to recommend you to their friends or colleagues—if only you'd asked them to!

So gain control over your "word of mouth" growth strategy by introducing a structured referral Initiative.

Proactively ask every one of your best customers for a referral to a friend or colleague and you'll be amazed at the results.

"The only ideas that count are the A ideas. There is no second place. That means we have to get everybody in the organization involved. If you do that right, the best ideas will rise to the top."

**Jack Welch, Chairman,
General Electric**

Working ON Your Business—Not Just IN It...

Imagine this—you're 'in' your business. Literally you're standing in your premises. You're answering phones, talking with staff, fighting fires, juggling all the elements of your business at once—marketing, sales, management, operations, staff, finances, cash flow, debtors, creditors, suppliers, and more.

You're extremely busy. You've realize you forgot to eat lunch again, and someone unexpected has just walked in. Unfortunately, that means you're going to have to spend time with them, instead of doing the salaries or completing that paperwork you

really wanted to finish. Oh well, you'll take it home and do it into the night. And so it goes.

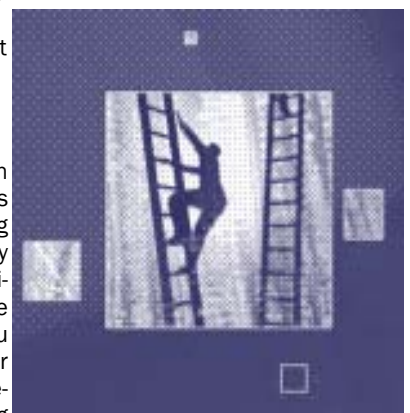
This is working 'in' your business. You're in the midst of it, fighting fires, handling everything there is to handle and more—**IN your business.**

Now picture this instead. You've taken 4 steps back from your business and you're looking at it objectively, saying 'OK, that's my business over there, now what do I want to do with it?' 'Apart from me, what will this business do? How will it be? What do I want it to be like? What does it need to do to give me my life, to free me up from working in it all

the time?'

Imagine your business as a lump of clay. What would you mold it into? What would make it perfect for you, and perhaps for someone else? This is working **ON your business.**

Just thinking about it, you can sense the huge difference this could make. Imagine taking some time away from day-to-day tasks and looking at your business in the long term. Imagine the ideas or opportunities you might spot! Working 'on' your business is the difference between your business providing you with a job OR immense wealth and satisfaction.



Achieve Peak Efficiency in Purchasing and Increase Profits

When you sell physical products, the cost of your goods and materials for resale are typically substantial.

Because of the importance of the purchasing function, it offers considerable potential for cost savings. This is particularly important when (as often happens) the owners of the business spend more time and effort on sales and marketing than on refining the purchasing function.

In the short term your business may be able to realize greater profit improvements by raising purchasing efficiency than by boosting sales volumes. For ex-

ample, a reduction in the cost of purchases could lead to a dramatic 35% increase in net profit. Let's take a look at how that might work, assuming your business has \$500k in sales.

	<u>Before</u>	<u>After 5%</u>
SALES	500,000	500,000
- Purchases	<u>350,000</u>	<u>332,500</u>
Gross Profit	150,000	167,500
- Operating costs	<u>100,000</u>	<u>100,000</u>
NET PROFIT	\$ 50,000	\$67,500
		= 35% increase in NP

Calculating the relevant numbers for your business will give you and your team

great insights into the importance in net profit terms of cost savings in raw materials and incoming supplies.

Questions to consider:

1. Is your purchasing office aware of the financial ramifications of cost reductions they receive—that is, their impact on raising net profit?
2. Is your purchasing office continually on the lookout for alternative suppliers who can give you the same products at a lower cost?

Where can you achieve savings without sacrificing quality?

About Our Consulting Services

We are not your 'average' consulting firm. Far from it. We are members of the Principa Alliance, an international network of consulting professionals.

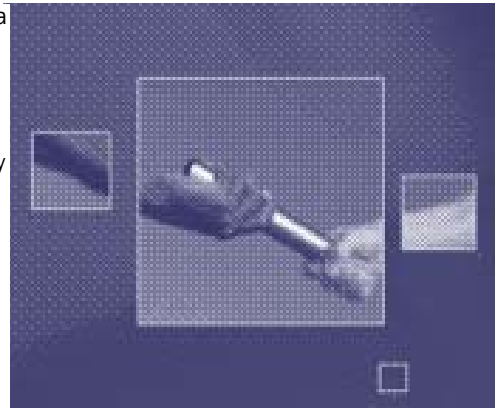
So when you work with us to improve your business you're gaining access to a global knowledgebase and a wealth of consulting experience that is much more powerful than any one firm could offer.

Combining our knowledge of your business, the personal relationship we share with our clients and the consulting tools,

support and networking power of the Principa Alliance, we can help you achieve more with your business than you imagined possible.

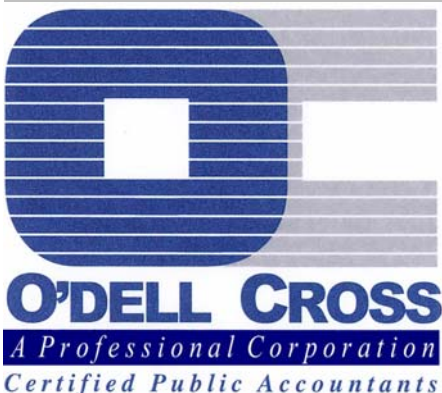
Our goal is to help you build a stronger, more profitable business and enjoy a higher quality of life and greater financial and personal freedom as a result.

We can and will do so much more for you than just 'keep the score'. Contact us today to discuss how we can help you build a business that delivers on its promise.



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