Robert W. Bly

Fool-Proof Marketing

15
winning methods
for selling
ANY product
or service in
ANY economy

John Wiley & Sons, Inc.

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MARKETING

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To Barry Sheinkopf—
who, after I had already written 50 books,
helped me become a better writer.

CONTENTS

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INTRODUCTION

"Better days are in the cards I feel."
—Jimmy Buffett, *Love and Luck*

If you are running a small to medium-size business, you probably fit into one of these three categories:

1. An economic turndown has really hurt your business. Things are slow. Cash flow is drying up. You have to generate more business, and soon—or face serious consequences.

2. You're doing okay, but many of your associates are not. Whether it's from a soft economy or a decline in your particular industry, your colleagues are hurting. And while you're doing okay now, the question "Will we be next?" keeps you up nights.

3. Things are going great for you. But you know the economy is cyclical, and every business and industry has its ups and downs. You want to put systems and strategies into place that ensure your business continues to be profitable in both good times and bad . . . and enable you to ride out any weaknesses in the future.

Do any of these descriptions fit you? If so, you're reading the right book, because *Fool-Proof Marketing* presents proven ideas you can use to reverse any sales decline and make you busy and profitable, regardless of the economy.

Depression and recession are the biggest and most-feared threats, of course. But many other problems—from the loss of your biggest account, to having a key employee quit and go into competition against you—can suddenly plunge a once-stable business into fear, weakness, and uncertainty. *Fool-Proof Marketing* can help you survive them all.

It doesn't take a recession or even a soft economy to create problems for your business. Every business has ups and downs. Even if things are going great guns right now, you need to develop business-generating strategies that succeed when times are tough.

Many businesspeople fear a recession or soft economy, reasoning that if the economy is poor, clients and customers will cut back on projects, stop spending, and—worse—sacrifice quality and buy only from low-priced vendors.

All of this is true—but only to a degree. An economic, industry, or cyclical slowdown can be a problem for your business. Or it can be an opportunity to gain new clients and boost your sales—if you know and have mastered the marketing and sales methods that work best in recessionary times. Remember the old saying: It's not what happens to you; it's how you handle it that makes the difference.

Fool-Proof Marketing gives you 15 winning strategies you can use to maintain and even increase your sales, while your competitors struggle to stay afloat. The book is divided into four parts.

Part I: Personal Strategies shows how, through positive thought and massive action, you can ensure business success even during a down cycle. I'll offer tips for motivating yourself and your employees and colleagues, as well as advice for maximizing downtime to make your business even more marketable in the long run.

Part II: Marketing gives you proven fool-proof marketing strategies that can generate a ton of leads, orders, and sales, no matter what the economy. I'll revisit the 4 P's that you might have learned in Marketing 101—product, placement, price, and promotion—in showing you how to modify your package to appeal to new markets, reactivate old accounts, determine and target your best customers, and solidify your long-term relationships with customers.

Part III: Business Strategies gives you proven ideas on how to cut costs, improve efficiency, and adapt operating procedures to the current business climate in your industry or market. You can then turn these extra areas of savings into your marketing efforts and pass the savings on to your customers.

Part IV: Customer Service. The latest marketing trends, such as customer relationship management, stress the importance of the customer, and in this section I show you how to build customer loyalty, increase customer retention, and maximize lifetime customer value.

Important note: Please do not be put off by the apparent simplicity of these ideas. They *are* simple. As my friend Sy Sperling, founder of Hair Club for Men, observes, "Simple ideas are the best ideas." Likewise, ignore the temptation to dismiss these ideas because they seem like common sense. They *are* common sense in concept, but far from common in practice. Put them to work and you will swiftly gain significant advantage over your competitors.

Apply these techniques to your own marketing and selling efforts during a recession, and you will survive, even prosper, while others struggle to get by. By following these simple guidelines, you can make your business recession-proof; outmarket, outsell, and outperform your competitors; and always have a long line of customers banging on your door, checkbooks in hand, vying to buy what you are selling.

PART

I

PERSONAL STRATEGIES

As I mentioned, an old saying informs us, "It's not what happens to you; it's how you handle it." Nowhere is that truer than during a business crisis, slump, or downturn.

Of the 15 fool-proof business strategies presented in this book, none are more important than the personal strategies presented in Part I. The positive thinking they embrace can spur you into the massive action required to reverse your business downturn, and give you the emotional strength to get through a slump until things turn around.

In Chapter 1, we discuss the "prima donna syndrome"—why some businesspeople are arrogant and have a superior attitude, and how this can hurt your business in both good times and bad. You'll discover how to feel good about treating people well, and why doing so is critical to your business success.

During a business slowdown, you may have time on your hands. How well you spend that extra time today can determine your level of business success tomorrow, and having the right, can-do attitude is the first step in allowing you to connect with customers and boost your business. In Chapter 2, I'll present a wealth of proven strategies for using downtime as well as busy periods more productively and amplifying your marketability.

It is easy to become down and dejected when the office rent is due, no money is coming in, and the phones aren't ringing. Chapter 3 helps you think positively in negative times and get new marketing programs under way, so you can weather the storm and attain new levels of success.

CHAPTER 1

Improve Your Interpersonal and Communication Skills

One of the basic tenets of marketing is communicating with the customer and creating a desire for your products or services. Ideally, your communication leads to a long-term, mutually beneficial partnership. But you can't accomplish any of these things properly if your attitude gets in the way.

For example, a Web designer I use frequently and had referred to many of my customers got a call from one of those customers one day. They were panicked because they had done a massive e-mail blast to drive leads to the web site that I had written and he had designed for them. It seems when prospects clicked on the URL link embedded in the e-mail, the page they were supposed to hyperlink to did not work. Therefore no one could reply to the e-mail.

Naturally, they called my Web master (whom they also have on a $400 a month retainer) in a panic. Now, no one likes getting emergency calls. But until then, he certainly hadn't minded the $400 a month they paid him. Until that day.

He told them, "I just signed up a $900 project; you are paying me only $400; so I am really too busy to do this now."

Do you see the problem with his attitude? He has violated a prime directive of customer service: telling the customer he can't help him because he has other customers, and that those customers are more important. This would be equivalent to being told by a waiter that the chef had not started cooking the spaghetti dinner you ordered an hour ago, because the man who just walked in ordered a more expensive filet mignon.

I discovered over the months that followed that my Web master was a prima donna, a belief confirmed by many incidents too numerous to mention here. Although I still use him for minor Web work, I have long since stopped referring customers to him. (The three customers of mine for whom he did work all complained of his superior attitude.)

In a boom economy, you can afford to lose some customers; but in a down cycle or when business is slow, you cannot. My Web master's business has declined so dramatically that he's had to give up his outside office and relocate the business to his apartment to save money.

I too started out in business as a prima donna, and it took me over a decade to lose the attitude. Along the way, I lost many customers I need not have lost, and alienated many people who might have otherwise said nice things about me to others. What a mistake. What a waste.

The Prima Donna Dilemma

"Any time you have a slowdown in the economy, you are forced to do things differently," said Stan Galt, CEO of Goodyear, in an interview with *Personal Selling Power* magazine (September 1992, p. 26). "You have to expand your efforts, you have to be more thorough, and you have to be more professional."

Let's face it. When you're busy, in demand, and have much more work than you can handle, it's a great feeling. The tendency is to get a swelled head. My advice is: Don't. And why not? Because when things are slow—like now—it will come back to haunt you. Nobody likes a prima donna. You don't, and neither do your customers.

And, when the situation reverses—when things are slow for you, and the client or customer knows you need work from them, but they don't need you—they'll take revenge, and you'll be out. This chapter reveals how to foster a customer service attitude in all your employees that will keep buyers coming back in good times and bad.

"Most organizations can no longer afford prima-donna behavior," writes Chad Dickerson in *InfoWorld* (November 12, 2001, p. 15).

"Although prima donnas can be astonishingly productive when they want to be, their negative effects on the teams in which they work can be devastating and a true morale-killer. In my experience, cutting a prima donna loose from your team will result in immediate overall gains in productivity and improved morale.

"More often than not, the prima donnas hold you hostage anyway—they won't explain the 'magic' of their work to anyone, nor will they document it for lesser mortals who must end up maintaining it."

Don't Be a Prima Donna

In the salad days of the 1980s, many freelancers, independents, and smaller service businesses could afford, to a degree, to indulge their egos and act like prima donnas. In those days, if you were a skilled craftsperson, carpenter, contractor, mason, photographer, graphic artist, software developer, or whatever, the demand for your services was probably greater than the supply, which meant you could call your own shots, be choosy about the customers you accepted, and be casual, even gruff in the way you dealt with and treated them.

Customers would put up with prima donna service providers because they were willing to endure the less than exemplary treatment to gain access to the skills and services of these companies. But that doesn't mean they liked being treated poorly or indifferently.

The recession of the early 1990s permanently changed the situation. When buyers stopped spending, service providers, instead of having customers lined up and waiting to buy, had to go out and ask—almost beg, in some cases—for work to keep their businesses solvent. Customers saw that they, not the vendors, are in control: The service provider needs the client's money, but the client can go elsewhere.

As a result, a lot of service providers in many fields who were prima donnas are prima donnas no longer. Now they are humble laborers, competing with many firms providing similar services for a shrinking number of projects as customers cut back or do it themselves.

Being a prima donna was once an effective image for service providers in that it made them look busy, important, and in demand. But in the Age of the Customer, this image or approach no longer works.

The bottom-line advice: *Don't be a prima donna.* Customers want to work with service providers who are friendly and accessible and who have their egos in check.

Effective Businesspeople Are Good Communicators

Good interpersonal skills are a critical tool for succeeding in our customer-oriented business environment. We all know people with great people skills, and sometimes wonder, "How do they do it?" It's simply a matter of knowing the basics of how to deal with other people, and then making a conscious effort to put those basics into practice. Here are seven habits of people whom others view as having great interpersonal skills.

1. ***They present their best selves to the public***. Your moods change, but your customer—external or internal—doesn't care. Make a conscious effort to be your most positive, enthusiastic, helpful self, especially when that's not how you feel. If you need to vent, do it in private.

2. ***They answer phone calls promptly***. Few things annoy people more than not having their phone calls returned. Get back to people within two hours. If you can't, have your voice mail guide them to others who can help in your place. If you're really uncomfortable with someone and don't want to talk with them on the phone, answer their query through a fax or e-mail. Or call when you know they won't be there and leave the information on their voice mail.

3. ***They call people by their names and ask questions about their lives***. Take the time to learn and use everyone's name, especially secretaries. Most people don't. Establishing some common bond makes the other person more receptive to working with you.

4. ***They meet people halfway***. Sometimes we're right and the other person is wrong, but many people seem to enjoy going out of their way to rub it in the other person's face. Implement the correct technical solution without making the other person feel stupid or ignorant. For example, say "That's a good idea, but given the process variables, here's another approach that would avoid contamination problems downstream. . . ."

5. ***They listen carefully before speaking***. A sure sign you are not listening to the other person is that you can't wait to say what you want to say, and as soon as the other person pauses, you jump in and start talking. Even if you think you know the answer, listen to the other person. Their knowledge and grasp of the situation may surprise you. If not, listening shows them that you considered their opinion and didn't just steamroll over them.

6. ***They keep eye contact***. When you're talking with someone, look them in the eye during the conversation. If you're explaining something

while typing on a keyboard, take your eyes away from the screen now and then to look at and talk directly to the other person. After all, it's a PC, not a car; you won't crash if you take your eyes off the road.

7. *They are not afraid to admit when they are wrong*. Some folks are afraid that nontechies will think they are incompetent if they admit to being wrong. The opposite is true. Andrew Lanyi, a stock market expert, explains, "The more you are willing to admit that you are not a guru, the more credibility you gain." No one knows everything, and everybody knows people make mistakes. If you refuse to admit mistakes or pretend to know everything, people won't trust you when you *are* right and *do* know the answer.

Improve Your Communication Skills

Poor communication is a barrier to working effectively with others. Here are steps you can take to get your message across so everyone understands, and neither you nor the other party is frustrated by the communication process.

- ***Listen and make sure you understand*.** Listening is a skill that requires your full attention. Don't have a conversation while you're checking your e-mail or searching web sites. Do one thing at a time and you will do each thing well.
- ***Prove you understand—feed it back to them*.** When the other person asks a question or makes a statement, repeat it back to them in your own words, and ask whether that's what they meant. Often what they said—or what you heard—is not exactly what they were trying to get across, and the two of you need to try again.
- ***Never underestimate the (technical) intelligence of the average user*.** Don't be a snob. Explain technical concepts in plain, simple language. Avoid jargon, or at least define technical terms before using them. A "T1 circuit" may confuse your boss, but everyone understands the concept of a "telephone line."
- ***Talk to listeners at their level, not yours*.** In addition to keeping things simple, focus on what's important to the other person, which is not necessarily what is important to you. For example, a graphic designer I know goes into elaborate explanations of kerning and fonts when all I want to know is whether to make the headline bigger.

• ***Make sure they get it***. Encourage the listener to stop you and ask questions if they don't understand. Ask them questions so you know whether they got it. If not, find out what they don't understand. Then make it clear to them.

• ***Don't assume***. We can all think of situations in which one person's blind assumptions led to confusion and even anger. Make sure you both are on the same page from the very start by clarifying the situation.

• ***Don't let your annoyance and impatience show***. Sure, it can be frustrating explaining specialized topics in which you have expertise to people who don't have the background. But if you act annoyed, lose your patience, or become arrogant, your listener will be turned off—and you'll make an enemy instead of an ally.

• ***Budget communications time into the schedule***. Accept that communication is a mandatory requirement on every project, and budget communications time into your schedule accordingly.

• ***Use the 80/20 rule***. The most effective communicators spend 80 percent of their time listening and only 20 percent talking. Many of us like to lecture, pontificate, or explain details of no interest to the other person. Instead, let the other person tell you what they need and want, then give it to them.

• ***Make a friend***. If there is chemistry or camaraderie between you and the other person, let it flow and grow naturally. You shouldn't force a connection where there is none, and you don't have to be a social butterfly when you're not. But as a rule, people prefer to deal with people they like. So make it easy for the other person to like you—or at least avoid giving them reasons to *dislike* you.

More Tips to Avoid Acting Like a Prima Donna

• ***Prefer positive to negative statements***. Instead of "George didn't finish coding the system," say "George got 95 percent of the coding done." Instead of saying something is bad, say it's good *but could be made even better*. Instead of saying someone "failed" to do something, just say he didn't do it.

• ***Don't speak when you're angry***. Cool off. Don't feel you have to answer a criticism or complaint on the spot. Instead, say "Let me give it some thought and get back to you. Is tomorrow morning good?" This prevents you from saying things you'll regret later or making snap decisions.

• ***Don't use value judgments to make colleagues feel bad about past mistakes***. Avoid the implication that errors in judgment, which are temporary and one-time, are due to character and intelligence flaws. Don't say "That was stupid"; instead, say "We can't let that happen again." Focus on preventing future repetitions of the mistake rather than assigning blame.

• ***Be courteous, but don't overdo humility***. Be pleasant and personable, but not fawning. Treat other people with respect, and in return, insist they do the same with you. People can tell when praise is halfhearted or false, so don't lavish compliments that you don't believe.

• ***Empathize before stating an opinion***. Don't seek out argument; argue only when necessary. And make the conversation collaborative rather than adversarial. Say "I understand" when the other person gives his or her opinion. "I understand" doesn't mean you agree; it means you heard what they said and considered it in forming your own opinion, which you're now going to present.

• ***Apologize completely***. Apologies should be unconditional—"I was wrong," not "I know I did X but that's because you did Y." Don't try to bring third parties or external factors into the equation. The bottom line is: It was your responsibility. Admit your mistakes and move on.

To sum it all up . . .

- Being a prima donna can hurt your business, and there is no benefit in it for you. Don't do it.
- People remember how you treat them. Often the way you treat the customer is more important than the product itself.
- You can get people to like you and listen to you by developing good interpersonal and presentation skills.

CHAPTER

2

Use Your Time Productively

The heights by great men reached and kept
Were not attained by sudden flight.
But they, while their companions slept
Were toiling upward in the night.
—Henry Wadsworth Longfellow

Time and workload never seem to get in sync. In fact, often the opposite is true. You've heard the old saying, "When it rains, it pours." When we're too busy, even more work than we can possibly handle hits our in-basket. When we're slow, as during a business downturn, we can't get the phone to ring and our e-mail is empty.

The natural tendency is to work hard, undertake marketing efforts and practice good time management during the busy times, then coast during the slow times. Another tendency is to see marketing as superfluous, when really it is a continuous effort that requires your consistent time and attention. **The key to maximizing productivity and profits is to spend all periods—down and busy—productively. Use your slower periods for projects that will increase your business's marketability in the long run.**

Once you maximize your downtime and increase your marketing efforts, as you watch your business revive itself, you'll likely find that your time is at a premium. However, good time management skills are also necessary for those harried times because they free up your time for important aspects of running a business, such as marketing. For that reason, in this chapter I discuss time management in both slow and busy periods.

First let's look at turning downtime into productive time when you're not crammed with activities. Then we'll discuss the exact opposite situation—freeing your time when you're overloaded. Finally, we'll end with some more ideas to help you boost personal productivity in both peak and lull periods.

Using Downtime Productively

Let's say you are not being fully challenged and don't have enough work to keep busy during the week. The key to success is to make yourself productive during these hours so they are not wasted. How can you spend these hours productively if you have only one or two small assignments? The answer is time-fillers. These are activities which you don't do as normal parts of your routine, but you *do* when you have extra time on your hands. The important thing about a time-filler is that it either earns you extra income, enhances your professional growth in some way, or has some other productive goal. Its purpose is to avoid *wasting* spare time and instead to use it productively.

Here are eleven time-fillers that you can use to turn your "dead time" into productive, profitable time.

Time-filler #1: Do pro bono work. Is there a favorite charitable cause that could use your managerial talents or entrepreneurial services? Perhaps a local animal shelter, senior citizens group, library fund-raising drive, or community theater. If your schedule is not filled to overflowing with commercial assignments, volunteer to contribute your services to a worthy cause for low pay or no pay. In addition to sharpening your skills and making you feel good about yourself, you will be helping others and making useful contacts with people who may be in a position to hire you or refer business to your firm. Therefore, doing pro bono work can actually become a marketing tool for your business.

Time-filler #2: If you work for yourself and things are slow, take a part-time job. Many advertising agencies, publishers, and PR firms hire freelancers on a part-time basis; so do IS departments at large corporations. The professional works, almost like an employee, in the agency's offices one or two days per week according to a regular schedule. Although the pay may not match your regular day rate, it can be quite good and it does give you a steady weekly paycheck. This type of activity eliminates the angst that comes from being without work, and instead of having to find enough business to fill five days a week, now you only have to fill three or four days. In addition, the extra work allows you to hone your skills in a new area; then, when you are busy again, you can use your refined skills for the benefit of your customers.

Time-filler #3: Teach. In the 1980s I taught adult education evening classes in writing at New York University, as well as several other adult education programs. Although the pay is meager, any extra dollars in your pocket are welcome, especially at the beginning of your career. It's also a nice credential to add to your resume and a great way to promote yourself.

Teaching a class offers a number of other advantages. First, some workers who spend most of their time at the computer are often too solitary for their own good. One programmer told me, "I like programming and don't like dealing with people. That's why I became a programmer in the first place." Teaching gets you into the world, out among people. As I'll discuss in later chapters, in business today, customer service is a key component of marketing. But you need to be able to deal with a number of different personality types in order to communicate and serve your customers. Teaching is a great arena for honing your interpersonal skills.

Second, teaching gives you exposure and enhances your reputation. (I have gotten several clients who called me after seeing my course described in the New York University course catalog.) Third, you learn a lot about a subject by preparing to teach a course in it. And fourth, the material gathered for a course can be recycled into enhancements to your marketing efforts, such as an article, book, report, audiotape, lecture, and so forth.

If you want to teach, write to college, university, and high school adult education programs in your area and request their night school/continuing education catalog. Then write to the program director, proposing a course on a topic that would fit in with their current program but which they do not now offer. This is how I got my teaching assignment at New York University.

Time-filler #4: Learn a new piece of software. Every time you master a new piece of software, you enhance your productivity for years to come and substantially increase your efficiency and overall profits. Yet most of us are usually too busy to take time out to learn new software.

So when you have a slow period, take advantage of time to further boost your computer skills. The types of software you should be looking into include database (for maintaining client lists), word processing (if you are not already using it, you should be), telecommunications (learn how to use that modem!), online information services (becoming familiar with one or two of these can save hours of research time), spell-checkers, spreadsheets, graphics, desktop publishing, and accounting.

Time Filler #5: Clean out your files. Not busy today? Okay. Go out and get some cardboard boxes or lawn/leaf bags. Now go through your office and throw away all the old files, papers, books, back issues of unread magazines, and other junk cluttering your space—the junk we all save but don't need.

Reason to do this: Most of us, whether we work at home or rent outside offices, have limited space. And you will soon fill up that space if you don't periodically purge yourself of the flotsam and jetsam of life. Too, great marketing efforts are well organized and targeted to the right customers. If your files are in disarray, you lose the opportunity to capitalize on the information you have on your clients.

Time-filler #6: Organize your office. My office, like many people's, is rather messy. Too many notes and papers are pinned to my bulletin board, and I never seem to have enough shelf space. Use your spare time to neaten and organize your clutter, or physically change or add to your office to make it more efficient.

I paid a contractor to finish two rooms in my basement so I could use them for storing books, papers, and files that are old and no longer fit in my primary office. And you can never go wrong buying an extra four-drawer file cabinet or big bookcase to neaten the overflow of books and papers when your office gets too crowded.

Making your workspace better always pays off in increased efficiency. Even if you have only a couple of spare hours, you can always clean out and reorganize a desk drawer or two.

Time-filler #7: Spend more time on each project. Let's say you could normally handle four projects per month, but this month you only have one. One good way to spend your extra time is on doing a better-than-usual job on the project you do have. You'll enjoy having the time to truly do a thorough job, and probably be rewarded with more assignments. So if project B and job C haven't come through yet, dedicate yourself to job A and it will pay off. Your customer will be impressed, and satisfied customers pass the word on to others.

Time-filler #8: Read. One of my greatest frustrations is that there is so much to learn, so much to read, and never enough time to read it. My wife and I frequently comment to each other that we could easily spend each day reading the material that crosses our desks and have no time left for client work. But, since the clients come first, the reading is pushed aside for later or often neglected altogether. Sometimes I am truly saddened by all the good articles and books I want to read and that deserve to be read, but which I will never have time to read.

Slow times should not be wasted in idle daydreaming but are an ideal period of self-education. Read books, articles, and papers on whatever topics you deal with in your work. For the successful professional, self-education does not end with school but is a lifelong process. You can then pass along the benefits of your learning to your customers.

Time-filler #9: Take a course. Slow times are also good times to take a course in any subject that interests you or would add to your professional growth. Although the tendency is to take only business and computer courses, don't forget to treat yourself to something that's purely fun and appealing to your personal interests, such as short story writing, oil painting, Greek history, and so on. Even if the course is unrelated to your business, it's still an opportunity for making connections with fellow students and instructors, all of whom might be potential customers.

Many big-name business managers agree with management guru Peter Drucker, who says, "We live in a knowledge economy. Either you gain new knowledge, or your business dies." "Keep learning," advises consultant Bruce Nelkin. "Learn more about computers, crafts, gardening, whatever. Just never let the brain be idle."

Time-filler #10: Be social with colleagues. I seldom attend association or professional society activities because I simply don't have the time. But this type of networking is worthwhile: It can stimulate your thinking, expose you to new ideas, broaden your network of contacts, and even result in referrals and new business. So if you can fit it in, join a local chapter of a professional or trade group and go to the meetings. Get to know fellow specialists in your area. Once they get to know you, your phone may start ringing more frequently than it does now.

Time-filler #11: Do something nice for yourself. I remember when I quit my job in 1982 and began my freelance writing practice, I promised myself that the first thing I would do is take a week off and just spend it exploring Manhattan. Like many New Yorkers, I spent so much time working in the city that I never really got to see it as a tourist might.

Time away from the office can help get your creative juices flowing so you can come up with ideas for reversing your business downturn. For instance, when freelance commercial writer Donna Kozik saw her business dwindle, she took two weeks off to become a beach bum. She reports, "I wandered the shores of southern California thinking about nothing in particular. The result? Within hours of returning to my computer, I mapped out a creative self-promotional campaign."

Donna's conclusion? "Trust your mind when it calls for a break," she advises. "It will come back refreshed to serve you well." By taking a break, you'll be able to recharge your energy levels and gain perspective on your work, and when you return, you'll be able to dive back into your new marketing efforts.

Learn to Handle Pressure and Juggle Multiple Projects

On the flip side, once business picks up, you might find that you're overwhelmed by your commitments. If you've been in the business world for a spell, you know how difficult it can be to cope with an overload of work. For that reason, I turn in this section to strategies for maximizing your free time when it's at a premium.

Even during a downturn, you must juggle multiple tasks (remember, our plan in Chapter 3 requires us to take massive action, which means doing many things to reverse our business slump). Here are some suggestions for getting more done.

• ***Learn to say no.*** It's scary to turn down work or say no to a manager above you. But when you're truly too busy, it's sometimes the best thing to do. After all, if you take on more than you can handle and miss a deadline or do shoddy work in order to *make* the deadline, that will do far more harm to your brand and reputation than saying no.

I rarely say no to current clients, unless the deadline is so tight that I cannot possibly make it. If that's the case, I ask if there's any reason why the deadline can't be a few days longer, and I usually get it. (Many deadlines are arbitrary and have no logic behind them.) If they cannot be flexible, I politely explain that the deadline is too short, thank them for the offer of the job, apologize for not being able to take it on, and suggest they give it to one of their other resources (other freelancers, in-house staff, ad agency, production studio).

However, I *frequently* say no to new prospects who call me during a busy period. When they start to describe their project or ask about my service, I stop them and say, "I'd be delighted to talk with you about this project. But I don't want to waste your time, so I must tell you now that I am booked through the end of September (or whenever). If the project is not a rush or you can delay it until then, I'd be happy to work with you. If not, I'll have to pass."

Amazingly, the usual reaction is not anger or hostility (although a few callers get mad); instead, most are impressed, even amazed. ("You mean you are booked through *September?* Boy, you must be good!" one caller said recently.) In fact, turning down work because you are booked frequently creates the immediate impression that you are in demand and thus tops in your field, and along with this creates an even stronger desire to work with you. Many people who you turn down initially will call you back at the month you specify and ask, almost reverently, always respectfully, "You said call back in September. I have a project. Can you work with me now?" Try it. It works!

• ***Set the parameters.*** An alternative to turning down work cold is to set the schedule and deadline according to your convenience, not theirs. "Well, I am booked fairly solidly," you tell the prospect. "I can squeeze you in; however, it will take seven weeks (or whatever) instead of the usual three to complete your project, because of my schedule. If you can wait this long, I'll be happy to help you. If not, I will have to pass on the assignment."

Again, many prospects will turn to someone who can accommodate their original deadline. However, many others will say yes to your request and hire you on your terms.

• ***Discover your most productive working hours.*** I find that mornings are my most productive time. I work best from 7 A.M., when I usually start, to 1 or 2 P.M.; after that, I slow down. If I am extremely busy, I try to start at 6 A.M. instead of 7 A.M., and find that I get an amazing amount of work done during that first extra hour. Also, it makes me less panicky for the rest of the day, because I have accomplished so much so early. Experiment to see what your peak performance times are—even if you think you're not a morning person, perhaps you'll discover that, with a little coffee, you're extremely productive in the early hours.

• ***Hire a temp.*** If you are under a crunch, consider getting temporary secretarial help for such tasks as proofreading, editing, research, typing, data entry, trips to the post office, and library research. Spend the money to get rid of unnecessary administrative burdens and free yourself to concentrate on the important tasks in front of you.

• ***Break complex tasks into smaller, bite-size segments.*** Rush jobs are intimidating. If you have two weeks to work a major brochure and put it off until the last three or four days, the task looms large, and panic can set in. The solution is to break the project into subprojects, assign a certain amount of the task to each day remaining, then write this down on a sheet of paper and post it on the wall or bulletin board in front of your desk.

• ***Ask for more time.*** When you are just starting out, you naturally want to please co-workers and thus you agree to any deadline they suggest. In fact, you encourage tight deadlines because you believe that doing the work fast is a sign of doing your job right.

As you get older and more experienced, you learn two important truths. First, that most deadlines are arbitrary and can be comfortably extended with no negative impact on the client whatsoever. And second, that it's more important to take the time to do the job right than to try to impress a naive client by doing it fast. What matters is not that the software was coded fast but that it works, meets user requirements, is reliable, and doesn't have bugs. So if you need extra time, ask for it. You'll service the client better than if you did a rush job.

• ***Become Internet proficient.*** Learn to browse the World Wide Web and send e-mail over the Internet. You'll save time and energy, and get more done. See Chapter 5 for more information.

• ***Increase your desk time.*** Stop wandering around and getting distracted by a hundred different things that are not the real work you have to do. When you have work to do, stay at your desk and have at it until the work is done.

Georges Simenon, author of the popular Inspector Maigret series of mystery novels, wrote over 500 books. How was he able to be so productive? Simenon said he limited his writing vocabulary to 2,000 words so he would not have to use a dictionary (there are more than 800,000 words in the English language, with 60,000 new words added since 1966). This allowed him to work continuously, without having to stop to open and search a dictionary for a word. The key to his success then, at least in part, was working without interruption—he kept going and didn't let anything stop him while he was hot.

Handling Information Overload

As John Naisbitt pointed out years ago in his best-selling book *Megatrends*, we are in the midst of a transition from an industrial society to an information society. Because of this information explosion, the amount of reading we must do to stay ahead in business is growing almost daily.

In-baskets across the country are overflowing with journals, reports, papers, memos, forms, and letters—more material than anyone could possibly hope to digest. But however tempting it may be to dump that towering pile of mail into the wastebasket, such is not a practical solution to the challenge of staying informed and competitive in your job.

A better idea is to develop a systematic method for dealing with the daily influx of mail. The following 12 tips can put you in control of the printed word, instead of vice versa.

1. Be selective in the number of magazines, newsletters, and trade journals you subscribe to or receive. Analyze which give you the best return on your reading time, and cancel those that are borderline, repetitive, or offer irrelevant information.

Here is a tip that can cut your reading glut: As magazine subscriptions expire, let them. Don't renew. Live without the publication for a few weeks. Then renew only if you feel it's something you can't live without. And seven times out of ten, that *won't* be the case.

2. Figure out which sections of each publication are most useful to you. After reading one or two issues of a journal, you develop a feel for which columns, sections, and features you should read in detail, skim, or skip altogether.

When you find good information on a web site, print it out and read it offline. Reason: If you stay online, you'll find yourself endlessly wandering around the web site and clicking on links to new pages. In what seems like minutes to you, you'll quickly waste an hour or more just to get five minutes' worth of information.

3. Use the magazine's table of contents to distinguish between useful and useless information. If you can't read the articles right away, clip or photocopy items of interest and put them in a folder or in-basket for future reading. Doing so keeps your must-read stack whittled down to a manageable level.

Organize one file cabinet drawer specifically for clippings. Put in hanging files labeled by major subject category—for instance, "pollution control," "process simulation," "OSHA requirements." Keep the different categories down to a manageable number, preferably not much more than half a dozen.

4. Use waiting or travel time to catch up on office reading. Whether you are on the bus or train, in the air, waiting in bank lines, or even on hold on the telephone, these spare moments, normally wasted, can be put to good use by reading.

People who commute by train or bus find that's a great opportunity to catch up on reading. Many people at the gym read while on the treadmill, exercise bike, or stair machine.

Always carry reading material in your briefcase or pocket.

5. Set aside a specific time slot each day for concentrated reading. An hour is usually sufficient. Pick a time when your schedule is relatively quiet and you expect few interruptions. Lunchtime or early morning may be the best periods, or after the phones stop ringing in the evening.

Have a place to store reading materials until you get to them. I have a shelf in my office bookcase for things I need to get to fairly quickly. I also have a dedicated area on the table next to my desk where I keep a short stack of priority reports and papers. Having these materials out and visible reminds me that they must be attended to soon.

6. If possible, read demanding or crucial material when your energy level is high. Some people work best early in the morning, whereas others get more done at night. Figure out when your energy peaks occur, and do your most demanding reading during those times.

7. When reading difficult material requiring retention, take notes. Writing down important points aids in comprehension and memorization. You might take notes with a pencil and pad or by keyboarding at your PC. The advantage of using the PC is that, when you're finished, you can print out your notes as just a few single-spaced pages, giving you a convenient summary for easy reference.

8. Take breaks. Studies show that most people can maintain good concentration for about 50 minutes, after which they need a 10-minute break to absorb information and prepare for further work. Forcing yourself to continue reading when you are mentally tired is ineffective and inefficient, as you tend to reread the same material over and over, and at a slower pace.

9. Set up a system for passing along pertinent articles to others. Give your secretary the names and addresses of friends, co-workers, clients, and colleagues with whom you regularly correspond. When you want to pass along a pertinent clipping, you simply tear out the article, attach a note saying, for example, "Send to Terry Henderson," and have your secretary do the rest.

10. Before you sit down to read, make sure you have everything you need. This includes a pen, highlighter, note pad or index cards (if you're reading study material), and the complete text of the article. When reading trade magazines, tear out the reader service card and keep the card and a pen in front of you as you scan the magazine. By doing so, you can quickly get more information about the products mentioned in an ad or article by circling the appropriate key number on the card.

When you find a web site that you think you'll revisit, be sure to bookmark it with your Web browser. That eliminates the need to search for it again when you need more information on that topic later.

11. Take a speed-reading course or buy a book that teaches you how to read faster. Although most people can benefit from an analysis of their reading habits, this especially applies if you are a slow reader.

For example, it's possible that you subvocalize (say words to yourself as you read). Speed-reading can teach you to lose bad habits like subvocalization and develop new, efficient ones through training and practice.

12. Get into the habit of reading summaries before deciding whether to read entire documents. Read abstracts, executive summaries, and condensed versions. Consider subscribing to a service such as Soundview Executive Book Summaries, which summarizes 200- to 300-page books into 8-page reports. According to a Carnegie-Mellon study, readers retain more of the content when they read *a well-written summary* than when they read the book.

Success with Less Stress

Business, it seems, is always stressful. When you're successful, you have too much to do—and not enough time to do it. When you're in a slump, you work frantically to reverse the situation and are under added pressure to improve performance.

Naturally, all of this adds enormously to the stress of modern business life. And when you're stressed, you might ignore the need to implement new marketing initiatives, or shortchange your clients by cutting corners. Here are a few simple techniques you can use to reduce stress and tension on the job, thereby allowing you to focus on your customers and your marketing efforts.

• ***Exercise.*** If you complain, "I have no time to exercise," do a cost-benefit analysis. The return on investment (ROI) is the increased energy and vigor you will gain, which translates into greater personal productivity. If you work 50 hours a week and double your productivity, it's like getting an extra 50 hours of time for two hours of exercise. That's a 25:1 ROI.

• ***Hobbies.*** The best way to take your mind off your work is with a hobby that fills your free time. Pick something you can't get on the job. For example, if you sit at a desk all day, try hiking, camping, bicycle riding, or some other physical activity. If you feel your job doesn't provide an outlet for your creativity, take up painting, music, or another activity that satisfies your creative side. A chemical engineer should not restrict his leisure pursuits solely to scientific and technical activities.

• ***Vacations.*** Many people boast of going years without a vacation. But it's a mistake never to take one. Sitting on the beach, under the sun, with the waves pounding at your feet is a marvelous way to let off some of the pressure that's been building inside you.

How long should your vacation be? It depends on your personality. Some people find they need at least a week or two to unwind fully. Others say taking that much time off creates a backlog of work that just adds to their stress when they return to the job. Those people may be better with several short vacations throughout the year.

• ***Pets.*** At least one study has shown that petting a pet has a calming, stress-relieving effect. Many cats and dogs are in need of a good home. The stress buster you need may be waiting for you—free—at your local animal shelter. Loving something other than yourself is incredibly enriching. And walking your pet is good exercise, too.

• ***Screening.*** I feel that working alone, in long stretches, is far more practical and productive than working in the corporate environment, where your open door is an invitation for everyone to interrupt you, at any time, regardless of how busy you are.

If you find these constant interruptions stressful, it may pay you to screen calls and visitors. Take calls when you want to; if you're busy, have someone take a message so you can return the call later. Close your door when you need the privacy. You might also consider getting or requesting caller ID so that you can screen your calls—one benefit is that you can avoid talking to customers during peak stress times.

• ***Privacy.*** Modular offices and open work spaces are popular with managers who think constant employee interaction is a good thing. But these setups deprive workers of privacy, and lack of privacy in turn adds stress and reduces productivity. You should consider an office setup in which all employees have small, private offices, with doors they can shut, to give them a place to think.

• ***Dual offices.*** Max, a college professor, has two offices: his regular office and a small, "secret" office tucked away in the basement of another department's building. Max goes there to unwind, to work away from the crowds for a few hours, when the pressures of students, faculty meetings, and research overwhelm him.

Taking a cue from Max, I—like so many workers these days—have two offices: one at an office building and a second office at home. When the stress at my regular office gets overwhelming, I find I can lower the stress levels to an acceptable level simply by getting in the car and driving the 15 minutes to my home office. Something about the change of venue helps recharge my batteries.

• ***Delegation.*** Do you have too much work to do? Delegate it. Don't think you're the only one who can do your work. You'd be surprised at what your co-workers can accomplish for you. I outsource everything but my core functions—in my case, research and writing. My secretary handles all routine tasks; I literally have not been to the post office in 10 years. When prospective clients call, another employee, my project manager, talks with them—freeing me to spend more time on the writing I get paid for.

• ***Deep breathing.*** Psychologists have developed a number of relaxation techniques that can help reduce stress on the job. Many can be performed easily at work. One of the most basic techniques is deep breathing. It relieves tension by increasing your oxygen intake.

To practice deep breathing, sit in a comfortable position with your hands on your stomach. Inhale deeply and slowly. Let your stomach expand as much as possible. Hold your breath for five seconds. Then exhale slowly through pursed lips, as if whistling. Repeat the cycle three or four times.

• ***Visualizations.*** To escape from the stress of the real world, close your door, sit back, and spend the next 10 minutes in a pleasant daydream. This short mental vacation provides a nice tension-reducing break.

• ***Perspective.*** A colleague was complaining bitterly of a problem she was having at work—something about an unreasonable supervisor. I thought about it a few seconds, then replied: "If this is the worst thing that ever happens to you, you'll have a great life." We tend to underappreciate the good things and exaggerate the burden of the bad things. You can reduce stress simply by not overreacting to adversity.

Most of the bad things that happen to you are really not as bad as you think they are at the moment they happen. There is great wisdom in the words of Solon (c. 630-560 B.C.), who observed: "If all our misfortunes were laid in one common heap, whence everyone must take an equal portion, most people would be content to take their own and depart."

Too Busy? Count Your Blessings

One difficulty in managing time is caused by the fact that we rarely have just the right amount of work to do. Most businesspeople feel they either don't have enough work or, if they are busy, have too much work and are overloaded—and these days, it's more often the latter.

For some people in jobs that don't offer them enough challenge, not having enough work can sometimes be vexing. People have a misconception about being busy versus not being busy. They think that if you are not busy, you don't expend much effort and therefore have lots of leftover energy, while if you are busy, you come home exhausted from doing all that work.

Actually, the opposite is true. If you are not busy, time drags, the day seems endless, and you drift through work in a malaise. When you are bored, the minutes seem like hours. Being bored drains you, de-energizes you; and not having enough work to fill one's day can be terribly demoralizing. All of this can contribute to a bad attitude, which, as I'll explain in greater detail, can jeopardize your dealings with customers.

As for the opposite situation—being too busy—although this may physically tire you, mentally you will feel happy, fulfilled, even energized. Learning great time management skills for the busy periods will allow you to dive into crucial tasks such as marketing efforts, thereby ensuring that your business stays busy. In the next chapter, I'll address the issue of remaining focused and motivated, regardless of how your business is doing. This ever-important skill will allow you to best implement the marketing tactics that follow.

To sum it all up . . .

- When business is slow, use downtime productively. Don't spend it worrying, which accomplishes nothing.
- During busy periods, use your time productively. Learn to say "no" to nonessential requests.
- To cope with information overload, be selective in your business reading. Scan, highlight, and file material rather than reading the whole article.

CHAPTER
3

Be Positive

"The one thing that keeps me going is I'm never content with anything."
—Randy "The Big Unit" Johnson,
professional baseball player

A prolonged business or economic downturn can be demoralizing, even frightening. When business remains soft and nothing seems to work, it's easy to fall into the trap of doom-and-gloom thinking. As the slump continues, you may even begin to panic or become depressed. You become like a deer paralyzed in headlights—aware of the danger but too frozen with fear to do anything about it. But if you don't do something to solve your business problems, they are not likely to go away any time soon.

Part of overcoming a recession or other business slump—perhaps the most important part—is mental toughness. Remain strong in mind and spirit, and you can push through and reverse your downturn and restore your business to profitability. The greatest danger is in doing nothing or, worse, giving up.

In this chapter, I'll look at some of the dos and don'ts for building the resolve, fortitude, and perseverance you need to get through the hard times. If you're lucky enough not to need this advice, you can flag these tips for bearing through more challenging times. In the remaining chapters of the book I will show you the tried and true marketing tactics that will help you stay on top.

Think Positively

When you are fighting your way out of a business downturn, it takes a lot of energy, time, and effort. Having a positive mental attitude gives you the mental energy to keep going even in the face of what seems to be apparent failure. Once you motivate yourself to take action, you'll be able to successfully implement the marketing strategies in the coming chapters in order to revitalize your business.

In his classic book *The Power of Positive Thinking* (Fawcett Crest, 1963), Norman Vincent Peale gives the following suggestions for maintaining a positive attitude.

- Formulate and stamp indelibly on your mind a mental picture of yourself as succeeding. Hold this picture tenaciously. Never permit it to fade. Your mind will seek to bring this picture into form.
- Whenever a negative thought concerning your personal powers comes to mind, deliberately voice a positive thought to cancel it out.
- Do not build up obstacles in your imagination. Difficulties must be studied and efficiently dealt with to be eliminated, but they must be seen only for what they are. They must not be inflated by fearful thoughts.
- Do not be awestruck by other people and try to copy them. Nobody can be you as well as you can. Remember also that most people, despite their confident appearance and demeanor, are often as scared as you are and as doubtful of themselves.
- Make a true estimate of your own ability, then raise it 10 percent. Do not become egotistical but develop a wholesome self-respect.

Stop Worrying

People who worry simply don't have peace of mind. Worrying saps your energy but rarely solves problems. It is rarely productive. It will not move you one iota closer to a solution for reversing your business downturn.

"All well and good," you say, "but I'm a worrier. How can I make myself stop worrying?"

Reverend Louis Conselatore, writing in *Inner Realm* magazine, offers these sensible observations to help you purge worry from your life:

- ***Worrying is futile.*** Studies have found that 40 percent of our worries relate to things that never occur, 30 percent to things we cannot change, 12 percent to health (while we are still healthy), and 10 percent to petty concerns. Only 8 percent of worries are about real problems. Thus, 92 percent of our worries are wasted. Therefore, concentrate on the things that you can change, and stop worrying about the things that are not within your control. The remaining twelve steps in this book all offer credible, proven tactics for boosting your business, and all are positive alternatives to losing yourself in anxiety.
- ***Worrying is like looking at life through a dense fog.*** The total moisture in a dense fog 100 feet high covering seven city blocks would condense into a glass of water. If we see our problems in their true light, they can be relegated to their true size and place. "And if all our worries were reduced to their true size, you could probably stick them into a water glass too," Conselatore writes.
- ***Worrying is bad for your health.*** A recent Mayo Clinic study revealed that 80 to 85 percent of their patients were ill directly or indirectly because of mental stress.

Do Something

In a personal development seminar I teach, "How to Get Out of a Slump," I've found that the most effective way to improve your situation is to take what motivational speaker Anthony Robbins calls "massive action."

When the phone stops ringing and the pipeline of new leads dries up, many businesspeople become paralyzed by fear. They do nothing, saying to themselves, "My business/the economy is in a slump. Nobody is buying. So we can't do anything now. We'll sit and wait around for it to get better. When it does, we'll get out there and start selling again."

Such an attitude leaves the future success of your business to fate. **By taking positive actions, you increase the odds that your situation will reverse, faster and more dramatically than would ever happen if you sat back and waited.**

W. Michael Brown, former president of Thomson Corporation, agrees that action is the key to reversing a business downturn. He says, "I have never cared for the traditional, usually belated, knee-jerk reaction to a recession [or a business downturn]—the urge to cut everything back, to hunker down across the board and stop planning for the future until things get better. The challenge is to respond to adversity quickly but carefully, and then to proactively capitalize on the difficult times. If you do, you can optimize your position and emerge from the setback in excellent shape, and certainly in better competitive position than you ever were before."

Massive action requires that you do much more than you think is necessary. If you calculate that visiting 100 old accounts will bring you the additional revenue you need, plan on visiting 200 or 300. If you think a three-month PR campaign will focus consumer attention on your product and generate the orders you need, consider a six-month campaign, with double the intensity.

By taking much more than the minimum action needed to succeed, you tip the odds of success in your favor. For instance, say you are in charge of national accounts, and you need to get a lead on a potential new national account. If one out of a hundred prospects typically responds to your mailings and you send out 10 pieces of mail, how many leads will you get? Possibly one, but the odds of getting even a single lead this way are 10 to 1 against you.

So, needing one lead, would you send out 100 mailings? No. Statistically this would generate the one lead you need, but you want to be more certain.

Why not try sending out 500 mailings? You will then get not one but five leads. And if your closing rate is 40 percent, that's two new accounts instead of one—double your goal. When you take massive action, you get massive results.

So what can you do? The action plan that follows lays it out step-by-step.

Your Six-Step Action Plan for Business Recovery

Perhaps you've been in business for many years, and this is your first major slump. Sales are at 50 percent of quota, and your backlog of contracts has shrunk from six months to six weeks. How do you recover from such a serious setback? Here is a six-step plan:

1. *Isolate the incident as singular and temporary.* Most people are too hard on themselves. When things go bad, they view the setback as global ("*everything* is going wrong") and long-term ("this will never end").

But business has its peaks and valleys, and setbacks are just that—setbacks. They are temporary—it will be over, sooner or later. And they are usually limited to one area, such as sales, profits, or a downturn in stock price.

Did the recession following September 11, 2001, cause you to lose everything valuable to you, including your health and well-being? No? Then not everything is wrong. It's just one (albeit important) area of your life—your business—that has been affected. If your business downturn is the worst thing that ever happens to you, you will indeed be lucky.

2. *Analyze the situation objectively and rationally.* An interior decorator complained to me that she was a "failure" and "untalented." Why? Because her business had slowed down dramatically after 9/11.

"Isn't is possible that your business is slow because of the recession and 9/11?" I asked. "I would think that in a down economy, people want to economize, and they don't want to redecorate."

I also pointed out that she had been successful, with lots of good jobs and a long list of satisfied clients, for many years prior to 9/11. "Did you suddenly become a bad interior decorator overnight, after being a good one for all those years?" I asked.

Of course she hadn't. It was circumstances that had adversely affected her business. It had nothing to do with her or her abilities. Many of us blame ourselves when we have a setback. Instead, analyze the situation logically. You'll find there are many factors contributing to your problem, and few (or perhaps even none) have to do with you.

Don't overestimate your importance in the cosmic scheme of things. Sometimes bad things happen all around us; that negativity spills into our lives, and we suffer accordingly. But it doesn't make us inferior or failures in any way.

3. *Come up with multiple ideas for solving the problem.* If your problem is marketing (e.g., no new leads), come up with not one but at least half a dozen promotions you can do to stimulate lead flow. If your problem is cash flow, come up with not one but half a dozen areas (e.g., improved collection letter series, better credit terms from suppliers) to handle it. Remember, we are not going to take just one action to solve the problem. We are going to take *massive* action.

As you prepare to take massive action, start to think about new and innovative ways to set your business and services apart from the fray; later, you'll communicate these differences through marketing.

4. *Give yourself small rewards.* Struggling to overcome a business downturn is hard work and usually unpleasant. After you finish tasks related to the list of actions you came up with in the previous step, give yourself a small reward for each—go to the movies, eat out, buy an item you've been wanting. When your mind sees rewards for actions, it will take more actions.

5. *Rest to restore your energy.* Fighting both reality (a business downturn) and your own negative emotions (worry, depression, fear) can be immensely draining. During the struggle to reverse your business downturn, treat yourself well. That includes getting enough rest so you have the strength to go at full steam while in the office. Also follow the steps in the previous chapter for fighting off stress, increasing productivity, and improving time management, all of which will give you the power and stamina to invest yourself in your business.

6. *Review past successes.* Your business downturn is temporary and the result of circumstances beyond your control, such as a poor economy or a major account switching to a new supplier. It's absurd to think

According to speaker Jeff Davidson, author Dennis Waitley says you should ask yourself the following questions:

- What can I offer that others aren't offering?
- How can I add value to the services I now provide?
- What trends are going to alter the way services are delivered?
- What more can I do to help my clients?

you've suddenly lost your talent, competence, or edge; yet that's precisely what many people do in a downturn.

To overcome your negative thinking, spend some quiet time thinking about your past successes. The point? If you did it then, you can do it now! For instance, when I write a direct mail package that doesn't do well, my immediate thought is, "I don't know what I'm doing anymore!" To combat this, I go through my file of previous mailings and recall all that were profitable winners. I also look at my collection of testimonials from happy clients, which I keep in a file labeled "kudos." My self-esteem is quickly restored whenever I read these words of praise.

On the flip side, there's a difference between reminding yourself of past success and resting on your past laurels. Taking massive action requires that you motivate yourself, and then resolve to trump even your most thrilling achievements. You've got to continue to produce, or your competitors will outperform you. Accomplishments, whether a successful consulting engagement, a prestigious award, or winning a big contract, initially throw a spotlight on you, but it soon fades. Clients and prospects are less interested in what you did yesterday than in what you will do for them today and tomorrow.

How can you surpass your best past performances? In an interview with *Personal Selling Power* magazine (September 1992, p. 49), Olympic decathlon gold medal winner Bill Toomey recommends four steps to becoming a champion in your field:

1. Handle the details—the small things—extraordinarily well.
2. Be disciplined. Assume responsibility for doing what it takes to reach your goals.
3. Ignore the negativity of others. Concentrate on your strengths.
4. Be innovative and flexible. Take reasonable risks.

Develop Winning Habit Patterns

Finally, when you are in a funk, you start to think you are a loser—and since we become what we think about, you begin acting like a loser. To maintain a winning attitude, you must continue to act like the winner you are. One of the true success experts is Napoleon Hill, author of the classic book *Think and Grow Rich* (Fawcett Crest, 1960). He spent 20 years interviewing hundreds of the nation's wealthiest and most successful businesspeople. He then formulated his "success philosophy" based on his findings. The most important of his key principles are as follows:

- ***Develop definiteness of purpose.*** You should have one high, desirable, outstanding goal, and keep it ever before you. Determine or fix in your mind exactly what you desire. Evaluate and determine exactly what you will give in return. Set a definite date for exactly when you intend to possess your desire.
- ***Establish a "mastermind alliance."*** A mastermind alliance is two or more minds working together in the spirit of perfect harmony toward the attainment of a specific objective. This principle makes it possible for you, through association with others, to acquire and utilize the knowledge and experience needed for the attainment of any desired goal in life.
- ***Assemble an attractive personality.*** Your personality is your greatest asset or greatest liability, for it embraces everything that you control: mind, body, and soul. It is essential that you develop a pleasing personality—pleasing to yourself and to others.
- ***Use applied faith.*** Faith is a state of mind through which your aims, desires, plans, and purposes may be translated into their physical or financial equivalent. Applied faith means action—specifically, the habit of applying your faith under any and all circumstances.
- ***Go the extra mile.*** Render more and better service for which you are paid, and do it with a positive mental attitude. It is inevitable that every seed of useful service you sow will multiply itself and come back to you in overwhelming abundance.
- ***Create personal initiative.*** Personal initiative is self-motivation. Motivation is that which induces or determines choice.
- ***Build a positive mental attitude.*** A positive mental attitude revolves around honest, constructive thoughts, actions, or reactions.
- ***Control your enthusiasm.*** To become enthusiastic about achieving a desirable goal, keep your mind on that goal day after day. The more worthy and desirable your objectives, the more dedicated and enthusiastic you will become.
- ***Enforce self-discipline.*** Self-discipline enables you to develop control over yourself. It is perhaps the most important function in developing

and maintaining habits of thought that enable a person to fix attention upon any desired purpose and hold it there until that purpose has been attained.

- ***Think accurately.*** Separate facts from fiction or hearsay. Separate facts into classes: important and unimportant. Be careful of others' opinions—they can be dangerous and destructive.
- ***Control your attention.*** Controlling attention is the act of coordinating all the faculties of the mind and directing their combined power to a given end or definite objective. It is an act that can be attained only by the strictest sort of self-discipline.
- ***Inspire teamwork.*** Teamwork is willing cooperation and the coordination of effort to achieve a specific objective. When the spirit of teamwork is willing, voluntary, and free, it leads to the attainment of great and enduring power.
- ***Learn from adversity and defeat.*** Every adversity carries with it the seed of an equivalent or greater benefit. Defeat may be a steppingstone. It is never the same as failure unless and until it has been accepted as such.
- ***Cultivate creative vision.*** Imagination is your mind's exercise, challenge, and adventure. It is the key to all of a person's achievements, the mainspring of all human endeavor, the secret door to the soul of a person. Imagination inspires human endeavor in connection with material things and ideas associated with material things.
- ***Maintain sound health.*** Establish good, well-balanced health habits in work, play, rest, nourishment, and study. To maintain a healthy consciousness, think in terms of good physical health, not in terms of illness or disease. Remember, what your mind focuses upon, your mind brings into existence, whether it is financial success or physical health.
- ***Budget your time and money.*** Intelligently balance your use of time and resources, both business and personal. Take inventory of yourself and your activities so that you discover where and how you are spending your time and your money.

Some Final Thoughts

The "massive action" plan and the ideas in this book are simple, but they require hard work. Make a commitment now to achieve your goal of getting your business back on track—and doing whatever it takes. Set a schedule and deadline for completing these tasks and achieving this result.

If at first you don't succeed, do not give up, but try and try again. Freelance copywriter Robert Lerose comments: "The best advice I can give is to hang in there until things turn around. Many times, I've been down in the dumps, only to be surprised by a phone call offering me a terrific assignment. Sometimes you just have to wait it out."

Calvin Coolidge put it this way: "Nothing in the world can take the place of persistence. Talent will not; nothing is more common than unsuccessful men with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination are alone supreme."

Many businesspeople maintain and continually update a list of goals they want to achieve, then work toward those goals every day. Others don't have specific objectives but pursue their craft diligently every day. According to an article in *Rochester Review* (Summer 1995, p. 7), a study in the *Journal of Personality and Social Psychology* suggests that some people thrive on goals, while others don't. Those who do "savor the challenge of striving to be at the top," says psychologist Andrew J. Elliot, author of the study. But for other people, competing against others triggers anxiety. Elliot suggests these folks do better striving for "personal bests."

Finally, remember that both success and failure are temporary rather than permanent conditions. There is an ebb and flow in business. Bob Kalian, a successful mail order entrepreneur, comments: "I've discovered that the one secret that determines success is you cannot fail unless you quit. It's honestly just that simple." And with these simple, straightforward, and powerful words in mind, let's start the process of massive action that will help you achieve the success you deserve.

To sum it all up . . .

- You can do more than you think you can. You are capable of more than you think you are.
- Worrying is a waste of time and mental energy. It does not bring you one step closer to your goal. The less time spent ruminating about your problems, and the more time spent acting on them, the better.
- The more things you do to fight your way out of a business turndown, the sooner your company will recover.

PART II

MARKETING

In Part I, we focused on personal strategies that can spur you into the massive action required to reverse your business downturn, and give you the emotional strength to get through a slump until things turn around.

Part II looks at the specific marketing and promotional activities you need to conduct to make that business slump disappear.

When business is slow, you have to shift your marketing and sales efforts into high gear to generate new leads, orders, revenue, and customers. In Chapters 4 through 6, we'll discuss how to reactivate dormant accounts, convert old sales to new business, and generate repeat business from existing accounts.

Chapter 7 provides a wealth of low-cost, high-results marketing strategies you can use for reaching all three audiences. In Chapter 8, you discover how to repackage your offers to make them more attractive to buyers who may be suffering from the effects of an economic or business downturn. And in Chapter 9, we explore how you can keep your own new business pipeline full by more realistically qualifying prospects and customers during tough times.

CHAPTER

4

Reactivate Dormant Accounts

In the early 1900s, Reverend Russell Conwell earned $5 million by giving the same speech, which he titled "Acres of Diamonds," more than 6,000 times to audiences across the country. He used the proceeds to found Temple University.

His speech told the story of a farmer who sold his farm so he could travel overseas searching for diamonds. After a lifetime of searching, he returned home penniless, having never found treasure.

In the meantime, the man who had purchased the farm noticed one day a sparkle in the stream running through the property. He waded into the water and found . . . a diamond! It turned out the farm was sitting on one of the world's largest diamond veins, which made the new owner rich beyond his dreams.

The point of Conwell's speech was this: Most of us spend our lives going all over the place to find our fortunes. But you can find a fortune literally in your own backyard, if you just look for it. To quote Conwell: "Your diamonds are not in far distant mountains or in yonder seas. They are in your own backyard if you but dig for them."

That fortune, yours for the taking, can make the difference between just getting by or even going under, or continuing to flourish while your competitors falter.

Here's how to lay your hands on the acres of diamonds in your own backyard. During a recession or business slowdown, you have to look for new sources of revenue to make up for the shortfall. And when business is bad, panic is a common reaction. You think you have to do something drastic to get back on track—like take on a partner. Or merge with another firm. Or move to another state. Or start looking for a new job. Or, as I discussed in the previous chapters, you blame yourself and think you're a failure.

But, as Conwell said, there are plenty of opportunities right where you are. And for any business that has been operating for more than a year or two, one such neglected backyard fortune is *inactive accounts.* **There is a small fortune locked up in your dormant customers. Reactivating those inactive accounts is one of the easiest, quickest ways to reenergize your business during a downturn, bring in new orders, and increase revenues.**

As consultant Alf Nucifora advises, "Market to your base. Revisit your loyal customers, the ones you have probably taken for granted and ignored lately." Unlike new customers, who must be acquired through expensive prospecting, you already have the names, addresses, and phone numbers of your existing customers. They already know you and your product, and have bought at least once from you. According to Lansing Chew, senior marketing manager for Experian, "It's most cost-effective to focus on retaining your known customers—to optimize their value and the relationship you'll have with them in the future."

Experienced marketers know that it costs five to ten times as much to make a sale by acquiring a new customer than by selling more of your products or services to existing customers. Yet most businesses dedicate their resources to prospecting for new customers, ignoring the massive revenue potential in their existing client base. Within that base, inactive accounts that are allowed to remain inactive represent the biggest wasted potential.

To put it another way: If you are not regularly employing strategies to reactive dormant accounts, you are leaving thousands of dollars in sales revenues right on the table—or acres of diamonds sitting in your own backyard.

Here is a good example: A software company found that many of their customers bought their accounting software, consisting of five modules—general ledger, accounts payable, accounts receivable, inventory, and payroll—but never used it. No wonder when they sent sales letters offering upgrades to the new version, response was dismal. Who wants the new version of your product when they don't even use the old version?

Their survey also showed that the majority of these customers only owned partial systems—one or two of the modules, but not all five. Therefore the software did not give them a total solution for all their accounting needs, so they turned to other programs that did all five functions for one low price.

The company solved this problem by sending a special upgrade offer to customers who were not active users. It said: "Upgrade to the new version for X dollars. You get all these new features. Plus, we will send you upgraded versions of *all five modules* for the one low upgrade fee, *regardless of whether you own all five already* or just a few or just one."

It was an inexpensive offer to make, since the cost of goods in software is close to zero: It costs exactly the same to include code for five modules on a CD-ROM as it does to send code for one specific module. (The cost is in the CD-ROM, not the content recorded on it.)

The result was that 73 percent of their customers bought the upgrade. And since they had the latest version of all five modules—a total accounting solution—many finally took it out of the box, installed it on their system, and now use it to run their businesses. They went from being inactive buyers to active users, which means they were more receptive to buying additional software products from the company.

How can you get these inactive customers to buy from you again? There are four basic methods:

1. ***Recontact.*** Simply by getting in touch with inactive customers who haven't heard from you in a while, you remind them of your existence, which may stimulate some of them to order from you once again. Increasing frequency of contact can lead to top-of-mind awareness, meaning when prospects need your type of product or service, they think of your company first.
2. ***Resell.*** Approach inactive customers. Find out why they are not buying. Overcome these objections by giving them reasons why they should buy.
3. ***Cross-sell.*** Customers who bought one product in your line may not even know about the other products you sell. Let them know and you can gain many additional sales.

Why Customers Stop Buying

A customer may have stopped buying from you for one or more of the following reasons:

- They simply don't have any money in their budget.
- Your company's price is too high.
- They no longer have a need for your products or services.
- They were dissatisfied with the product.
- They had a bad experience with your company.
- They never used the product they bought.
- They're still using the product, and it hasn't run out or worn out.
- They stopped using the product.
- They switched to one of your competitors.
- They just don't think of you or forgot about your company.
- They felt that there was a lack of personal attention.
- They felt that your company had a poor response rate.
- They had difficulty in doing business with you or ordering from you.
- They found that there was a lack of availability in your selection of products.
- They encountered unfriendly customer service personnel.
- They experienced poor or rude collection services.
- They felt that you had overpromised and underdelivered.
- They felt that your company had inadequately handled their problem.
- Your salespeople used high-pressure sales tactics.
- Your company has a poor corporate image or reputation in your industry.
- They perceive your pricing as unfair or too high.
- They felt that the product or service was of poor quality.
- They felt that your company had poor service delivery.
- Or any of a dozen other reasons.

4. ***Up-sell.*** Offer existing customers bigger volume discounts, more options, the deluxe model, or premium service levels based on past buying habits.

We will look at simple methods for making easy sales using all four approaches. But first, you have two jobs to do: segmenting and surveying your customer database.

Segmenting Your Customer Database

Customers are not all equal, and you do not have to treat them equally. In fact, you should give special preference to the best customers based on the profit or potential profit of each account.

The reason is simple: **Your best customers have proven that they are ready and eager to buy from you—and that they have the money to do so. By giving them special incentives—which they get because they *are* superior customers—you can get them to buy even more.**

"But won't my customers who do not get this priority treatment object?" you may ask. Well, that's life. When I fly, I may resent the fact that first-class passengers get their beverages before I do. But I also know that I had the same opportunity they did to buy the first-class seat, and I turned it down. So I have no right to complain. I may also resent the important-looking executives relaxing in the exclusive frequent fliers' clubs, but I know I don't fly enough to qualify for that privilege.

Similarly, consumers, even if they resent it a bit, realize that it's perfectly fair for companies to give extras to their biggest-spending customers. **The trick is to give those extras to the top customers without making other customers feel the products or services they are getting are second class in any way.** For instance, the frequent visitor to your steak house may get a free glass of red wine with the fifth steak dinner he buys. But the first-time customer should receive a steak that is just as thick and juicy.

To offer different treatment to different customers, you have to categorize and identify various groups of customers in your database. The way in which you do this depends on the specifics of your business. One company that offers leasing services segments its customer database as follows:

A: Companies that have transacted a lease within the past 18 months.
B: Companies that have transacted a lease but not within the past 18 months.
C: Companies that have applied for leasing but did not actually sign a lease. (They may not have completed the transaction for a variety of reasons—for instance, they decided to buy instead of lease, or their credit rating did not qualify them for a lease, or they bought the product from a supplier offering its own financing in-house.)
D: Companies that have requested information on leasing but have taken no further action.
E: Companies that are in the industries the leasing firm serves but that have not contacted the leasing firm for a quote, credit approval, or other information.

In this case, the B segment of your database would be the inactive accounts (the subject of this chapter). The objective of your sales and marketing efforts aimed at the B segment would be to reactivate them and move them from inactive to active status.

Notice that the B status description specifies 18 months as the time limit separating an active from an inactive account. That time would lengthen or shorten, depending on your industry, market, product, and sales cycle.

Say you are a barber and Mr. Jones comes in for a haircut every month. If you don't see him for six weeks, perhaps he is busy or letting his hair grow a little longer. If you don't see him for eight weeks, he may have gotten a haircut while traveling on business. If you don't see Mr. Jones for six months, it is likely he has switched to another barber and is at this point an "inactive account."

The question is: Why is Mr. Jones no longer having you cut his hair? And can you get him back again as a customer?

There's no way to determine in advance whether you can regain the business of any individual customer. But experience shows us that, statistically, sales efforts targeted to inactive accounts yield considerably more return than sales efforts targeted to cold lists of strangers. This fact is well known in the field of magazine subscription selling, where publishers regularly send mailings with special "we want you back" offers to their *expires* (former subscribers). In his book *Renewals* (Folio Publishing), Eliot Schein writes that sending a subscription offer to people whose subscription has lapsed within the past two years will result in 2 to 10 percent of them resubscribing to the publication.

Imagine sending a postcard to your inactive accounts reminding them of your service or advertising new products. If 2 to 10 out of every 100 made a new purchase, what would that mean to your bottom line?

Similarly, the publisher of a widely circulated directory knows that mailing to previous buyers yields a much higher response rate than mailing to cold lists. Testing shows that the best response is generated by mailing to buyers who purchased the annual directory three years ago. Why three years? Those who bought one or two years ago may feel their edition is recent enough, and they do not want to spend money on another. Those who bought longer than three years ago may no longer be active users of the directory and therefore not interested in an updated edition. Those who bought three years ago are at just the right point where they want a current directory and feel their edition is dated enough to warrant the expense of a new book.

What do you do with your "expires," or old buyers? If you let them languish in a computer file, you are losing all the goodwill and interest you originally established when they were active customers. The longer you let these names sit inactive, the less value they retain.

When you actively market to your expires or old customers, you get two benefits. First, you get an immediate sale—revenue that may be sorely needed in a slow year. Second, and more important, you transform an inactive customer into an active customer, bringing them back into the role of active buyer and extending their lifetime customer value to your business.

Customer Surveys

It is not absolutely necessary to survey your customers before you conduct a campaign to reactivate dormant accounts. As Schein found through experience in magazine publishing, simply by sending a mailer to your inactive accounts—those who bought within the last 24 months but are not buying now—you can get 2 to 10 percent or more to buy again, instantly reactivating them to active customer status.

But you can significantly increase the percentage of inactive accounts that you reactivate if you take the time to find out why they became inactive in the first place. For instance, one of my clients, a newsletter publisher, found that renewal rates were extremely low—and cancellation rates extremely high—for one of the stock market newsletters they published. When they conducted a survey, they found that subscribers were annoyed because the stocks recommended in the newsletter, which was a monthly, traded too fast. By the time the newsletter was printed, mailed, and received by the subscribers, the stocks picked by the editor had already gone up in price to the point where they were beyond the trading range the editor recommended. Therefore, the subscribers were getting recommendations too late, and they could not buy the stocks the editor endorsed.

The solution was to adjust the investment strategy to a portfolio of slightly more conservative stocks. These stock prices moved more slowly, and the holding periods were longer. The problem was solved and subscribers could now buy the stocks recommended. When they mailed renewal notices to subscribers, they acknowledged the problem and explained what they had done to solve it. The renewal rate was higher than with any other effort done previously.

How else could they have solved this problem? They could have increased the frequency of publication from monthly to twice a month or even weekly. Or they could have offered to update stock recommendations between issues on a web site accessible only to subscribers. They could have set up a telephone hotline that subscribers could call for updates on portfolio positions between issues. Or they could have asked subscribers to provide their e-mail addresses, and then e-mail them whenever there was a buy or sell action to take between issues.

Find out why customers no longer buy. Has a competitor opened a store with cheaper prices and a bigger selection down the street? If so, you may have to make a fundamental change in your business to win your customers back.

Sometimes an accounting or corporate procedure causes you to lose business. If you can help your buyer overcome the problem, you can often win back the business. For instance, years ago one of my large corporate clients suddenly stopped giving me business. It turned out they had adopted a corporate-level policy of consolidating vendors, which favored a few large vendors—and left me and dozens of other smaller vendors out.

When my assistant asked the accounting department for details, she learned that I had been incorrectly classified as an advertising agency in their accounts payable system (I am a freelance copywriter, not an ad agency). So when they consolidated from two dozen to two ad agencies, my name was cut and a purchase order could not be written to me.

We explained to them I was never an ad agency to begin with. I was able to get their accounting department to list me as a consultant in their vendor files instead, and the assignments began to flow once again. Had I done nothing, my buyer would never have been able to hire me again.

When a customer stops buying, find out why. Often it is a circumstance rather than a deliberate desire that causes them to stop ordering from you.

The reason they do not remedy the circumstance on their own is that, frankly, it is not that important to them. They like you, perhaps, but they are busy and, like most busy people, take the easiest route of least resistance. In such a case, you've got to step in and help initiate whatever change must take place in order for them to be able to buy from you again. The business you were getting from them will remain lost until you do.

For instance, a salesman for a software distributor told me that his major account had stopped ordering software from him. When he asked, the customer said, "I like you better and your prices are better, but your company requires a purchase order for every order. I am overworked and do not have time to write all these purchase orders. Your competitor does not require purchase orders, so I buy from them."

The salesman went to his management, told them of the problem, and asked them to waive the purchase order requirement for his customer. To his surprise, they refused! But instead of giving up, he found another solution.

He told his customer to give him a stack of blank purchase orders. Then, whenever the customer wanted to buy a program, he simply called the salesman and told him what he needed. The salesman filled out a purchase order and faxed it to the customer for his signature. All the customer had to do was sign the P.O. and fax it back. The salesman took over doing all the paperwork his customer didn't have time to do, and it worked—he got the business back and reactivated the inactive account.

Recontacting Inactive Customers to Create Top-of-Mind Awareness

Take a look at the list of reasons why people stop buying. Notice two of them are that people aren't thinking of you or just forgot about you.

Businesses exist to serve customers. Without customers, you don't have a business. That makes your customers pretty darn important to you, as they should be.

But the reverse is not true. While your product or service may deliver a lot of benefits, it is not essential to the customer. They can live without it. Very few of us are the sole provider of a product or service that the customer absolutely cannot live without. Even if you are one of the rare businesses whose product is vital to the customer's well-being, monopolies are prohibited by law in this country, so your good luck might not last. Your customer can probably get something similar to what you sell somewhere else.

The bottom line: You need your customers more than they need you. Your customers are more important to you than you are to them. Therefore, while you are never going to forget about a customer, many customers can and do forget about you. They are not dissatisfied. They still have a need. But they haven't bought in a while and have pretty much forgotten about your existence. It's easy to reactivate a healthy percentage of these customers simply by getting in touch with them and reminding them of your existence. All you need is a database of customers with an "inactive" select, a vehicle for getting in touch, and a message or reason why you are contacting them. We've already discussed segmenting your database to identify those customers who haven't done business with you recently, with the definition of "recently" up to you. By simply contacting them again to say hello and remind them of your existence, you can reactivate 5 to 10 percent of these inactive customers to active status again. Creating a special offer designed specifically to reactivate these accounts can increase conversion rates even more. (This technique is discussed in the next section.)

What methods can be used to contact your inactive accounts? Here they are, along with their pros and cons:

- ***E-mail.*** E-mail is the easiest, fastest, and lowest-cost method of getting in touch with inactive customers. An added advantage is the ease with which the recipient can respond, simply by typing a brief answer and hitting the "Send" button. And e-mail is fairly non-confrontational: If the customer doesn't want to respond, he or she simply clicks the delete button.
- ***Phone calls.*** The phone is the most interactive of all the contact methods. E-mail is also interactive, but it is time-delayed two-way

communication: You send an e-mail, and the recipient may not respond for days, if at all. But if you ask the customer during a phone call why he hasn't placed an order, it's difficult for him to avoid giving a reply. What he can do, however, is lie—and people will do that when you put them on the spot, as an unexpected phone call does if it is too high-pressure. To take the pressure off, have a reason for calling other than pure sales. For instance, if you are going to be attending a convention in a certain city, call your customers in that city to let them know you'll be in town and invite them for coffee or a drink.

- ***Postcards.*** Postcards are the least expensive way to keep in contact with inactive customers via the post office. Light on copy, they fit the time-pressured customer's busy schedule well; you do not overwhelm him or her with reading. A disadvantage of postcards is that they have limited space for product information, no envelope for inserts, and no reply element.
- ***Sales letters.*** Sales letters, once a popular method for keeping in touch with customers, have lost some of their appeal. Part of the reason is the decline of snail mail in favor of e-mail, and the 9/11 anthrax scares also cut down on mail volume. But I would advise you to consider trying a letter or two in your customer contact program. Because letter writing is a dying art, and people get fewer personal letters these days, sending a personal note makes your communication stand out—and being different helps you get noticed and read.
- ***E-zines.*** An e-zine is a short promotional newsletter sent via e-mail. In the last couple of years, they have proliferated. E-zines can be an effective, easy, and inexpensive way of keeping in touch with all prospects and customers, including inactive accounts. On the other hand, the explosion in e-zine marketing means that many customers are already getting way too many e-zines. New promotional vehicles such as e-zines work best when they are fresh enough to be a novelty yet not so popular that they are overused. E-zines launched quickly and may already be entering the phase of overuse. However, an interesting, well-written e-zine with relevant content can still work. Have strong content and keep it short.
- ***Promotional newsletters.*** Print newsletters have been a popular promotional vehicle for decades. Thousands of companies use them. They take more time and effort to produce than e-zines and have

much greater cost, including printing and postage. Since e-zines were invented, the use of printed promotional newsletters has declined somewhat. This may be an opportunity for you: With fewer printed promotional newsletters being mailed today, yours has a better chance of standing out and getting noticed. Also, while some prospects prefer e-zines, others prefer a printed publication they can carry with them, hold in their hands, and read at their leisure. When I surveyed my own customers by e-mail, asking whether they'd like to get my newsletter as a print publication or an e-mail, the response was split 50/50. As a result, we now do a monthly e-zine but also send out a print edition once or twice a year. The combination seems to work well.

- ***Sale circulars and fliers.*** Send fliers and circulars announcing any new products or sales to all your inactive customers. You never know when a new product, new service, new accessory, new size, new model, new color, lower price, extended warranty, or other special offer will bring an inactive buyer back into the fold.
- ***Sales reps.*** Companies that either have an internal sales force or use independent sales reps can instruct these reps to call on inactive customers. You can motivate them to comply with this request by offering a special incentive or bonus to any sales rep who reactivates any account on your inactive buyer list.
- ***Distributors and dealers.*** As with sales reps, give your dealer channel an incentive to reactivate inactive accounts on your B list. The dealer or reseller needs to be rewarded for getting these inactive customers to buy again. They must also be given tools, such as price discounts, extended warranties, or free installation, that they can offer the inactive accounts as incentives to do business again.

The next question is: How often should I contact my inactive accounts? Before the Internet, the theory was that the frequency of contact was limited by the cost of communication. If cost were not a consideration, why not communicate with your customers all the time? By doing so, you would ensure that when they needed your type of product or service, they would always think of you.

But before the Internet, making those contacts was expensive. If, for instance, you sent a catalog to every customer every day of the week, you'd rapidly go broke. So we had to find the right balance between communicating too often (and spending too much money for which we would not get a return) and not communicating often enough (which would cause us to lose business to competitors who were courting our best customers).

The Internet allows you to contact all your customers as often as you want via e-mail at virtually no cost. Does that mean we should now e-mail our customers daily? For most of us, no. The fact is, there are very few companies anyone needs or wants to hear from on a daily basis. For most marketers, sending daily e-mail to customers would be pestering them, creating annoyance rather than endearing them to you.

What's the optimum frequency of contact for our B list of inactive accounts? It is different for every company, and you will discover it only through trial and error. **But experience so far shows that the maximum frequency of marketing contact to any audience via e-mail is somewhere between once a month and once a week, with twice a month being the maximum contact frequency for most marketers, most of the time.**

Reselling Inactive Customers with Special Offers

Simply communicating more often with your inactive customers can reactivate some of them, but your results can double or better if you combine increased communication with special offers. An effective special offer to your inactive customers must have the following two characteristics to work:

1. ***The offer is indeed special.*** It gives a better price, more favorable terms, extra service, more product features, or other added value that people *not* receiving the offer are not entitled to.
2. ***The person receiving the offer is told that it is a special offer and is given a reason why he or she is receiving it.*** And the reason is simple: They are getting it because they are a valued client or a preferred customer of your firm. This reason can be stated to the customer simply and openly. One phrase I have used that has worked well in marketing copy is "A shameless bribe to get you back again."

What must you offer the customer for the bribe to be effective? You can experiment with different offers and see what works best. However, I've found that the bribe does not have to be massive to be effective. You don't have to cut your price in half or give away a free TV. In fact, bribes to reactivate inactive accounts can work even if they are only a little better than the standard offers other customers and prospects are receiving. How little? Think in terms of multiples of tens. For a low-priced item, 10 percent off or a $10 discount is enough. For a product that costs hundreds of dollars, such as software, think about $100 off.

Creative thinking can help boost your profit margins by coming up with incentives that have a high perceived value but a low out-of-pocket cost to you. For instance, to close deals with corporate customers, a management consultant offers 30 days of free telephone support for all attendees with each training seminar his client buys from him. The month of support has a list price of $2,000, which seems like an incredible value for buying a $3,500 training class.

But here's the secret. While the training managers who hire him love the free support, the managers who attend the seminars actually take very little advantage of the after-class phone support. So it costs him almost nothing in billable time to provide.

Reselling Inactive Customers by Overcoming Objections

Remember the software distributor we talked about earlier? His customer's objection was, "You require too much paperwork (a purchase order for every purchase) and your competitor doesn't, so we are now buying from them." The salesman overcame the objection by doing the purchase orders *for* his customer, eliminating the objection and winning back the business.

Many businesspeople are exceedingly hesitant to ask customers whether they are satisfied, how they like the product or service, or if there is anything they can do to improve, because they are afraid they will hear something they don't like: a complaint. But the dissatisfaction is there whether the customer says anything or not. If the customer says nothing, the dissatisfaction will never be resolved, and the account will probably never become reactivated.

On the other hand, if you know why an inactive account is not buying, you can fix the problem, go back to them, and tell them it is fixed. A large number of inactive accounts, once the problem that made them stop buying is resolved, start buying again.

How do you know why they are not buying? It's simple: Ask them. About half the time they will tell you. Then you can go about solving the problem and reactivating the account. The other half of the time, they will not tell you. They will either lie or just not answer. Why? Perhaps they are so annoyed, they don't want to give you the chance to set things right. Perhaps they have started buying from another source, and they are so satisfied with their new supplier that they have no desire to switch back to you.

When the buyer won't tell you what's wrong, you can often find out by asking others—typically his or her secretary, team members, or direct-reports. When they tell you, go about fixing the problem. Then later on, casually let the buyer know about your new and improved products and services. A percentage of these customers will start buying from you again.

Cross-Selling Inactive Accounts to Stimulate Other Purchases

Another effective strategy for reactivating inactive accounts is, in your periodic customer communications, to notify them about the full line of products you offer or other services you provide. A percentage of your inactive customers may still like you but have stopped buying because either they no longer need the product or service they were buying from you, or they have found a supplier who offers more variety, faster delivery, lower price, or some other advantage.

You may not be able to get them back as a customer for that particular product or service, but since they still like you, they may be receptive to buying one of your other products or services. So you can reactivate them with a cross-selling appeal along the lines of: "You were happy with our A but we also offer B, C, and D. Do you use them? Why not try us for your next order?"

You may be thinking, "But these customers already know we offer B, C, and D; after all, it's on our web site and in our company brochure." The information may be there, in truth, but chances are they have never read your brochure or surfed your whole web site. Or maybe they have, but they have long since forgotten its content.

It's a common mistake to assume that all your clients know everything about your company and what it does. The fact is, a large percentage of your customers—probably the majority—slot you in a narrow niche as soon as they start buying a particular product or service from you.

For instance, if someone hires me to write a direct mail package for them, in their mind (and probably in the mind of their contact manager—and in their Rolodex) they have me listed as "direct mail writer." To cross-sell them, I have to actively let them know that I also write e-mail, web sites, brochures, and many other materials they may also need. For an active customer, I may not bother doing that cross-selling, especially if they are already giving me a steady stream of work. But an inactive account can be reactivated through such cross-selling.

One company for whom I had been writing sales letters for years gradually stopped calling me. When I followed up after a year of not hearing from him, he said, rather sheepishly, "To tell you the truth, we don't send out too many sales letters anymore. We moved our business onto the Internet, and we do e-mail marketing—and I know that's not your field." The next day via FedEx he received a thick envelope with examples of successful e-mail marketing campaigns I had written for other clients, testimonials from those clients saying how well my e-mails worked, articles I had written about e-mail marketing for trade journals, an audiocassette of a talk I had given on e-mail marketing for an association, and a copy of a book I had written on e-mail marketing.

Needless to say, he got the message, and he is now an active customer again. Not for sales letters, which he hardly mails anymore, but for e-mails, which he sends even more frequently—and therefore has an even bigger need for—than his old direct mail campaigns.

Up-Selling Inactive Accounts through Loyalty Programs

A loyalty program is a marketing program that rewards customers for either frequency of purchase, volume of purchase, or both. The most well-known examples are the airlines' frequent flier programs, which give you free air travel when you fly frequently. The amount of free travel you get is based on the total miles you fly.

Loyalty programs work not only because they reward good customers, but because once the points accrue, the consumer is loath to lose them. Therefore he has an incentive to keep buying until he accumulates enough points to get the prize you are offering.

A smart strategy for loyalty programs is to give customers a certain number of bonus points (500 or 1,000 or whatever) in their account just as a gift that says "Thank you for being our customer," and not for a specific purchase. You send the inactivate customer a notice about the new points in his account.

This achieves several purposes. First, the customer appreciates the thought. More important, they now have the unredeemed points, which puts them under pressure to add more points and get the incentive. The only way to add those additional points, of course, is to buy something. And so some of them start doing that, moving themselves from the inactive to active buyer category in the process.

Helping Your Inactive Accounts Become Active in a Recession

In a recession, some business-to-business accounts stop buying from you because their own business is slow. For instance, if you sell roofing supplies, and local roofers are not getting hired to do roofing jobs, they are not going to buy shingles and nails from you, no matter how much they like you.

In such a situation, you may be able to stimulate your own sales by helping your customers increase their sales and reverse their business downturn. An insulation manufacturer, for instance, might do a local public relations campaign educating homeowners on how proper insulation can dramatically reduce fuel bills while keeping the home warmer in the winter and cooler in the summer. They could prepare booklets and seminar materials that local contractors can use to educate their market. Or they can run ads offering information on insulation, then forward the leads to their dealers and distributors. Either way, they stimulate end-user demand for their product. The stimulated demand creates more business for their resellers. The resellers, in turn, need to order more of the company's insulating materials to do the jobs, creating a win-win situation.

Here's a simple technique that can work to stimulate inactive business-to-business customers who are not buying from you because the recession or a business downturn has hurt their own trade. Spend some time each week thinking about ideas to stimulate your customers' business, and pass the ideas on to them at no charge. They will be in your debt, and when the ideas work and their business picks up, so will their volume of orders with you.

To sum it all up . . .

- Actively market to your inactive accounts. Old customers are up to five times more likely to buy than someone who doesn't know you.
- Communicate with old customers quarterly or more frequently. Give them discounts and other special offers to entice them to start buying from you again.
- Tell old customers about the products that you sell that they haven't bought from you. They may not even know about them. If they did, they might start buying them from you.

CHAPTER

5

Reactivate Old Leads

There are three veins of hidden gold in your database. The first we've already looked at in Chapter 4—inactive accounts. The second is old sales leads. That's the topic of this chapter. In Chapter 6, we'll explore the third vein of hidden gold in your database: current customers.

The Value of Sales Leads

Penton Publications, a publisher of trade journals, defines a sales lead as "expressed customer interest" in a product or service. *The Dictionary of Advertising Terms*, published by Crain Books, defines an inquiry as "a request from a potential customer made in response to an advertisement."

The inquiry can be generated through any number of means including publication advertising, publicity, direct mail, telemarketing, and trade show participation. Customers communicate their interest to the advertiser through a variety of means including reply cards, coupons, reader service cards, fax-back forms, surveys, questionnaires, phone calls, letters, e-mail, and registration on the enrollment page on an advertiser's web site.

The main purpose of generating sales leads is to identify the best prospects for your product or service. By following up on those sales leads, your sales force, reps, dealers, distributors, and others who sell your products can generate sales they might not otherwise have gotten on their own. In a survey of some of its advertisers, Penton Publications found that 88.1 percent generated direct sales of their products from sales leads. And in a separate study, the Advertising Research Foundation found that one out of five prospects who make an inquiry end up purchasing the advertised product.

Related to this primary purpose is the secondary objective of building a database of prospects. More and more companies today are building private prospecting databases. People who have already responded to your promotion represent the best quality prospects for such databases. **According to the Penton survey, more than 78 percent of lead-generating advertisers use lead generation to identify new prospects, and almost half put these names into some sort of database or list for future promotional purposes.**

Some businesspeople love leads and others hate them. The people who love leads are generally those who have a system in place for following up the leads, maintaining them in a sales or marketing database, converting a portion of the leads to sales, and measuring the amount of sales generated from these leads.

These people like leads because (1) instead of just getting leads, they use them to increase business; (2) they work the leads until the inquiries turn into revenue; and (3) they can measure these results to demonstrate that the increased sales from this effort outweigh the cost of generating the leads.

The people who hate leads are more varied. Some are salespeople who have been given poor-quality leads by marketing, and when they followed up, they got lousy results. Many of these salespeople decide, based on this experience, that all sales leads are worthless. They abandon lead follow-up, preferring instead to concentrate on their own personal address book of contacts. The problem is that this limits them to prospects they know or are referred to. **Lead generation uncovers potential customers that would otherwise have been overlooked.**

Other salespeople don't like or are indifferent to sales leads because they are in a business in which the sales process is not traditionally lead-driven. Restaurants, retail stores, amusements, and other businesses that rely on walk-in or drive-by traffic depend heavily on a good location to bring in business.

Many professional and trade service firms, from plumbers and heating contractors to literary agents and chiropractors, depend on referrals rather than promotion-generated leads. Although many of these businesspeople are able to generate a sufficient volume of sales without leads, they may not realize that generating leads could substantially increase their closing rate and sales volume.

Others, such as doctors, lawyers, or other professionals, may feel that marketing is inappropriate and should be unnecessary for a competent practitioner in their field. **The reality today is that virtually every product or service, including health care and professional services, must be marketed to ensure the continued profitability of the business.**

Company size also can affect attitude toward sales leads. Most smaller and many midsize companies live or die by their sales leads, working every qualified lead to the maximum. Converting leads to sales is often the lifeblood of their business, or at least one of the most essential processes.

Larger companies, on the other hand, have mixed attitudes toward leads. In some companies, the marketing communications people are judged by the marketing director and product managers on their ability to generate leads, and individual programs are deemed a success or failure to some extent by the number of inquiries produced. Ironically, follow-up of these leads may be ineffective or close to nonexistent. Larger corporations are often less able than smaller companies to correlate lead-generating activities with bottom line results; the more distant leads are from revenue, the less likely they are to be valued.

An example of a company that knows the value of leads and successfully generates and works them is Hair Club for Men, a nationwide chain of hair replacement centers. Hair Club is a classic lead-generating marketing operation. Television and radio commercials generate sales leads from men concerned about thinning hair. The leads are sent literature; an appointment with a hair specialist is made. If the prospect is a good candidate for the Hair Club process, a salesperson tries to close the sale at that appointment.

Converting Leads into Prospects

When you get an inquiry, a lead, your goal is to determine whether they are a genuine prospect for your product—and if they are, to push the sales process forward so you can convert them into a customer. When a lead is handled properly, the prospect is qualified and his need for information is met.

Unfortunately, many businesses don't handle leads well. As a result, the leads quickly turn cold, and their value plummets.

What's the right versus wrong way to fulfill an inquiry for more information about what you are selling? Suppose you responded to an advertisement from a manufacturer of forged steel valves and requested more information. How would you react to this reply?

> Dear Sir:
>
> *Chemical Equipment* magazine has informed us of your interest in our line of valves for the chemical process industry.
>
> Enclosed please find the literature you requested. We will await with interest your specific inquiry.
>
> Sincerely,
>
> Joe Jones, Sales Manager
> XYZ Valve Corporation

That letter doesn't call for action, build trust in the letter writer, or tell the reader why he should want to buy valves from XYZ. There's no salesmanship in it, just a blunt acknowledgment that an inquiry has been made.

Most letters mailed to fulfill inquiries are just about as bad. Too many marketers treat a cover letter as an afterthought, once the pros at the ad agency have written the "important" elements of the communications program—ads, brochures, and catalogues.

That's a big mistake. As creative consultant Sig Rosenblum aptly puts it, "Ads go through a long process of rough, comps, and finished art. But those are just devices to put ideas into the reader's mind. Your simple letters can carry powerful ideas just as easily as your complex ads."

Circle some reader service card numbers and see for yourself. The responses you receive will include weak, dreary cover letters that rely on hackneyed expressions like "enclosed please find," "pursuant to your request," and the ever-boring "as per your inquiry." That's not selling. These letters simply substitute clichés for copy that expresses a company's desire to help prospects solve problems. As a result, the company's hot leads can quickly turn cold.

Part of the problem is that nonwriters such as product managers and engineers often write cover letters. Management reasons that the copywriter's time is better spent on ads and collateral. Yet the letter provides the toughest writing challenge. It must sell on words alone, without the embellishment of color, photos, or artwork.

Writing a Powerful Inquiry Fulfillment Letter

The key to successful cover letters? Be friendly, courteous, and helpful. Tell the reader how you will help him solve his problem better, faster, or cheaper than the competition. Here are seven letter-writing tips:

1. *Thank the prospect for the lead.* "Thanks for your interest" is such a common opener, it may be becoming a cliché. But it's still a necessary courtesy.

2. *Highlight key sales points.* Don't try to summarize your sales literature, but instead pick one or two of the important sales points and emphasize them in your letter. Letters are handy supplements to literature because they can include any recent developments that a color brochure, with its longer life, may not reflect. Your letter can focus on a recent case history, a new application, a product improvement, or an addition to your manufacturing facility.

If you must include more than two or three sales points, you can use "bullets" or numbers to set them apart. On the following page is a sample from the Spartan Company. Notice how the writer structured the letter to give one feature ("no sludge") top billing, while still touching lightly upon other important advantages of the system. The letter makes some sales points and whets the reader's interest in the literature he requested.

3. *Tell the reader about the next step in the buying process.* Make it easy for him. A portion of a good cover letter illustrates the point. In the next example (page 61), the writer suggests a course of action (sending in a material sample for evaluation) that can solve the customer's problem and result in the sale of a mineral pelletizer.

4. *Write in a conversational tone.* Your sales letter is communication from one human being to another—not from one corporate entity to the next. Warmth, humor, understanding, and an eagerness to be helpful are what make you the super salesperson you are. Why not endow your letters with those same positive qualities? Note how the Pelletizer letter uses a casual, almost folksy tone to win the reader's confidence and attention.

Dear Mr. Guterl:

Thanks for your interest in our Dry S02 Scrubbing Systems for industrial and utility air pollution control.

Unlike conventional "wet" scrubbing, Dry Scrubbing removes chemical and particulate waste products as a free-flowing dry powder that is easy to handle and safe to dispose of. The system produces no sludge—so you don't need expensive thickeners, clarifiers, or other wastewater treatment equipment.

In addition to eliminating the sludge problem, Dry Scrubbing gives you these advantages:

- Less energy consumption
- Lower operating and capital costs
- High system reliability; less maintenance
- No reheat required

The enclosed brochure provides a fairly complete description of how the system works. Our representative in your area, listed on the "Spartan Reps" sheet, will be happy to answer your questions.

Sincerely,

Arnold Belson, Product Manager
Spartan Dry Scrubbing Systems

One way to achieve an easy, natural style is to eliminate "whiskers" from your writing—those hackneyed expressions that drain the life and personality from sales letters. Antiquated phrases from the vocabulary of the bureaucrat make a person (and his company) come across as a stuffed shirt.

5. *Have a "you" orientation.* Good letter writers know that the word *you* may well be the most important word in their vocabulary. A "you" orientation means thinking about what the reader needs, wants, and desires. It means not tooting your own horn. It means translating the technical features of a product into benefits that help the reader do his job, serve his customers, and please his boss. And, it means addressing the reader directly as "you." Remember, a sales letter is a personal communication, not a cold recitation of scientific technicalities.

The key question, of course, is the cost of equipment to handle the volume required at your plant. Because the capacity of our Pelletizers will vary slightly with the particulates involved, we'll be glad to take a look at a random 5-gallon sample of your material. We'll evaluate it and get back to you with our equipment recommendation. If you will note with your sample the size pellets you prefer and the volume you wish to handle, we can give you an estimate of the cost involved.

From that point we can then do an exploratory pelletizing test or a full day's test run, or we can rent you a production machine with an option to purchase. You can see for yourself how efficiently it works and how easy it is to use. Of course the equipment can be purchased outright too.

6. *Be concise.* Use small words and short sentences. And break the writing up into many short paragraphs. Brevity makes writing easy to read. Run-on sentences and long chunks of unbroken text bore and intimidate readers. It's best to get to the point in the fewest words possible.

7. *Make it look professional.* Print the letter on a quality laser printer. Proofread to eliminate errors in spelling, punctuation, grammar, and content.

In addition to the literature and cover letter, a fulfillment package should contain a reply element. It can be a specification sheet, an order form or a questionnaire known as the bounce-back card.

Bounce-backs are postage-paid postcards addressed to the advertiser. They ask the prospect to qualify himself by answering a few questions. Typically, a bounce-back questionnaire asks the prospect's phone number, name, and address; the name and size of his company; whether he specifies or recommends a particular type of product; current buying plans; applications; the names of others in the company involved in the buying decision; whether the prospect currently uses the advertiser's products or those of a competitor; whether the prospect wants a salesperson to call; and whether the inquiry is for an immediate need, a future need, or reference information only.

Ten Hackneyed Expressions to Avoid

1. *Enclosed please find . . .*

   The reader can find it on his own. Just say "I'm enclosing" or "Here is."

2. *When time permits . . .*

   Poetic, but inaccurate. Time doesn't permit; people do.

3. *Please don't hesitate to call.*

   You really mean "feel free to call."

4. *We are this date in receipt of . . .*

   Say instead, "Today we received."

5. *As per your request . . .*

   Say instead, "As you requested."

6. *Of even date . . .*

   Translation: "today."

7. *Pursuant to your orders . . .*

   That's too formal. Just say, "As you requested," or "Following your instructions."

8. *Whereas . . .*

   Use "where" or "while."

9. *Kindly advise . . .*

   As opposed to "unkindly"? It's unnecessary.

10. *Hitherto, whereby, thereby, herein, therein, thereof, heretofore . . .*

    Avoid those archaic, stilted words.

Bounce-back postcards may be separate from the rest of the package, or they may be printed as tear-out inserts in brochures and catalogs. Some companies combine the bounce-back questionnaire, cover letter copy, and catalog information on a single sheet.

Most marketing experts agree that the bounce-back is an integral part of the fulfillment package. "If you're not contacting the respondent personally, you should have a bounce-back card," says Robert L. Sieghardt, president of Professional Sales Support, a company that screens sales leads by telephone. Mr. Sieghardt says that 55 percent of prospects will respond with a bounce-back card after a series of three mailings in addition to the initial mailing.

Some advertisers respond to inquiries by mailing a bounce-back card without an accompanying piece of literature. They hope to avoid sending expensive sales brochures to students, competitors, brochure collectors, and other nonprospects. But other firms criticize the practice because it delays getting information to respondents by creating an additional and unnecessary step in the sales sequence.

"I think you're trying to kill response by not sending a brochure," says Larry Whisehant, advertising manager of Koch Engineering, a manufacturer of chemical equipment. "The proper literature—what the respondent is asking for—is the most important part of the package."

Mr. Sieghardt agrees: "By trying to *screen* leads with the bounce-back, manufacturers are asking prospects to do some of their work for them."

No two marketers agree on what makes the perfect fulfillment package, but one thing is clear: The advertiser who casually tosses a brochure in the mail with a hastily dictated cover note is wasting sales opportunities. The entire package must be designed to generate action that leads to a sale. And to accomplish that, you need three things: a clear, crisp cover letter that motivates prospects; a brochure that informs them; and a bounce-back or other reply element that makes it easy for them to respond.

Building Your Lead Database

A *private prospecting database* contains names and addresses of as many people as you can identify who would be potential customers for your products and services. Some private databases contain only leads generated through ads, trade shows, and other marketing activities. But you can increase the value of your database by augmenting it with outside names.

This is done by identifying appropriate outside lists (e.g., association memberships, subscribers to industry trade journals), merging these lists, eliminating duplicate names, and organizing the remaining names in a relational database management system with query capability.

The advantage of a private prospecting database is that it contains a complete record of the actions taken by a firm's customers and prospects over time. Following are some tips for building and using private prospecting databases to improve direct marketing results:

• ***Base list selection on "nonresponse" history.*** When you rent mailing lists for one-time usage, you have records only of those names who respond. When you own a private prospecting database, you maintain a complete record of the actions—and nonactions—taken by everyone on the database. So not only can you target those most likely to respond, but you can save money by not mailing to those who are *least* likely to respond.

For instance, if you are doing a sweepstakes mailing to your prospecting database, you can suppress the names of all prospects who did not respond to your previous six sweepstakes mailings. You can also suppress the names of your competitors so they don't get your mailings.

• ***Test a list before incorporating it into your permanent database.*** A large number of the names used in private databases are taken from mailing lists. But before you incorporate names from a list into your private prospecting database, test those names in a mailing outside your database. Only those lists that work well for you should be added to your database, assuming they meet your other criteria.

• ***Use database analysis to enhance mail plans.*** A software marketer, for example, mailed mostly to IS managers, thinking this was their primary audience. Database analysis confirmed that IS managers were the largest portion of the customer base, accounting for 43 percent of all sales. Other senior executives, such as CFO and CEO, were mailed to only infrequently.

But even though the company didn't target financial executives, further analysis of the database showed that CFOs were the second largest portion of the customer base, accounting for 21 percent of sales. The software marketer was able to virtually double its prospect universe by adding many more qualified CFOs to its prospecting database, and increase its sales by mailing to these CFOs more frequently.

Analyze your database results by job title, industry, platform, size of company, state or region, and other demographics. Identify large audiences that buy your product but aren't a priority in your current marketing plan, and mail to them more frequently.

• **Use demographic overlays to add information to your private database.** A database or list company can take your private database, run it against large public databases, match names between your database and the public data sources, extract additional information from the public databases on each customer, and add it to your private database. You gain instant added intelligence on your buyers to enhance your database marketing efforts.

For example, using overlays, Insight Direct, added Standard Industrial Code (SIC), number of employees, gender, household income, age, presence and age of children, socioeconomic status, whether the customer has a credit card, types of donations made in response to fundraising solicitations, and other types of mail order products purchased from other firms to its database of 934,000 computer products buyers.

Database enhancement via demographic overlay can directly translate into higher response rates. For instance, if Insight were to test a mini-catalog of children's software, mailing only to current buyers with children can prevent waste and maximize response.

• ***Make logical connections between records.*** Data found in one record can be propagated onto related records, enhancing database information.

For instance, let's say you market business software to companies running Windows NT, but most of the records in your private prospecting database don't indicate computing platform. You find that Joe Jones at XYZ Company is running Windows NT. Chances are, then, that his company has standardized on NT. You can cross-propagate this information, adding it to all records of people working at XYZ Company. Now these names will show up when you run the NT selection on your database.

• ***Think "out of the box."*** Usually we search and manipulate the database to implement an idea we've already thought of, such as a special offer to customers who recently dropped their maintenance contracts or ordered $100 or more worth of goods within the last three months.

This is fine, but you should also spend time analyzing and looking at your database without a specific campaign or plan in mind. Often the data will suggest new marketing ideas. One high-tech marketer found that its control mailing was actually underperforming its test mailing in certain geographic regions. In those zip codes, the test became the new control.

Another direct marketer was getting much lower response from Fortune 1000 companies than other companies to which it mailed its safety products catalog. The feeling was that the promotional-looking catalog was screened in the mail room and by secretaries in larger organizations.

The solution: The database was split into Fortune 1000 and non-Fortune 1000 firms. The regular firms received the standard catalog via third-class bulk rate mail, as before. But for the Fortune 1000 firms, the catalogs were placed in a plain envelope and mailed first class. Response rate among this group increased, becoming equivalent to the rest of the prospects.

How to Increase Your Lead Flow

The greater the lead flow you generate in good times, the more potential new business you'll have in the pipeline to get you through the lean times. Following are some issues to consider when planning a lead-generation campaign:

- How many steps are there in the buying process for this product? Where in this process does my mailing fit?
- What can I tell my prospect that will get him to take the next step in the buying process?
- Can I reduce selling costs by creating a mailing designed to produce a direct sale (a mail order) instead of an inquiry?
- How many leads do I want to generate? Do we want a large quantity of soft leads? Or are we better off getting a smaller number of more highly qualified leads?
- What happens if the mailing produces too many leads? too few?
- Is there a geographic region that my sales force does not cover? How can I respond to inquiries from that region?
- What is the primary market for my product or service? (Which industry needs it most?)
- Are there any secondary markets for the product large enough to justify a custom-tailored version of the mailing?
- Who is my primary prospect within the target industry? What is his or her job title? function?
- Who are the other people (by job title) involved in the purchase decision for this product? What are their roles? (Who recommends the product? Who specifies it? Who has authority to approve the purchase?)

- Must we reach all of these prospects? Or can we generate the desired sales result by targeting only one or two key decision makers at each prospect organization?
- If we don't know who we should be mailing to, how can we find out? From our sales representatives? market research? direct mail?
- If we don't know what we should be telling our potential customers about our product, how can we find out?
- Should we tailor versions of our sales letter either to vertical markets or to various job titles—or both?
- Should we tailor our brochure to specific markets or job titles?
- What offer are we using in our current mailing? Is there a way to make the offer stronger or better?
- Is the prospect in need of information about our product or the problem it solves? Can we package this information in a booklet or report and offer it as a response piece in our mailing?
- Does our sales process involve a face-to-face meeting with the prospect? Can we legitimately call this sales meeting a "free consultation" and feature it as the offer in our mailing?
- Do we allow the user to sample our product on a free trial basis? Should we be stressing this free trial offer in our mailing?
- Do we offer our mail customers a free gift, price discount, free shipping and handling, or other money-saving incentive for responding to our mailing? If not, why not?
- What reason or incentive can we give the reader to respond *now* and not later?
- Can we use telemarketing to qualify sales leads generated by our direct mail program?
- Can we use telemarketing to turn nonresponders into responders?
- Can we use telemarketing to identify and presell prospects before we send them our mailing package?
- What format is best for our mailing? Full-blown direct mail package (letter, brochure, reply card)? or sales letter only?
- Is there any benefit to personalizing the mailing?
- What graphic treatment is appropriate for our audience? Should it be businesslike or bright and loud? Should it be disguised as personal

correspondence or clearly marked (by use of teaser and graphics) as direct mail?

- What copy approach should I use—serious or breezy? educational and informative or hard sell?
- Does my reader want or need a lot of information?
- Can I use a self-mailer format?
- Is postcard-deck advertising appropriate for my offer?
- Should I use a single mailing or a series of mailings?
- How many mailings should I send to my list before giving up on people who do not respond?
- In a series of mailings, am I using a variety of different sizes and formats to gain attention for my message?
- Are requests for more information fulfilled within 48 hours?
- Are hot sales leads separated for immediate follow up by sales representatives or telephone salespeople?
- What is the conversion ratio (the percentage of mail-generated inquiries that result in a sale)?
- Are our salespeople competent? If not, what can we do to ensure better handling of sales leads?
- Do salespeople follow up on all leads provided? If not, why not?
- Do salespeople welcome direct mail leads or do they grumble about them? Why?
- Are there qualifying questions we can add to our reply form to help salespeople separate genuine prospects from brochure collectors?
- Can we afford to send a brochure to everyone who requests it?
- Do we have a sufficient quantity of sales brochures on hand to fulfill all requests for more information—assuming we get a 10 percent response to our mailing?
- Do we get a better quality lead by requiring the prospect to put a stamp on the reply card rather than offering a postage-paid business reply card?
- Do we get better sales results from prospects who respond by telephone versus those who mail in reply cards?

- Does our fulfillment package or sales brochure provide the prospect with the information he asked for? And does it do a good job of selling our product or service?
- Do we include a cover letter with the brochures and data sheets we send in response to mail-generated inquiries?
- Do we include a questionnaire, spec sheet, or some other type of reply form with our inquiry fulfillment package?
- Do we automatically send follow-up mailings to prospects who don't respond to the inquiry fulfillment package?
- Should we be more vigorous in our program of follow-up mailings and phone calls?

Using Direct Mail to Build Your Lead Database

Direct mail is one of the most effective methods of generating large quantities of high-quality sales leads. Aside from public relations and postcard decks, few promotional methods can even come close to matching direct mail's effectiveness for lead generation.

A good lead-generating direct mail letter will generate response rates of between 1 and 5 percent—and sometimes higher—when mailed cold to a rented mailing list or directory of prospect names. This response rate is for producing quality leads with a genuine and serious interest in your product or service—or at least in the problem your product or service solves. It can be achieved using copy with a strong sales appeal and an attractive offer that is free and without obligation.

Can response rates be higher? Yes. Some lead-generating mailings have achieved response rates of 10 to 50 percent or more, although this is rare. Response rates are generally two to five times higher when mailing to existing customers than when "cold mailing" to rented prospect lists.

Response rates can also increase when offering expensive free gifts or other "bribes" to prospects in return for their reply. The more costly and desirable the bribe, the more inquiries produced. But when prospects respond just for the bribe rather than because of a genuine interest in the product or service, conversion of leads to sales becomes poor. With lead generation, you must always balance between quantity and quality of inquiries.

The most effective format for lead-generating direct mail seems to be a one- or two-page letter in an envelope with a business reply card and perhaps one insert, such as a brochure, flier, or article reprint.

Self-mailers can also be effective. The most successful self-mailer format for lead generation is the trifold. This is made by taking a piece of paper and folding it twice horizontally so you form three sections (the same way you fold a business letter for insertion into a number ten business envelope).

There are infinite variations, but these two simple formats seem to work best, and they are inexpensive to produce. Try them before spending money on something more elaborate that may not get any better response (and may very well get less).

Because of their low cost, a third format—postcards—is growing in popularity. Aside from low cost, their major advantage is that, unlike direct mail packages and trifold mailers, postcards do not require opening or unfolding; the message is completely visible as soon as you pick it up. Another advantage of postcards is they are easy and inexpensive to produce. The postage is also lower than to mail a first-class letter in an envelope.

The disadvantage of a standard postcard is that there is no reply element. Mailers have found several solutions to this. One company instructs prospects to return the entire postcard in an envelope to receive a free sample copy of their product (the postcard does not have to be filled in since the front panel already contains a label with the recipient's name and address).

Other postcards stress response through 800 and 888 numbers, 900 numbers, and phone numbers that dial up recorded hotlines with more detailed promotional messages and product information on tape. Fax seems a logical response option, but smaller postcards do not fax well (they do not feed through many machines smoothly).

A third innovation is the double postcard, which is two postcards attached via a perforated border. One postcard carries the promotional message; the other is the reply element. While used with considerable success in selling magazine subscriptions, double postcards have not found widespread use in other applications as of yet.

Of all the lead-generating direct mail formats, trifold self-mailers and simple sales letters mailed with reply cards have the longest track record of success and are therefore your safest bets.

Lead-Flow Tips for Service Businesses

For dentists, consultants, attorneys, accountants, advertising agencies, public relation firms, and other organizations and individuals offering professional services, direct mail can be an effective means of generating a controlled quantity of highly qualified leads quickly and at low cost.

However, the majority of professional practices are unsuccessful with direct mail—largely because they do not understand how it works or how to use it. Following are some suggestions on how to successfully use direct mail to generate new business for consulting or professional services.

• ***Develop a primary offer.*** The main reason direct mail for consulting services fails is the lack of a specific offer. Lamely ending a letter with "Looking forward to working with you" or "I will call in a week or two" is certain to depress response to almost zero. If you tell people you will call them, they then have no incentive to call you first.

It's far better to identify the next step in the sales process and then tell the reader to take it. Most consultants want the mailing to result in an initial meeting with the prospective client. Therefore, the letter might offer a "free, no-obligation initial consultation."

Being more specific about the nature of this exploratory session and attaching a benefit to it will increase response. For example: "We will analyze your current insurance coverage at no cost and make suggestions that will reduce your annual premiums by 10 percent—or more." Or: "Free exam."

• ***Develop a secondary offer.*** The primary offer will attract those prospects who are most eager to do business today or in the near future. However, this represents only a small fraction of the potential market. Therefore, a secondary offer is needed to attract those prospects who are not ready to meet right now but may have a need in 3, 6, or 12 months.

This secondary offer is usually a free booklet, special report, brochure, fact sheet or other printed information the reader can send for by calling or mailing back a postpaid business reply card.

I usually stress the *primary* offer in the body copy of my letter and the *secondary* offer in the P.S. For example: "P.S. To receive a free report explaining our four-step Market Planning Process, complete and mail the reply card today."

Typically, from 50 to 90 percent of those who respond request the free information (secondary offer) rather than a face-to-face meeting (primary offer). Calling those who request the free booklet only and selling them on the benefits of a free consultation will reveal that 10 to 25 percent of the booklet requesters have genuine interest and can be talked into a meeting.

• ***Encourage both phone and mail response.*** Always include a business reply card in mailings; its absence can depress response to almost zero. Some consultants feel that using a business reply card in a personalized mailing aimed at executive prospects is somehow unprofessional. This is nonsense.

Stress that the reader can respond by either mailing the reply card or calling. To encourage telephone response, mention the phone number in the letter copy, even if it appears on the letterhead. Omitting either one of these two basic response options (mail or telephone) will depress response.

• ***Establish credibility.*** Prospects want to deal with consultants who are experts in their field. Here are some techniques that can build this sense of credibility into the direct mail package.

- Enclose an article you have written that deals with the topic of the consulting service being sold. This will help convince the prospect of your expertise.
- Enclose a recent article written *about* you. This establishes that you are a recognized authority.
- Mention some of your clients—especially well-known names in the prospect's industry. If this would cause the prospect to worry about confidentiality, mention that you have obtained permission to list the names.
- Enclose copies of letters of referral written for you by your clients. Testimonials are extremely effective; they make prospects feel comfortable and confident in your ability to serve them successfully.
- Create a separate brochure that answers any questions the prospect might have about your service and lists your credentials. This kind of full disclosure alleviates anxiety and creates the impression that you are reliable and professional in your dealings.
- Consider including your photo on the brochure. A photo gives prospects the feeling that they know you before they even meet or talk with you.

• ***Use other promotion techniques to build your reputation.*** Direct mail is effective for generating immediate leads, but it is not the primary tool for enhancing credibility. To build a professional reputation, you must engage in an ongoing program of self-marketing that includes such activities as writing articles, writing books, newsletter publishing, speaking engagements, teaching, seminars, networking, and being active in industry organizations and local business clubs.

Performing these activities will lead to a higher response to direct mail because the recipient might have already heard of you when he receives your letter. Without these ancillary marketing activities, your name will be unknown, and response rates will likely be significantly lower.

Generating Leads with Trade Shows

Direct mail, in the hands of a knowledgeable pro, can be a powerful promotion that builds traffic, targets key prospects, generates sales leads, fills conference rooms, and creates awareness of an event and of your participation in it, or gets the word out about your products and services.

Unfortunately, most trade-show direct mail I see violates the fundamentals of successful direct marketing. For this reason, few of these mailings generate anywhere near the desired response.

Following are 10 proven techniques for creating direct mail around a trade show. Try them in your next letter or invitation and watch your response rate soar.

1. *The importance of the list.* Even the most brilliant package will flop if it is mailed to the wrong list. Selecting the right mailing list is the most important step in ensuring direct mail success. According to Freeman Gosden, Jr., author of *Direct Marketing Success* (John Wiley & Sons), list selection is twice as important as copy, graphics, and printing combined.

For a trade show invitation, the best list is key prospects and current customers within a 100-mile radius of the exhibit hall. Invite only those people who are genuine prospects for the products you are featuring in your display. One good source of names might be a list of people who have responded to ads about the product within the last six months.

2. *Executive seminars.* An even more select list of key prospects can be targeted to receive special invitations to hospitality suites, executive briefings, presentations of papers, seminars, and other special events held in conjunction with your exhibit. If the event is relatively minor, a notice about it can be included in the invitation to the exhibit. But if the event is major (such as the opportunity to see a new product introduction), you can play it up in a separate mailing.

3. *Carry cards.* A carry card, mailed with the invitation, is a printed card the prospect can present at your booth to receive a small gift, or perhaps to enter a sweepstakes or drawing. I call it a carry card because the prospect must carry it with him to receive whatever is offered in the mailing.

By printing your booth number on the card, you remind the prospect to visit you; the offer of the gift provides the incentive to do so. The gift need not be expensive or elaborate; perhaps you offer free information, such as a special report, or an inexpensive item such as a pen or tie clip. Alternatively, carry cards or invitations can be numbered in sequence; therefore, each person receives a unique number, which may be used to qualify him or her to receive a prize or other gift.

4. *Be personal.* The more personal a mailing piece, the greater the response. One effective technique is to personalize each mailing with the prospect's name. A form letter, for example, can be made to look personal if produced on a word processor using a program that inserts the prospect's name and address. Another technique is for salespeople to write brief handwritten notes to each prospect. The note, written in the margin of a preprinted form letter or on the flap of a formal invitation, adds a human touch to the communication.

5. *Urgency.* Direct mail is a medium designed to generate an immediate response. Therefore, your mailing must give the reader reason to read and act now. For instance, a teaser—a short message written on the outer envelope—is often used to urge the reader to open the mailing right away. For example, it can tell the reader that the envelope contains dated materials. It can stress the importance of attending the show or emphasize benefits. Or it can tell the recipient to take action—for example, the teaser copy could read, "Urgent: Open by November 15." Such a letter should be mailed so that it arrives a few days before the 15th. If you want the reader to confirm their acceptance of your invitation, you should create a sense of urgency for this too. The close of an invitation to a seminar might say, "But hurry. Attendance is limited. Reserve your seat at this important briefing *today*."

6. *Give them a choice.* Years ago, direct marketers discovered that they received greater response when the reader was given a choice. And this holds true in trade show promotion.

For example, many of the people you invite will be unable to attend, even though they may have genuine interest in the products being displayed. Why not have your mailing do double duty by offering information or further action to those people who can't come to the show? You could offer to send them a brochure or a newsletter or to call on them in person and tell them what they missed. One exhibitor even offered to send a videotape of his exhibit! This technique can dramatically boost response.

7. *Create an event.* Although it is difficult for our egos to accept, the truth is, your next trade show is not a major event in the lives of your customers. Your challenge, then, is to change their reaction from one of boredom to one of excitement.

How? There are many possibilities. One exhibitor featured the Dallas Cowboy Cheerleaders in his booth. Another had an exciting multimedia presentation on a revolutionary new type of technology. An instrumentation manufacturer employed a magician to perform at his display. A major defense manufacturer hired a quick-draw fighter to teach people how to use a six-shooter (with blanks, of course!).

Once you've invented an event (one that generates real excitement but also ties in with your product or theme), make this the feature subject of your mailer. Just as publishers win subscribers by featuring a free gift or a price discount, a successful trade show mailing features the gimmick rather than the exhibit itself.

For example, a mailing designed to draw people to the gun-fighter exhibit might read, "Meet the West's Fastest Gun-Fighter at High Noon at the Amcom Air Show—and Win a Genuine, Old West Ten-Gallon Hat." Here we are selling the sizzle rather than the steak.

8. *Exclusivity.* A powerful appeal of direct-mail—and of trade shows—is exclusivity. One study released by the Trade Show Bureau reported that *half* the people who attend trade shows go specifically to see new products and services that have not been shown before.

If you're introducing a new technology, a new product, or an improved version of an old product, play this up in your mailing. Emphasize both the importance of the product as well as the fact that the reader is having an opportunity to see it *first*—an opportunity not extended to other people in the business. This sense of being exclusive, of being first, is flattering, and it can do wonders for your response rate.

9. *Completing the set.* A classic trade show mailing is one in which the prospect is mailed an invitation along with a single cufflink. The cufflink is a free gift, the letter explains, and the reader will be given the other cufflink (to complete the set) when he visits the manufacturer's booth at the show.

This is a powerful technique, and if you can think of an appropriate variation that is relevant to your sales pitch, use it. An automobile manufacturer, for example, could mail key chains to important customers, promising to enroll them in a drawing for a brand new car once they bring the key chain to the drawing. In another variation on this theme, Omron Electronics mailed a box containing a fortune cookie. The fortune inside the cookie predicted "A fortune in your future!" at the ISA show in Philadelphia. Copy on a carry card enclosed with the cookie reinforces the message: "Bring this ticket to Omron's Booth #R631 to collect a fortune."

Note that the nature of the "fortune" is never specified. In direct mail, you can often boost response by leaving a part of your story untold. This creates a sense of mystery, and many people respond simply to satisfy their curiosity.

10. *Use a series of mailings.* A series of mailings can generate more response than just a single mailing. So it may pay to mail more than once to the same list of people.

Many exhibitors have used the following three-part mailing format with success:

- The first mailing is a simple postcard that previews the show. It is used to tweak the reader's curiosity and interest, but demands no response.
- The second mailing is the full invitation package. It can consist of a letter, an invitation, a carry card, a reply card, a booklet or brochure, or any combination of these elements. The theory is that more people will read the full invitation if they are warmed up with the postcard first.
- The third mailing can be either a follow-up reminder or, if the reader has responded to the invitation, it can be a letter confirming the time, date, and location of the event.
- Telemarketing—the use of telephone calls to follow up direct mail—is another option that can dramatically raise response levels. But it is expensive: A phone call generally costs about 10 times more than a mailing piece.

You might want to save the telephone for targeting a small, exclusive list—say, your top 20 or 30 clients or customers. They would receive calls after the second or third mailing; the caller would repeat the offer of the mailings and urge prospects to attend your display.

> **Bonus Tip:** Here's one thing to keep in mind. Even if you design your own invitation, it's a good idea to include an official show pass or registration form in the envelope as well. Having a show pass gives your prospect the comfort and security of knowing he has the necessary paperwork to get him into the exhibit hall. You should imprint your company name and booth number on the show pass, so the prospect will be reminded to visit you even if he throws away the rest of your mailing.

Space Ads for Inquiry Generation

A client recently phoned with a problem I'd encountered many times before.

"Our new ad campaign's main goal is to create awareness and build image, not generate sales leads," the ad manager explained. "But my management still tends to judge ads by counting the number of inquiries they bring in. Is there some way I can increase my ad's pulling power without destroying the basic campaign concept?"

Fortunately, the answer is yes. There are proven techniques you can use to increase *any* ad's pulling power, whether your main goal is inquiries or image. Here are 32 techniques that can work for you.

1. Ask for action. Tell the reader to phone, write, contact his sales rep, request technical literature, or place an order.
2. Offer *free* information, such as a color brochure or catalog.
3. Describe your brochure or catalog. Tell about its special features, such as a selection chart, planning guide, installation tips, or other useful information it contains.
4. Show a picture of your brochure or catalog.
5. Give your literature a title that implies value. "Product Guide" is better than "catalog." "Planning Kit" is better than "sales brochure."

6. Include your address in the last paragraph of copy and beneath your logo, in type that is easy to read. (Also place it inside the coupon, if you use one.)
7. Include a toll-free number in your ad.
8. Print the toll-free number in extra-large type.
9. Put a small sketch of a telephone next to the phone number. Also use the phrase "Call toll-free."
10. Create a hotline. For example, a filter manufacturer might have a toll-free hotline with the number 1-800-FILTERS. Customers can call the hotline to place an order or to get more information on the manufacturer's products.
11. With a full-page ad, use a coupon. It can increase response by 25 to 100 percent.
12. Make the coupon large enough that readers have plenty of room to write in their name and address.
13. Give the coupon a headline that affirms positive action: "Yes, I'd like to cut my energy costs by 50 percent or more."
14. Give the reader multiple response options: "I'd like to see a demonstration"; "Have a salesperson call"; "Send me a free planning kit by return mail."
15. For a fractional ad (one-half page or less) put a heavy dashed border around the ad. This creates the feel and appearance of a coupon, which in turn stimulates response.
16. In the closing copy for your fractional ad, say, "To receive more information, clip this ad and mail it to us with your business card."
17. A bound-in business reply card appearing opposite your ad can increase response by a factor of two or more.
18. Use a direct headline—one that promises a benefit or stresses the offer of free information—rather than a headline that is cute or clever.
19. Put your offer of a free booklet, report, selection guide, or other publication in the headline of your ad.
20. Offer a free gift, such as a white paper, booklet, special report, or CD-ROM.
21. Offer a free product sample.
22. Offer a free consultation, analysis, recommendation, study, cost estimate, computer printout, or other service you provide.

23. Talk about the value and benefits of your free offer. The more you stress the offer, the better your response.
24. Highlight the free offer in a copy subhead. The last subhead of your ad could read, "Get the facts—*free*."
25. In a two-page ad, run copy describing your offer in a separate sidebar.
26. Be sure the magazine includes a reader service number in your ad.
27. Use copy and graphics that specifically point the reader toward using the reader service number. For example, include an arrow pointing to the number and copy that says, "For more information, circle reader service number below."
28. Consider using more than one reader service number. For example, have one number for people who want literature, another for immediate response from a salesperson.
29. In a full-page ad for multiple products, have a separate reader service number for each product or piece of literature featured in the ad.
30. Test different ads. Keep track of how many inquiries each ad pulls. Then run only those ads that pull the best.
31. Look for a sales appeal, key benefit, or theme that may be common to all of your best-pulling ads. Highlight that theme in subsequent ads.
32. Offer a free white paper or other information piece the reader can download by going to your web site.

A Hidden Profit Center in Your Database: List Rentals

Here is a source of incremental revenue that many businesses overlook: Renting your database of leads, active customers, and inactive accounts to noncompeting companies for their own direct marketing purposes.

There are a number of ways list owners can maximize list rental income and put more money into their pockets:

• ***Keep the base price reasonable.*** Many mailers want to charge fees above average, but relatively few own above-average lists. If you want to get extra income from your lists without putting a price on the data card that causes sticker shock, keep the base price affordable and charge a slight premium for "selects." A select is the rental of a specific portion of the list, rather than a random selection of names from the entire list.

For instance, the home versus business address select can run from $5 to $10. Selections by job function, industry, and products recommended or specified can run $10 to $20. List renters will be more accepting of a slightly higher select fee but prefer that the base price be reasonable.

An unusually high base price is flattering to the list owner's ego but may harm sales. The exceptions are truly unique lists reaching desirable markets; here price is not as much of a barrier to sale.

• ***Actively market to list brokers.*** List owners and managers like doing creative selling to list users, but you'll get better sales results by concentrating a good part of your effort targeting list brokers. Approximately 80 percent of list orders are generated by brokers; only 20 percent by list users directly. Marketing to both list users and their brokers can be effective. But be sure to respect broker-client relationships. Don't try to circumvent brokers; instead, include them in the sales process.

• ***Do test-and-continuation promotional mailings.*** Whenever a list user rolls out on your list, send a letter thanking them for their business and encouraging a reorder. For list users who are deciding whether to test your list, send them a list usage report showing tests and continuations to demonstrate that your list is working for other mailers.

• ***Broaden the potential renter base.*** The natural tendency is to market lists to a narrow base of potential users; software buyer lists, for example, are heavily marketed to mail order software firms. You have a good chance of making a sale and having a mailing success when you do that, but you also limit your potential market.

Many lists can work for products and offers that, at first glance, don't seem directly related. If you own a list of subscribers to a computer magazine, for example, you might think to offer it only to other computer magazines (for subscription promotion) and maybe for software. But such lists have worked for a wide variety of offers including seminars, gift merchandise, consumer electronics, books, record clubs, and more.

In marketing your list, think of the character of the buyer. A list of software programmers is a natural for a software offer, but what these people have in common (aside from software knowledge) is that they are do-it-yourselfers who aren't afraid of tackling challenging projects. Such a list might pull well with a test mailing for a set of how-to home repair books or videos, or for a mail order tool and gadget catalog.

• ***Go beyond the data card.*** List brokers want to feel they are making the right recommendations to their clients. List users want assurance of the quality, responsiveness, and relevancy of the list to their target audience. A data card (a sales flier describing the list) communicates some of this information, but the more proof you send, the more you give the list renters a good feel for the nature and unique character of your list.

If you own a list of magazine or newsletter subscribers, for example, provide your list manager with copies of your publication and media kits they can give to potential renters. If you have a seminar attendee list, give the list managers copies of your seminar brochure. If yours is a mail order buyer list, provide the list manager with copies of your catalog for distribution to their clients.

- ***Promote your list on the World Wide Web.*** If you have a web site, add information on your mailing list and how it can be rented. Ask your list manager whether they can promote your list on the Internet. Direct marketers planning direct mail campaigns often need fast, last-minute access to counts, prices, selects, and other list data. The Internet is a quick and easy way for them to get it.
- ***Use demographic overlays.*** Enriching mailing lists with overlays can add data and selections, making the lists more marketable. An effective strategy is to enhance a response or compiled list by adding such demographics as age, income, SIC code, or number of employees. Your list manager can help you here.
- ***Consider database participation.*** Many list owners are hesitant to let their lists be incorporated into the private prospecting databases discussed earlier, fearing they will lose control over usage and proper compensation. On the other hand, having your list incorporated into these databases can generate significant incremental revenue for you with no additional effort. It's up to you.
- ***Keep the list accurate.*** Since 40 million Americans move each year, National Change of Address (NCOA) processing should be performed on your list quarterly or semi-annually. Many list managers can also clean list files for their clients. The NCOA program makes change of address information available to reduce undeliverable or duplicate mailing pieces. By updating address information, NCOA processing can improve mailing results and increase continuations.

There are perhaps millions of companies that use mailing lists, but—according to Standard Rate and Data Service (SRDS)—only 754 list brokerage companies. Yet 80 percent of list orders are placed by brokers, not mailers.

Direct marketers and list brokers have a potential universe of 30,000 lists to choose from—including yours. Here are eight offers you can make to get more mailers and list brokers to rent your lists:

1. ***Free test.*** If you strongly believe your list will do well with a particular mailing, offer to do a 5,000-name test for free. The potential revenue of the roll-out far exceeds the modest cost of giving away a few thousand names for a test. Such an offer catches the broker's attention and shows you are interested in helping users get results rather than making a quick buck with numerous small one-shot tests.
2. ***Guarantee.*** If you don't want to offer a free test, offer a guarantee of performance. For example, if the list isn't profitable for a proven direct mail piece, there's no charge . . . or the mailer can test another 5,000 names from one of your other list properties. This strategy works when selling to brokers who shy away from free tests that can cost them a 5,000-name commission.
3. ***Net-net deal.*** Help brokers reduce their clients' list rental costs. In a net-net arrangement, your list is merged/purged with other lists the mailer is testing. The mailer pays only for unduplicated names from your list. Depending on the level of duplication, this can make it anywhere from 10 to 50 percent cheaper to use your list.
4. ***Discounted run charges.*** Run charges for lists are typically $5 to $10 per thousand. A broker who is on the border about your list may be swayed if you offer to cut or even eliminate run charges for a test. The lower the cost-per-thousand, the better the chance of reaching or beating breakeven on the test.
5. ***Exclusives.*** To build closer relationships with key brokers, offer them an exclusive. Special selects are an attractive offer. A broker whose client sells Windows NT applications might be interested in your list of corporate data center managers. By offering them a selection of companies that have NT installed (something that is not listed on the data card for this file) you increase the odds the list will pay off for them.

   Another exclusive you can offer is a first. When a list is updated, or new hotline names become available, call your favorite broker, let them know, and give them first crack at these fresh names.
6. ***Variable pricing.*** A software company promoting a $250 program can afford a higher cost-per-thousand than a publisher selling a $19 book. Perhaps it's time list owners start offering tiered pricing based on the break-even economics of the particular mailing.

   This is a radical idea for mailing lists. But space reps have already adopted this pricing model. Many publications, for example, have one rate for corporate advertisers and lower rates for retail and mail order advertisers. Why not price your list based at least partially on the mailer's ability to make a test pay off?

In fact, the list industry has taken a small step in this direction for years, offering reduced rates for fund-raising mailings. Adding tiers to pricing can help price list rentals more realistically, so a broader range of mailers have a chance to mail the list at a profit.

7. ***Better product.*** Use NCOA processing to keep your list clean. Increase selects with demographic overlays. The better the quality and selectivity of the list, the more likely brokers are to recommend it to their mailers.

   Some list owners and managers offer to model their file against the mailer's customers, allowing the mailer to select prospects with similar characteristics. This can multiply response rates many times over on tests and continuations. If you don't know how to do this modeling in-house, there are many database consulting firms ready to assist you.

8. ***Superior knowledge.*** The more brokers know about the market a given mailing list reaches, the better able they are to make an intelligent decision about whether to recommend the list for a test.

   List owners and managers often boast about how many well-known direct marketers have tested their lists, but brokers are much more interested in continuations. What percentage of those who tested the list rolled out? Seventy percent or better is impressive. Another big selling point for me is to learn that someone with a product and offer similar to my client's tested the list and rolled out. That means the odds are good the list will work for my client's mail campaign too.

Incidentally, don't bother trying to sway brokers with fancy brochures and elaborate mailers. Brokers primarily just want to see a data card. It's the information—not the format—that makes or breaks a list promotion.

As a rule, the more data on the data card, the better. Write a clear, descriptive profile of who is on the list and the type of buyer they are. Include such useful things as size of average order, availability of hotline names, whether the prospects are buyers or inquirers, when the list was last updated, and how the names were generated—direct mail, retail, catalog, credit card, sweepstakes, telemarketing, Internet. But don't send brokers stacks of data cards that haven't been well targeted to the broker's clientele. If the brokers have to go through the pile to find the relevant lists, they're doing your work—and they'll resent it.

Another thing that rarely works is gifts, giveaways, and other special promotions. There's a conflict in a broker accepting a gift, such as a vacation or laptop computer, for recommending a particular list. It looks especially bad if the list doesn't work.

The biggest mistake a list owner or manager can make is not carefully analyzing the marketing challenges of direct marketers before approaching their list brokers with list suggestions. The quickest way to lose credibility is to recommend your lists when they are clearly inappropriate for the mail campaign. Don't recommend the Omaha Steaks customer file for a fund-raising mailing for Vegetarians Against Animal Slaughter. Do that even one time, and you may never get the broker's ear again. And with direct marketing being a relatively small and close-knit community, that's a mistake you cannot afford to make.

To sum it all up . . .

- Actively market to your old sales leads. Prospects who inquired but did not buy are two to five times more likely to buy than someone who doesn't know you at all.
- Implementing a regular marketing program aimed at generating a steady flow of leads. Keeping your new business pipeline filled with fresh leads is good protection against periodic business downturns and seasonal fluctuations.
- Even if you can't sell a lead on your product or service, you can still make money from the name by renting your inquiry file to other marketers who want to reach the same audience.

CHAPTER

6

Generate New Business from Existing Accounts

Selling to Existing Customers in a Down Economy

There is no better market for what you are selling than existing, active customers.

"Companies who have an abundance of loyal customers are sitting on a gold mine," according to *Personal Selling Power Live* (audiotape, Vol. 6, No. 1). "Because loyal customers make repeat and regular purchases, they resist the lure of your competition, they refer other loyal customers to you, and they occasionally overlook a lapse in service."

In this chapter, I'll discuss the best ways to determine which customers are most valuable to your continued business success through database marketing, and I'll present ways to approach these top existing customers.

The "Existing Customer Marketing Plan"

Recall from Chapter 4 our leasing company and how they divided their database into active customers, inactive customers, and leads, as follows:

A: Companies that have transacted a lease within the past 18 months.
B: Companies that have transacted a lease but not within the past 18 months.
C: Companies that have applied for leasing but did not actually sign a lease.
D: Companies that have requested information on leasing but have taken no further action.
E: Companies that are in the industries the leasing firm serves but that have not contacted the leasing firm for a quote, credit approval, or other information.

In Chapter 4, we focused on creating a marketing campaign to reach segment B, your inactive accounts—customers who bought from you in the past but have not purchased recently. In Chapter 5, we talked about marketing to your database of leads—segments C and D. These are companies that inquired about your product or service but have not bought yet.

You can follow the suggestions in those chapters and apply most of the techniques to creating a marketing plan to your active accounts—segment A. These are customers who are already buying from you. The purposes of your marketing campaign to existing, active customers are (a) to get them to buy more frequently, (b) to get them to increase the size of their average order, and (c) to get them to buy other products and services you offer in addition to the ones they regularly buy.

Creating Your Customer Database

To offer different treatment to different customers (segments A versus B, for instance), you have to categorize and identify various groups of customers in your database. The way you do this depends on the specifics of your business.

Typically, if you don't continue to actively market to your customers, response rates for your promotions might drop, lists suffer from fatigue, old promotions don't work like they used to, and the universe of available names that you can profitably market to slips. Marketers turn to new ways to combat this decline, and database modeling has become an important device in the marketers' toolbox.

By modeling a prospecting list, you can transition unprofitable lists into profitable ones, and profitable lists into stellar performers. Many different modeling techniques are available. Some are better than others for specific business objectives; some are completely inappropriate. You also need to know the lingo so that you can speak with the statistician in his or her own language.

Analysis begins with a definition of the business challenges or objectives. In direct mail, that's usually (but not always) increased response. The statistician then determines, based upon the objectives, which analytical methods are most appropriate for the job. In many ways, the statistician's role is similar to that of a physician diagnosing a patient. The physician must evaluate the situation and subsequently prescribe the most effective remedy. The statistician must evaluate business objectives, as well as the information available, and prescribe a correct methodology for achieving these objectives. An incorrect technique, much like an incorrect prescription, can lead to ineffective or even disastrous results.

Creating a good model starts with an exploratory data analysis (EDA). The EDA helps the statistician understand the personality of the data to be modeled (in this example, the responses). Comparing the customers generated by your mailing against the lists mailed, for instance, tells you who responded. Matching records mailed and responses with demographics and transactional/promotional information, and examining the interplay between variables that give you the greatest lift in response, further enhances understanding of who's responding to what.

To gain knowledge about your customers' demographic profile and what variables are important in predicting response, a good statistician uses some combination of the following six EDA techniques in developing a model for you.

1. *Univariate analysis* measures the effect of single variables (such as age, income, employee size, SIC) on our target variable—response. For example, as income increases, does response increase or decrease?

Other key factors to evaluate include whether the predictor variable contains enough data to be statistically valid, contains valid information or garbage values, or needs to be transformed into a more modeler-friendly format. Your statistician may do a frequency distribution and other descriptive measures to see if patterns in the data emerge.

2. *Bivariate analysis* is similar to univariate analysis, except that you are doing cross tabulations of two variables (e.g., SIC by employee size) to see if more complex patterns emerge. This type of analysis may reveal relationships not detectable through univariate analysis.

For example, univariate analysis may reveal that SIC is not predictive of response, and number of employees at a site is not predictive of response either. However, viewing SIC and employee size simultaneously with respect to response may indeed reveal a relationship. It may turn out that SIC 80 (Health Care Professionals) with less than five employees in the office is extremely predictive of response. However, the variable of Health Care Professionals by itself (without the presence of less than five employees) is not predictive of response.

3. *Factor analysis.* Sometimes referred to as "dimensionality reduction analysis," factor analysis helps to group similar variables, such as home value and income, to identify whether they are statistically redundant. Redundant variables can be eliminated from the analysis or grouped together into composite measures.

An example of redundant variables is age and date of birth—for example, if you know my birth date, you automatically know my age. Factor analysis helps to identify the true number of independent pieces of information by eliminating redundancies in the data, which in turn helps to simplify the analysis process and make your model more intuitive.

Suppose, within your marketing database, you have information on product purchases for over 100 products. You are having a model developed to predict responsiveness to a particular catalog promotion, and you know that product purchase history is likely to be a significant attribute in predicting responsiveness.

In theory, each product purchased could be used as a predictor variable. But this would yield 100 possible predictors, far too many to include in a single model. Also, many of the 100 products may have an affinity to one another and thus be somewhat redundant in predicting response. Factor analysis may help by grouping the products into a smaller number of more manageable categories, thus reducing the number of predictor variables and ultimately leveraging more information than if these product variables were considered separately.

4. *Cluster analysis.* Factor analysis is commonly, though by no means exclusively, used as a precursor to cluster analysis. Cluster analysis evaluates a large, heterogeneous population of businesses or consumers and breaks it down into smaller segments with like characteristics. The primary benefit of cluster analysis is that it makes it easier to target these more homogenous, well-defined universes.

Suppose you profile your customer base in its entirety and learn that the average number of employees at your customer locations is 75. It may be that not one of your customers has 75 or even close to 75 employees. Perhaps roughly half of your customer base consists of smaller businesses with 25 employees on average, and the other half consists of larger businesses with 125 employees on average. Targeting your customer base as a whole would lead you to believe that companies with 75 employees (the overall average across your customer base) are your ideal target, when in fact they are not a core market.

Cluster analysis extracts these submarkets within your database, making it easier to target—from both a modeling perspective as well as a creative marketing perspective—these dynamic groups of customers.

Each submarket may have different performance (response) patterns. Let's say your database pulled a 1 percent response to a particular promotion. But the 25-employee segment pulled a 1.5 percent response, while the 125-employee segment pulled a 0.5 percent response.

In actuality, cluster analysis would use several variables (not just number of employees) in determining the various market segments resident within a database. The greater the number of variables to evaluate, the more clusters you are likely to find.

5. Discriminant analysis. Often referred to as "cross validation analysis," discriminant analysis is a test to see if the groups being used are valid discriminators.

For instance, a university used a formula for its entering freshmen to determine in which level of a foreign language they were to be placed. If the freshmen had completed one to two years of high school Spanish, they were classified as level A. If they had completed three years, they were classified as level B.

Next, the university administered a test to the incoming students already preclassified into levels and found that the scores were very similar. The determination was made that the number of years of a foreign language taken in high school was not a sufficient discriminator to determine a freshmen's knowledge.

The idea here is that if the groups perform the same, there is no reason to keep them apart. Discriminant analysis is often used to cross-validate cluster groupings identified within a database, or to assign new customers into such clusters identified within the database.

6. CHAID analysis. Short for "chi-square interaction detector," CHAID is a technique used to segment a population with respect to its relationship to a target variable, such as response. Responders are compared with nonresponders for various attributes to determine whether a statistically valid difference exists.

CHAID can be viewed as a tree with branches. The trunk is usually a variable within the database found to have the greatest impact on the target variable. The branches are different variables and combinations of variables which produce an even greater impact on response. As you move up the branches, the impact on response intensifies.

For example, within the database, the trunk is made up of individuals with incomes exceeding $100,000. This group responds 1 out of every 100 times mailed. Further up the tree, the first branch consists of a group of individuals with incomes exceeding $100,000 and ages 35–45. This group responds 5 out of every 100 times mailed. Still further is a second branch comprised of a group of individuals with incomes exceeding $100,000, ages 35–45, and female, who respond 10 out of every 100 times mailed. Climbing of the tree stops when the desired lift in relation to the potential universe is maximized.

Now that you've done your exploratory data analysis, it's time to pick a modeling methodology. It is theoretically possible to get to a model that predicts a fantastic result but does not provide you with sufficient quantity to justify a mailing. This is why you must get involved in the modeling process. You must examine the interplay between variables that gives you the greatest lift for the quantity you must mail to have a profitable business. If you can't scale up your mailings, it won't matter that you've gotten the best response anyone ever had using that list.

There are three basic multivariate modeling techniques commonly used in direct marketing: linear regression, logistic regression, and neural net models.

Linear regression, known as "least squares estimation," seeks to find the smallest variance between points. Linear regression can be used on anything that can be averaged (such as dollars, lifetime value, average order size).

Logistic regression uses a technique known as "maximum likelihood estimation," which seeks to find a model that gives you the greatest proportion of successes. Use logistical regression in situations whose outcomes are characterized as a yes or no; response or nonresponse; or better, same, or worse.

Neural net is a technique that is good at finding patterns in the data that are nonlinear. Its strength is that it can test for all the combinations of variables, not easily detectable through traditional statistical methods, to find positive and negative patterns that determine response.

There are a few software programs on the market that claim to do all the different types of regression modeling automatically. The problem with this is that the model can only be effective if you understand the data, their interrelationships, and the type of methodology to use for the information to be discovered. For example, using linear regression to answer a yes or no question will probably yield poor results. Yet these programs could and do sometimes show the best results using the wrong methodology.

So be careful and, most important, remember to clearly communicate your business objectives or challenges. Only then can your statistician prescribe the appropriate medicine for your marketing challenges. In the next section, I turn to the subject of how you approach marketing techniques, and what skills will maximize your execution of marketing incentives and plans.

The Keys to Selling More to Your Existing Customers

Cynical businesspeople view selling as a bag of techniques designed to trick unsuspecting consumers into buying questionable products they don't really need at inflated prices. This is a bad approach in normal times but positively deadly in a business downturn, when consumers are most skeptical and wary.

When your business or the economy as a whole is down, selling more goods and services to your existing customers largely depends on your ability to build strong relationships with them through fair dealings and clear, frequent, and direct communication. As self-made multimillionaire entrepreneur Steven Scott observes in *Mentored by a Millionaire* (Nightingale Conant), every successful businessperson must focus on becoming an effective and persuasive communicator. What we are talking about is the art of persuasion, and it's a technique that anyone can learn and master.

Many people think *persuasion* is just another word for manipulation. But there is a real difference between persuasion and manipulation. Manipulation is using any means necessary to motivate or force someone to do something that fulfills your desire or need, whether it's in his best interest or not. The focus is on getting the person to do what you want him to do, regardless of what's best for that individual.

Persuasion, on the other hand, is communication that guides a person's mind and emotions past all obstacles, enables the person to understand what you're saying, and feel what you're feeling, and motivates the individual to take the course of action that is in his or her best interest.

Now, what is effective communication? Effective communication enables a person to understand what you're saying and to feel what you're feeling. Effective communication is two-dimensional. It brings true understanding to the recipient and feelings of empathy to the communicator. It affects the mind and heart of the recipient.

Persuasive communication, however, is three-dimensional. In addition to the heart and the mind, it also affects the *will* of the recipient. So it not only creates understanding and empathy, but it motivates a specific behavior on the part of the recipient.

The key to effectively communicating with your customers is to be a good listener. But many of us have surprisingly weak listening skills. Consider the game Whisper Down the Lane. Several people sit in a row, and the first person makes up a sentence and whispers it into the ear of the next person; the story is passed down the line in this fashion. The fun comes in hearing the story repeated aloud by the last person in line. Invariably, it turns out to be quite different from the original version.

While this is amusing as a children's game, it is not a very amusing situation in real life, especially in business. If you've ever heard your instructions, advice, or presentation repeated to you in distorted form by an employee, co-worker, or colleague, you know what I'm talking about.

The success of many of our business activities depends on how well we listen. Studies show that we spend about 80 percent of our waking hours communicating, and at least 45 percent of that time listening. But although listening is so critical in our daily lives, it is taught and studied far less than the other three basic communications skills: reading, writing, and speaking. Much of the trouble we have communicating with others is because of poor listening skills.

The good news is that listening efficiency can be improved by understanding the steps involved in the listening process. First, ask yourself if you're a good listener. Most people are not. Many years ago, Sperry (now UniSys) did a survey and found that 85 percent of their sample group rated themselves average or less in listening ability. Fewer than 5 percent rated themselves either superior or excellent.

You can come up with a pretty good idea of where you fall in this spectrum by thinking about your relationships with the people in your life—your boss, colleagues, subordinates, best friend, spouse. If asked, what would they say about how well you listen? Do you often misunderstand assignments, or only vaguely remember what people have said to you? If so, you may need to improve your listening skills. The first step is to understand how the listening process works.

- *Hearing* is the first step in the process. At this stage, you simply pay attention to make sure you have heard the message. If your boss says, "I need the CAD drawings on my desk by Friday noon," and you can repeat the sentence, then you have heard her.
- The second step is *interpretation*. Failure to interpret the speaker's words correctly frequently leads to misunderstanding. People sometimes interpret words differently because of varying experience, knowledge, vocabulary, culture, background, and attitudes. A good speaker uses tone of voice, facial expressions, and mannerisms to help make the message clear to the listener. For instance, if your boss speaks loudly, frowns, and puts her hands on her hips, you know she is probably upset and angry.
- During the third step, *evaluation*, you decide what to do with the information you have received. For example, when listening to a sales pitch, you have two options: You choose either to believe or to disbelieve the salesperson. The judgments you make in the evaluation stage are a crucial part of the listening process.
- The final step is to *respond* to what you have heard. This is a verbal or visual response that lets the speaker know whether you have gotten the message and what your reaction is. When you tell the salesperson that you want to place an order, you are showing that you have heard and believe his message.

When it comes to listening, many of us are guilty of at least some bad habits. For example:

- Instead of listening, do you think about what you're going to say next while the other person is still talking? For example, as an engineer by training, I can tell you from experience that engineers, thinking we know the answers and managers do not, often tune out what nontechnical speakers are saying.
- Are you easily distracted by the speaker's mannerisms or by what is going on around you?
- Do you frequently interrupt people before they have finished talking? Technical people, who value facts rather than feelings, often interrupt to set the speaker straight, not realizing that the speaker has a need to express himself fully, whether he is right or wrong.
- Do you drift off into daydreams because you are sure you know what the speaker is going to say? Many IT people have a low tolerance level for users, whom they believe have less knowledge than they do.

All of these habits can hinder our listening ability. **Contrary to popular notion, listening is not a passive activity. It requires full concentration and active involvement and is, in fact, hard work.**

The following eight tips can help you become a better listener.

1. ***Don't talk. Listen.*** Studies show that job applicants are more likely to make a favorable impression and get a job offer when they let the interviewer do most of the talking. This demonstrates that people appreciate a good listener more than they do a good talker.

Why is this so? Because people want a chance to get their own ideas and opinions across. A good listener lets them do it. If you interrupt the speaker or put limitations on your listening time, the speaker will get the impression that you're not interested in what he is saying—even if you are. So be courteous and give the speaker your full attention.

This technique can help you win friends, supporters, and sales. Says top salesman Frank Bettger, "I no longer worry about being a brilliant conversationalist. I simply try to be a good listener. I notice that people who do that are usually welcome wherever they go."

2. ***Don't jump to conclusions.*** Many people tune out a speaker when they think they have the gist of his conversation or know what he's trying to say next. Assumptions can be dangerous. Maybe the speaker is not following the same train of thought that you are, or is not planning to make the point you think he is. If you don't listen, you may miss the real point the speaker is trying to get across.

3. ***Listen "between the lines."*** Concentrate on what is not being said as well as what is being said. Remember, a lot of clues to meaning come from the speaker's tone of voice, facial expressions, and gestures. People don't always say what they mean, but their body language is usually an accurate indication of their attitude and emotional state.

4. ***Ask questions.*** If you are not sure of what the speaker is saying, ask. It's perfectly acceptable to say, "Do you mean . . . ?" or "Did I understand you to say . . . ?" It's also a good idea to repeat in your own words what the speaker has said, to confirm that you have understood him correctly.

5. ***Don't let yourself be distracted by the environment or by the speaker's appearance, accent, mannerisms, or word use.*** It's sometimes difficult to overlook a strong accent, a twitch, sexist language, a fly buzzing around the speaker's head, and similar distractions. But paying too much attention to these distractions can break your concentration and make you miss the point of the conversation.

If outside commotion is a problem, try to position yourself away from it. Make eye contact with the speaker, and force yourself to focus on the message, not the environment.

6. *Keep an open mind.* Don't just listen for statements that back up your own opinions and support your beliefs, or for certain parts that interest you. The point of listening, after all, is to gain new information. Be willing to listen to someone else's point of view and ideas. A subject that may seem boring or trivial at first can turn out to be fascinating, if you listen with an open mind.

7. *Take advantage of your brainpower.* On the average, you can think four times faster than the speaker can talk. So, when listening, use this extra brainpower to evaluate what has been said and summarize the central ideas in your own mind. That way, you'll be better prepared to answer any questions or criticisms the speaker poses, and you'll be able to discuss the topic much more effectively.

8. *Provide feedback.* Make eye contact with the speaker. Show him you understand his talk by nodding your head, maintaining an upright posture, and, if appropriate, interjecting an occasional comment such as "I see," "That's interesting," or "Really." The speaker will appreciate your interest and feel that you are really listening.

Motivation is an essential key to becoming a good listener. Think how your ears perk up if someone says, "Let me tell you how pleased I am with that report you did," or "I'm going to reorganize the department, and you are in line for a promotion." To get the most out of a meeting, speech, or conversation, go in with a positive attitude. Say to yourself, "What can I learn from this to make me more valuable in my industry and to my company?" You might be surprised at what you can learn, even from routine meetings and bull sessions at the water fountain.

Here are some other ideas for stimulating business from your regular customers:

- "Develop a special offer for existing customers," advises marketing author Bob Leduc. "Use a short deadline so they must take immediate action or forfeit the special offer." Advise them of the special offer using a fast but inexpensive method of communication such as e-mail, fax, postcard, or even a phone call.
- Spend quality time with key customers. "Now that business may be slower, take the time to cultivate relationships with your best customers," advises an article in First Union Bank's *Strive* magazine. Take

customers to lunch or dinner or invite them to play a round of golf. "This personalized care will be remembered—and rewarded—when business demand rebounds."

• Market to your base. "Revisit your loyal customers, the ones you have probably taken for granted and ignored lately," writes Alf Nucifora in an article in *Business News*, noting that client retention is the goal of marketing to existing customers. For most small businesses, developing the relationship with the customer is one of the big advantages they have over large corporations that lack the time and energy. "And don't forget to add value," says Nucifora. "Customers crave it but don't get enough of it, especially customer service."

• Stay in touch with customers even when there aren't current projects or orders, advises Robert McGarvey, writing in HomeOfficeMag.com. He advises sending out a friendly e-mail once a month or so with a message something like this: "Hope you're doing well. I'm keeping reasonably busy but of course would always welcome hearing from you about possible projects."

• Increase the frequency of customer contact. "Contact core customers often during a crisis (e.g., a recession, post 9/11, etc.)," advises copywriter John Forde. "They'll give you the bulk of your sales."

• Get into the habit of daily communication with your key accounts. Roger C. Parker advises starting each day by contacting three recent customers and finding out how satisfied they are with their purchases. Thank them for choosing you and ask them what you can do to make them even happier next time. "You'll undoubtedly uncover additional unmet needs while generating valuable leads and referrals," says Parker. Also, ask yourself who your most valuable customers are. Think about what you can do to make them feel special and appreciated.

• Focus on your core accounts. "A common marketing mistake is to try to widen the net in a bid to write more business," writes Thomas Liddle on australia.internet.com. Doing so, says Liddle, will scatter your energies, consume resources, and waste your time. Instead, offer more products and services to your existing customers. "Chances are that they already like you," notes Liddle. "They signed up, didn't they? They bought the product."

• Understand your customers' plans and how they are changing. In a down economy, for example, large corporations often have their large capital budgets frozen. You can solve this problem with an offer that falls within the existing budget or does not require authorization from senior management. For instance, if a customer does not have the capital budget to purchase your $10,000 system, or cannot get authorization for a purchase of that size from upper management, offer your system on a rental or lease basis. Often a middle manager at a large corporation can approve the low monthly payments without consulting the higher-ups.

Pay special attention to customer satisfaction. For example, when your product arrives, it should be ready to use. "The customer should be able to plug it in and listen to it or watch it, wear it, hang it on the wall and admire it, or open and read it," says direct mail copywriter Denny Hatch. When the product arrives, make sure it is accompanied by instructions so clear that anyone can understand them.

To sum it all up . . .

- Actively market to your existing customers. Current customers are five to 10 times more likely to buy than someone who doesn't know you.
- Communicate with current customers quarterly or more frequently. Give them discounts and other special offers to entice them to order more frequently and place larger orders.
- Understand your customers' plans and how they are changing. Offer them solutions to help them cope with these changes.

CHAPTER

7

Shift Your Marketing into High Gear

Listen to Your Instincts—Then Do the Opposite

When sales are down, and cash flow is poor, companies naturally look to trim expenses. The first areas to be cut are training and marketing. On the surface, this makes sense. After all, to stay in business, you have to pay the rent, the utilities, and the telephone bill. Employees will not work without a paycheck. To continue making your product, you have to buy raw materials—you simply don't have a choice. Marketing and training expenses seem easier to cut. You save a lot of money by not running your ads this month. And do your employees really need to attend that out-of-town seminar on stress reduction?

Your instinct is to view advertising as an expense and a luxury rather than a necessity—and, in tough times, to maintain profitability by cutting out this expense. Although this sounds sensible on the surface, this instinct is wrong. And when sales are soft, rather than cut marketing, you should actually shift it into high gear.

As marketing consultant Alf Nucifora says, "When times are tight, most small businesses tend to give up on self-promotion. Now, more than ever, we should be telling the world how good we are. Seek out high-visibility clients, take on select pro bono assignments, hit the speech circuit. Chase publicity."

The reason: You can only cut expenses so far, and no more. But even if expenses are zero, you can't stay in business when sales become zero, too.

But while the potential to decrease operating costs is finite, the potential increase in revenues you can achieve has practically no upper limit. A big boost in revenue is the fastest way out of business doldrums, and marketing is one of the only ways to revitalize sagging sales.

Now that you've fine-tuned your communication and interpersonal skills and prepared yourself for taking massive action, it's time to market your product aggressively and watch sales go up. By contrast, stop marketing, and watch leads, orders, and sales dry up.

Sounds logical in theory, but does it work in reality? Most assuredly. According to the American Business Press, companies that maintain or increase advertising during recession years do better in sales and profits in those and later years than do companies that do not advertise. Example: By 1985, the sales of companies that were aggressive advertisers during the 1981–1982 recession had risen 256 percent over those that didn't advertise during the recession.

Companies that cut advertising during hard times jeopardize their future sales and profits, said Wesley Rosberg, president of Buchen Advertising, in an article in *Industrial Marketing* magazine. According to a research study from Yankelovich/Harris, companies that advertise in a down economy achieve greater top-of-mind awareness with customers when purchase decisions are being made, and create more positive impressions about their commitment to their products and services. Cahners Research found that companies who increased their advertising expenditures 28 to 80 percent during a recession gained an average of 1.5 points of market share.

In his client newsletter *Words from Woody*, David Wood, a marketing consultant serving the construction industry, tells the story of an entrepreneur who found out what happens when you stop marketing in a down economy:

> There once was a man who lived by the side of the road and sold hot dogs. In fact, he sold very good hot dogs.

> He put up highway signs telling people how good his hot dogs tasted. He stood by the side of the road and called out, "Buy a hot dog, mister?"
>
> And people bought his hot dogs. They bought so many hot dogs the man increased his meat and bun orders. He bought a bigger stove so he could meet his customers' demands. And finally, he brought his son home from college to help out in the family business.
>
> But something happened. His son said, "Father, don't you watch television or read the newspapers? Don't you know we're heading for a recession? The European situation is unstable and the domestic economy is getting worse?"
>
> And the father thought, "My son's a smart boy. He's been to college. He ought to know what he's talking about."
>
> So the man cut down his meat and bun orders, took down his highway signs, and no longer stood by the side of the road to sell his hot dogs.
>
> His sales fell almost overnight. "You're right, son," said the father. "We certainly are in a serious recession."
>
> ***Marketing moral:* If you stop selling your customers today, they may stop buying from you tomorrow.**

As opposed to the father's approach in the hot dog scenario, the smart marketing strategy for business success in a slow economy has two parts. The first part, which seems blatantly obvious, is that **when things are slow, you increase the percentage of your time spent on marketing and prospecting for new business.** Ironically, most businesses do the opposite.

The second part of the strategy may not be so obvious. It's this: **To prevent a lull in business from ever happening in the first place, you should market consistently and aggressively all year long, every week, not just when you need the business.**

This chapter shows how to plan an ongoing marketing campaign that ensures a steady stream of new business leads, regardless of the economy. It also examines what types of marketing work best in a recession—and urges readers to avoid costly "image-building" marketing such as large space ads, slick corporate brochures, expensive annual reports, and other marketing communications that drain your budget without producing measurable results.

Marketing in a Down Economy

It's a simple fact of life that in a recession, business will be off for most companies. That's an environmental influence that's beyond your control. However, it can be argued that there are opportunities in every situation. The issue for management is determining what to do to capitalize on the current recession situation. Following are 11 actions specific to marketing and sales that you can take to turn the tables to your advantage.

1. *Eliminate non-value-added activities.* Closely examine each and every one of your marketing and sales functions to identify non-value-added activities. In good times, every function acquires some "slop" as a natural consequence of rapid growth. This waste should now be painfully apparent in your marketing and sales—and now is the best time to eliminate it.

Look at how your marketing and sales functions link together into an overall marketing and sales process. Reengineering your existing marketing process may take more resources than you care to spend just now, but the return on that investment will last well into the next economic boom.

2. *Identify the critical success factors for your business.* Detail the marketing and sales activities that support your critical success factors. Slower times usually mean you have some available resources to analyze improvements in existing activities and investments in new activities. Undertake any improvements that have an appropriate return on investment and payback period.

3. *Exploit a competitor's weakness.* Take a thorough and honest look at your competitor's sales practices and business operations. Find one or more weaknesses. Since the competitor is probably in the same situation you are, there will certainly be some easily identifiable (and possibly similar) weaknesses to choose from. Exploit those weaknesses now . . . before the competition tries the same trick on you!

4. *Focus on profitable accounts.* A down economy is an ideal time to jettison unprofitable accounts and to refocus resources on profitable ones. There is an inherent aversion to deliberately "firing" customers. But sometimes customers cost you more than they bring.

Once you determine that you no longer need a customer, don't call him to say you will no longer sell to him. Instead, stop assigning your top people to an unprofitable client. Reassign your people to focus on providing added value to the customers who will respond favorably (and profitably) to your attention.

5. *Find a hook in key accounts.* The reality is that your customer's business is probably in pain too, which means that their needs have changed. Reevaluate their wants, needs and expectations. Then find a hook for products or services that you can provide that will assist in their growth. This often means that you will provide a new product or service to your customers that could very well lead you into a new and profitable business.

6. *Acquire great people.* Now is really the best time to shed marginal people (you should be shedding the bottom 10 percent of your people every year, anyhow). The upside is that these times are likewise the ideal time to acquire great people. It has become the fundamental law of business, and it's true: A business is as good as its people. There are bound to be some great players available now. Snap them up while you can.

7. *Work with your vendors.* In a downtime everything is cheaper. Talk with your advertising vendors, your trade show vendors, and your other marketing and promotion vendors. Consider marketing and sales programs that were previously too expensive, and negotiate to make them realistic. Your vendors are in business too!

8. *Spend time with your customers.* Top performers are usually characterized as companies where top management (including CEOs) spend about 30 percent of their time with customers. Get out of your office. Your best customers and prospects are at risk, and sitting behind that desk won't save them.

9. *Invest in training.* Training is cheap. When things are slow and staff may have some downtime is the ideal time to get them trained. You not only get a proverbial performance kick-in-the-pants, you also improve morale, teamwork, and continuity while laying the foundation for growth that will surely follow this recession.

10. *Invest in key projects.* Invest in programs that focus on the acquisition and retention of profitable customers. Your first instinct might be to scale back on all programs in a cost-cutting frenzy. Don't cut so deep that you have no one with the bandwidth to push critical projects forward and pursue new opportunities. Don't lose your momentum now, or you will wind up further and further behind the competition.

11. *Improve.* Determine the cause or causes of your last few marketing failures. Put an improvement plan in place. Strive to *never again* perform poorly in marketing/sales.

The most important thing every company can do in these slower times is to plan for good times to come. A comprehensive and tested marketing and sales process allows you to shore up any problems and place yourself at the head of the pack. Be ready for the boom instead of racing to catch up.

(*Note:* These 11 tips are reprinted with permission of their author, Ralph Mroz, a principal of Customer Manufacturing Group.)

Buying Media at Wholesale

In Tip 7, we noted that marketing vendors can be negotiated with, and that includes media selling advertising space.

Most marketers only think about increasing ad response as a means to make advertising more profitable. But don't neglect the other end: increasing return on advertising investment by paying less for the ad space. Joseph Sugarman, famous for his Blu-Blocker sunglasses ads, says he made most of his profits by buying ad space and air time at deep discounts.

Small firms, entrepreneurs, and in-house agencies can find discounted print (newspapers, magazines, consumer, trade, industrial, business, freestanding inserts), radio, TV, cable, alternate, online, and interactive media. You get discounted media by purchasing ad space and air time from wholesalers or media brokers, bulk media buyers, ad agencies, media reps, and barter clubs.

Why would a media outlet ever sell space at a discount to their regular rate card? Several reasons—they might need cash flow, or perhaps they had a space cancellation in the publication (known as a hole in the book). Or an advertiser dropped a time slot, and the radio or TV station needs to fill this vacancy within 24 to 72 hours.

What are the media outlets' choices? They can substitute a free public service announcement, for which they receive zero revenue. Or they can sell the space or time at a discount off the rate card and recoup some of their lost income. Discounts range from 20 to 60 percent depending on how desperate and how close to deadline they are.

Tip: To buy ad space at a discount, go to www.bly.com, click on "Vendors," and call the companies listed under "Media."

Tactics: Before selecting vendors, do some homework. Look up the rate cards (retail rates) in various trade directories available at your local library. For print, radio, TV, cable, and interactive media rates, log on to Standard Rate and Data Service (www.SRDS.com).

Twelve Steps to Shifting Your Marketing into High Gear

Dr. Andrew Linick, one of the nation's most successful direct marketing consultants and entrepreneurs, offers these proven tactics for generating income in an uncertain economy or when your business is down.

1. *Expand and update your market reach.* If you haven't entered the World Wide Web, it's time to try the "new" media. It has become as essential to corporate life as fax machines, computers, and cell phones for millions of people. A home page will let you add graphics, audio, and video files to your message. Potential clients around the globe can access it 24/7. You'll save time, money, and grief researching information about your industry. For more information see Chapter 11.

2. *Provide persuasive company backup.* Prospective customers must decide that your products, your services, your firm, and you are their best choices. References and recognition are two powerful tools to help persuade prospects to buy from you today. You'll help your sales and support team to stay sharp.

References from satisfied people outside your organization are more compelling than anything you or others in your company could say. They lend credibility to your sales message by demonstrating that your product or service works for other customers.

Recognition today can be persuasive in the future. Call attention to someone's special efforts and express heartfelt thanks. When colleagues know you've recognized their past efforts they will be that much more motivated to excel on your next project.

3. *Give customers what they want.* You know success depends on making the right offer to the right customer at the right time. Once you have progressed through the prospecting and negotiation phases, usually both your prospect and you have developed an understanding of one another's needs and offerings.

But when a prospect resists committing to the sale and you don't know why, it's time to explore any hidden obstacles: price resistance, pressure from a competitor, doubts about your product's reliability. Investigate and use any obstacle as an opportunity to reiterate the value of your product, the reliability of your service or organization, and your commitment to keep your customer satisfied. When you sense you have addressed your prospect's concerns, go ahead and ask for the business. You won't get a yes if you don't ask for it.

4. *Watch out for bad credit.* Just about the easiest customer of all to whom you can sell products, and often the customer who shows the least sales resistance, is the one who is not creditworthy. All your company needs to be assured of bankruptcy is to deal with a large number of customers who are not creditworthy.

5. *Establish clear and fair pricing policies.* The complexity of products seems to increase with each new offering. New and present customers seek an expanding array of product features and financing options.

Format pricing information in creative ways to help your prospect sort through the various options without confusion. Present a narrow list of options you think will be of greatest interest and biggest value to your prospect. But explain there are additional options available to fit most budgets. Use numbered and bulleted lists that highlight terms and options, or simple, easy to read tables showing major options at a glance.

No one wins if a proposal is so clouded with detail that a prospective buyer cannot understand it. Clear, complete pricing correspondence increases your chances that a prospect will review and accept your bid.

6. *Demonstrate sincere interest in your customers.* Doing so is your first step to trust, and the cornerstone of enduring relationships. People buy from people. They may purchase commodities, but they respond to people they like. They buy from people who are pleasant to be around, willing to work hard to get the business, sincere in their work, and who build personal relationships with customers.

Sincerity means doing and saying what you really think and feel. As you work to connect with people and establish relationships with them, your sincerity will distinguish you as someone wanting to provide a solution, not just sell a product or service.

7. *Keep customers informed about your company.* Open and frequent communication between you and your customers sustains business relationships. It can help ward off fear, uncertainty, and doubt, especially when there are hints of product-release delays, management turnover, layoffs, even service problems. **Goodwill arises when you take the time to contact your customers on a steady basis.** Keep them apprised of events in your organization. Certainly news about your company, good or bad, is better coming from you than from your competitor.

8. *Show continued interest in your customers.* Be aware of what is happening in their organization and express your interest in a timely fashion. This concern establishes a relationship that transcends day-to-day sales orders and deliveries. It demonstrates your desire to build a mutually beneficial partnership.

9. *Maintain credibility under trying circumstances.* Setbacks are inevitable in business no matter how great your product or how dedicated your service team. But the way you resolve problems determines their lasting impact on customer relationships. Cultivate the following traits to bolster your credibility with customers when the going gets tough.

- ***Empathy.*** Ask yourself what your customer expects to happen. Address issues from that perspective. If a shipment was promised on the 15th, even though your contract lets you deliver as late as the 25th, realize your customer is disappointed with the late delivery.
- ***Diligence.*** Stay informed about your customer's experiences with your company. Note the progress of their orders to help ward off problems after the sale.
- ***Candor.*** Even when the news is bad, be straightforward and forthcoming with information that directly affects your customers. This teaches customers they can rely on the updates you provide.
- ***Creativity.*** Customers are impressed and encouraged to depend on you, even in trying situations, by how well you navigate your way out of troubled waters.
- ***Honesty.*** Trust promotes long-lasting associations instead of one-time sales. While it usually takes a long time to develop trust, it takes an incredibly brief time to destroy it.

10. *Strengthen your client-vendor bond through special events and customer appreciation initiatives.* Special events take you out of the usual sales call context. You'll put yourself into situations that bring customers closer to your company, your product, and you, broadening their view of your company. The net effect should be to increase their comfort level in doing business with you and your organization. For more information on running such events, see *Last-Minute Meetings* (Career Press) by Fern Dickey.

Offer well-orchestrated events that create favorable impressions and enhance your marketing efforts. Your efforts can range from a company golf tournament, to a thank you letter for each and every order, to a well-thought-out end-of-year gift.

11. *Monitor your cash flow.* Not infrequently in smaller companies, the emphasis is on building sales volume without watching profitability. It's very easy to get into serious financial difficulty by not paying attention to this.

12. *Keep abreast of your market.* In a slow economy even "fat cats" are prudent. Rather than following the more costly traditional approach to marketing research, seek out secondary sources of marketing information. You can order nonbiased compiled studies prepared by marketing research agencies to stay ahead of competition. You can target primary studies prepared to your specifications on the basis of data gathered from sources within your specific marketplace.

Expanding Your Sphere of Influence

What if your cash reserves are too depleted for a big TV campaign or full-page ads in the *Wall Street Journal*? Use promotional vehicles that are less costly and deliver a higher ROI.

One such opportunity is personal marketing—selling to people you already know. "Your number one source for financial gain and opportunity is the people you already know," says Lou Markstrom, president of Own America, a company that helps opportunity seekers find and fund businesses to buy or start.

Compiling a list of people you know and who know you—and people they know, and people they know, and so on—has many advantages over other marketing methods. To begin with, the cost is minimal. Renting mailing lists can be expensive, costing $100 per thousand names or more for one-time usage. Compiling your own list is free.

Rented mailing lists may be used one time. To mail to them again, you have to pay the rental fee again. When you compile names and keep them in a private database, you can mail them as many times as you want.

Finally, since they know you (or at least know of you), the people in your compiled private database are likely to be more responsive to your marketing than people in a rented list. Mailings to rented lists are often called "cold" mailings because the people on the list don't know you, your company, or your product. Promotions to private databases can yield twice the results of cold mailings, or even higher.

"All of the people you know also have a natural market of contacts," says Markstrom. If you can assemble a list of 250 to 500 names, everyone on that list will also have a circle of 250 to 500 names. If you compile a list of 250 people you know, plus the 250 people each of them know, you will have a list of 60,000 names.

Your list can include relatives, friends, colleagues, business associates, suppliers, local small businesses (e.g., your dry cleaner, auto mechanic, insurance agent, copier repairman, plumber, electrician), church and club members, neighbors, people you knew in school, people you know from work, and so on.

Once you compile this list, add it to your database. Segment it in your database as your "sphere of influence." Now your database, first presented in Chapter 4, looks something like this:

A: Active customers.
B: Inactive customers.
C: Prospects (those who made an inquiry but did not buy).
D: Sphere of influence (people you know, or who know people you know, but are not customers or prospects yet).

Each of these segments should be targeted with various promotions to take them to the next level:

A: Promote to active customers to get them to buy more frequently or purchase higher-ticket items, or to cross-sell them on additional products.
B: Promote to inactive customers to get them to order and become active again.
C: Promote to prospects to get them to buy and become customers.
D: Promote to your sphere of influence to let them know about the products and services you offer, so that they make an inquiry and become prospects (C) who eventually buy and become customers (A).

Promotion Tips from the Pros

So, how do you promote to these audiences and achieve your objectives? What promotions work especially well with these audiences in a down economy or slow business cycle?

Here are a few suggestions from top marketers:

- ***Target the right prospect for the right offer.*** You can't afford to waste precious dollars marketing to the wrong people. For instance, Tony de Jonker is a consultant who offers Excel-based training in finance. He markets only to companies where he knows the employees have specific knowledge of Excel. He only targets the finance manager, and never talks to the human resources manager—because, he says, "HR doesn't know what the finance manager really needs."
- ***Reshuffle your marketing mix to a more profitable, measurable use of limited funds,*** advises marketing consultant and copywriter Joan Damico. She says that direct mail and e-mail marketing "clearly offer the most profitable and measurable vehicles for precisely targeting prospects and building long-term customer relationships." A recent Aberdeen Group study indicates that e-mail marketing is receiving a greater percentage of overall promotional budgets because of its high ROI and low cost per contact. For more e-mail marketing tips, see Chapter 11.
- ***Maintain a steady flow of new business leads.*** Ralph Drybrough, president of Merit Direct, a mailing list brokerage in Stamford, CT, says his formula for lead generation is "a generous travel budget and a few knowledgeable, motivated, and well-compensated business development people, working a well-researched hit list." Drybrough's direct sales approach has kept Merit's new business pipeline brimming, "spilling over with a steady supply of new clients."
- ***Market continuously.*** Ralph says many companies make the classic mistake of prospecting for new business only after they've lost a client, attempting merely to replace the lost revenue. "This leads to uneven and recession-like results even when the world around them is going gangbusters." **Ideally, you should promote yourself steadily and consistently all year long, so that your new business pipeline is always full. That way, when an economic downturn causes some clients to stop ordering, others are lined up ready to take their place.**

- ***Gain new clients by offering to help solve their problems.*** "Recessions offer huge opportunity for providing struggling potential clients with solutions that their current suppliers can't or won't provide," says Drybrough. "Prospects will listen to your ideas in rough times. If you've maintained an intelligent, aggressive new-business effort so that you and your selling proposition are familiar, the door will open when you call on prospects in tough times." Marketing consultant Debbie Allen also uses this problem-solving approach in her new business direct mail campaigns. She sends out postcards every other month giving her prospects a useful idea or tip on each card. "It works!" reports Allen. "I have even had clients call me and ask if they could use my tips in their newsletter or post them on their web site. More free exposure—I just love when that happens!"
- ***Know your prospects and their needs before you call.*** Robert B. Kennedy, president of Text Excellence, Inc., says he taps into online databases—such as Chamber of Commerce directories and business association membership lists—to do research on the company and qualify prospects quickly and easily before cold calling.
- ***Be cognizant of the current promotional environment.*** After 9/11, more than 60 percent of Americans said they were concerned that the letters they receive may contain anthrax bacteria. Smart marketers eliminated traditional letter and envelope mailings, replacing them with postcards, tri-fold self-mailers, e-mail marketing, and other direct marketing not requiring an envelope.
- ***Be a hands-on marketer.*** Don't delegate everything to staff or outside vendors and wash your hands of marketing. "When business gets tough, the executive with bottom-line responsibility has to take a hands-on approach to marketing," writes Michael Masterson in his daily e-zine *Early to Rise* (Message #527). That includes talking to customers, reviewing marketing reports, and working directly with the creative team. Do not let professional marketers take over. Despite their skills and knowledge, they are not as in touch with your customers as you are. "By taking charge of marketing, you send an important signal to the troops: Selling is vital, making profitable sales is necessary for survival," says Masterson.
- ***Should you wait until things are better or market now?*** The answer depends on several factors. Is yours a product or service that will get

active consideration at this time, despite the poor state of the economy or your industry? Can people make a proper response or purchase decision about your product at this time? "If the omens and portents say timing is off, wait," advises Robert Hacker, president of The Hacker Group, a direct marketing agency. "If the product, selling efficiency, and timing auguries line up, adjust your lists, geography, and creative, and launch."

- ***Be a hero to your customers.*** Cut your prices so your product is more affordable during the down economy or business cycle, or help customers find new ways to acquire what you are selling. **Practice consultative selling. Expand your role from seller to adviser.** "Every time you help your customers you are actually making yourself more indispensable to their process," observes an article in *Selling Power* magazine.
- ***Stand out from the crowd.*** If you want to succeed in business today, you have to stand out from the crowd, says marketing consultant Joe Vitale, who advises people to get noticed by being outrageous. "Start coming up with ideas that are outrageous, zany, clever, or even crazy." He cites as an example James Sterling Morgan, who became legendary in the publicity business with such stunts as selling a refrigerator to an Alaskan Eskimo. He once searched for a needle in a haystack for 10 days to publicize a piece of real estate that was for sale. He also sat on an ostrich egg for 19 days before hatching it, to publicize *The Egg and I*, a book made into a film comedy starring Claudette Colbert.
- ***Diagnose the root cause of your business turndown.*** "If you know why you're in a downtime you can take steps to prevent it or reduce its impact," writes Holly Quan in *Writer's Digest* magazine. For instance, an economic downturn can affect your clients, who trim expenses and stop buying from you. For some businesses, the lull can be seasonal. If you are a business-to-business marketer, for example, the Christmas holiday season and summer are often slow times. For companies dependent on direct mail marketing, the four months following 9/11 were soft. The reason: reduced response rates from direct mail, caused by anthrax concerns.
- ***Come up with a plan.*** "It's either feast or famine—too much business or not enough," says Marcia Yudkin, creator of the Marketing Makeover virtual seminar. "Your most important remedy for this problem is creating a coherent, proactive marketing plan [calling for]

marketing actions that will produce prospects and new business throughout the year." The most common mistake, says Yudkin, is sporadic marketing. Marketing started during a slowdown, she observes, begins to pull when other work would have started turning up anyway, resulting in a cycle of feast or famine.

- ***Engage in high ROI marketing.*** Avoid marketing that is too costly. Take into account the cost per contact, total promotional cost, probable response rate, and revenue per sale made when determining what kind of marketing program to implement. Professional speaker and marketing consultant Jeff Davidson suggests the following rule of thumb: **If the total promotional cost is one third or less the revenue you would get from one major sale, and the likelihood of generating at least one such sale is high, proceed with the promotion.**
- ***Take massive action.*** **To overcome a business slump, don't do the amount of promotion you estimate it will take to get things back to normal again. Do twice that amount . . . three times . . . even four times or more.** Peak performance coach Anthony Robbins advises a similar approach to overcoming personal slumps. He calls this strategy "massive action." If you're thinking of running an ad, run the ad. But also send out an e-mail blast, cold-call prospects, write an article for the magazine your potential customers read, send out a press release to the local newspapers . . . You get the idea.
- ***Measure the results.*** "Monitoring the results of marketing efforts is the foundation upon which agile marketing adjustments are based," writes Neal Sosnowski, a partner at Hoyne Associations, a database marketing consulting firm. The more frequently and accurately you measure results, the more effectively you can fine-tune your promotional campaign to maximize response.
- ***Never give up.*** What if, despite doing all of the above, business is still in a slump? Keep trying until things get better! "Sometimes a normal problem, one that ought to be solvable by known rules and procedures, resists the reiterated onslaught of the ablest members of the group within whose competence it falls," writes Thomas Kuhn in his book *The Nature of Scientific Revolution* (University of Chicago, 1996). In such a case, your first or second effort may not be enough. **You have to keep plugging away until your business slump turns around, as it eventually will.**

Substitute Creativity for Cash

Businesspeople ask me every week, "I don't have a lot of money. How can I promote my business effectively?"

The answer is that not all promotions require a lot of money. Some, like running full-page ads and mailing four color catalogs, are expensive. Other types of marketing—mainly publicity, sales promotion, and Web marketing—take time and thought but can be done without much money. In a down economy, when cash is precious and your budget is tight, you might prefer the latter instead of the former.

For instance, Phil Romano, the founder of Fuddruckers, the national hamburger chain, once owned a small, out-of-the-way Italian restaurant called Macaroni's. He packed the place on Monday and Tuesdays nights, a time when most restaurants struggle to keep their doors open, using a clever promotional gimmick.

Here's how it worked: If you happened to be dining there on a randomly chosen Monday or Tuesday night, you and the other 200 or so customers received a letter instead of a bill at the end of the meal. The letter stated that because Macaroni's mission was to make people feel like guests, it seemed awkward to charge guests for having a good time. So, once each month on a Monday or Tuesday—and always unannounced—everyone would eat free.

What was the cost? Making dinner free to everyone in the restaurant one night out of the month reduced Romano's dinner revenues by $^1/_{30}$, or 3.3 percent. But he has a full house on the eight nights a month (four Mondays and Tuesdays each month) when the place would normally be empty.

Another example of a clever but low-cost promotion was what publicist Eric Yaverbaum did for an off-Broadway play he was hired to publicize. After opening night, the review the next day in the *New York Times* panned the play. Yaverbaum sent out a press release to all other New York media with the headline, "Even the *New York Times* Makes Mistakes." His clever offer: Find a typo in the *New York Times* that day and bring it to the theater and you get a free ticket. Of course, people don't go to the theater alone, and if you took advantage of the offer, your companions still had to pay. The tactic saved the show.

Following are some additional suggestions to help you save money on your marketing campaign. These tips can help you get more out of your advertising dollars—without detracting from the quality and quantity of your ads and promotions. In some cases, these ideas can even *enhance* the effectiveness of your marketing efforts.

Ten Ways to Control Your Marketing Costs

1. ***Use your ads for more than just space advertising.*** Ads are expensive to produce and expensive to run. But there are ways of getting your advertising message into your prospect's hands at a fraction of the cost of space advertising.

The least expensive is to order an ample supply of reprints and distribute them to customers and prospects every chance you get. When you send literature in response to an inquiry, include a copy of the ad in the package. This reminds a prospect of the reason he responded in the first place and reinforces the original message.

Distribute ads internally to other departments—engineering, production, sales, customer service, and R&D—to keep them up to date on your latest marketing and promotional efforts. Make sure your salespeople receive an extra supply of reprints and are encouraged to include a reprint when they write to or visit their customers.

Turn the ad into a product data sheet by adding technical specifications and additional product information to the back of the ad reprint. This eliminates the expense of creating a new layout from scratch. And it makes good advertising sense, because the reader gets double exposure to your advertising message.

Ad reprints can be used as inexpensive direct mail pieces. You can mail the reprints along with a reply card and a sales letter. Unlike the ad, which is in effect cast in concrete, the letter is easily and inexpensively tailored to specific markets and customer groups.

If you've created a series of ads on the same product or product line, publish bound reprints of the ads as a product brochure. This tactic increases prospect exposure to the series and is less expensive than producing a brand new brochure. If your ads provide valuable information of a general nature, you can offer reprints as free educational material to companies in your industry. Or, if the ad presents a striking visual, you can offer reprints that are suitable for framing.

Reuse your ads again and again. You will save money—and increase frequency—in the process.

2. ***If something works, stick with it.*** Too many marketers scrap their old ads and create new ones because they're bored with their current campaign. That's a waste. You shouldn't create new ads or promotions if your existing ones are still accurate and effective. **You should run your ads for as long as your customers read and react to them.**

How long can ads continue to get results? The Ludlow Corporation ran an ad for its erosion-preventing Soil Saver mesh 41 times in the same journal. After 11 years it pulled more inquiries per issue than when it was first published in 1966.

If a concept still has selling power but the ad contains dated information, update the existing ad—don't throw it out and start from scratch. This approach isn't fun for the ad manager or the agency, but it does save money.

3. ***Don't overpresent yourself.*** A strange thing happens to advertisers when they get a little extra money in the ad budget: They see fancy four-color brochures, gold embossed mailers, and fat annual reports produced by Fortune 500 firms. Then they say, "This stuff sure looks great—why don't we do some brochures like this?"

That's a mistake. The look, tone, and image of your promotions should be dictated by your product and your market—not by what other companies in other businesses put out. **Producing literature that's too fancy for its purpose and its audience is a waste of money.** And it can even *hurt* sales. Your prospects will look at your overdone literature and wonder whether you really understand your market and its needs.

4. ***Use modular product literature.*** One common advertising problem is how to promote a single product to many small, diverse markets. Each market has different needs and will buy the product for different reasons. But on your budget, you can't afford to create a separate brochure for each of these tiny market segments.

The solution is modular literature. This means creating a basic brochure layout that has sections capable of being tailored to meet specific market needs. After all, most sections of the brochure—technical specifications, service, company background, product operation, product features—will be the same regardless of the audience. Only a few sections, such as benefits of the product to the user and typical applications, need to be tailored to specific readers.

In a modular layout, standard sections remain the same, but new copy can be typeset and stripped in for each market-specific section of the brochure. This way, you can create many different market-specific pieces of literature on the same product using the same basic layout. Significant savings in time and money will result.

5. ***Use article reprints as supplementary literature.*** Ad managers are constantly bombarded by requests for incidental pieces of product literature. Engineers want data sheets explaining some minor technical feature in great detail. Reps selling to small, specialized markets want special literature geared to their particular audience. And each company salesperson wants support literature that fits his or her individual sales pitch. But the ad budget can only handle the major pieces of product literature. Not enough time or money exists to satisfy everybody's requests for custom literature.

The solution is to use article reprints as supplementary sales literature. Rather than spend a bundle producing highly technical or application-specific pieces, have your sales and technical staff write articles on these special topics. Then, place the articles with the appropriate journals.

Article reprints can be used as inexpensive literature and carry more credibility than self-produced promotional pieces. You don't pay for layout of the article. Best of all, the article is free advertising for your firm.

6. *Explore inexpensive alternatives for generating leads.* Many smaller firms judge ad effectiveness solely by the number of leads generated. They are not concerned with building image or recognition; they simply count bingo-card inquiries.

If that describes your approach to advertising, perhaps you shouldn't be advertising in the first place. Not that lead-generating isn't a legitimate use of space advertising. But if leads are all you're after, there are cheaper ways to get them.

New-product releases lead the list as the most economical method of generating leads. Once, for less than $100, I wrote, printed, and distributed to a hundred trade journals a new-product release. Within six months, the release had been picked up by 35 magazines and generated 2,500 bingo-card inquiries.

Your second-best inquiry-generator is the direct-action postcard pack. You can write and design your own postcard for less than $200. And running the card in a trade journal's postcard pack generally costs from $800 to $1,200. But that same $800 to $1,200 would probably buy only a sixth or a third of a page in the magazine. I've seen a single postcard mailing pull nearly 500 inquiries, and you'd have a hard time doing that with the average one-third-page ad.

7. *Don't overbook outside creative talent.* Hire freelancers and consultants whose credentials—and fees—fit the job and the budget. Top advertising photographers, for example, get $1,000 a day or more. This may be worth the fee for a corporate ad running in *Forbes* or *Business Week*, but it's overkill for the employee newsletter or a publicity shot. Many competent photographers can shoot a good black-and-white publicity photo for $200 or even less. When you hire consultants, writers, artists, or photographers, you should look for someone whose level of expertise and cost fits the task at hand.

8. *Do it yourself.* Routine tasks, such as mailing publicity releases, duplicating slides, or retyping media schedules can be done cheaper in-house than outside. Save the expensive agency or consultant for tasks that really require their expertise. Even if you don't have an in-house advertising department, consider hiring a full-time administrative assistant to handle the detail work involved in managing your company's advertising. This is a more economical solution than farming administrative work out to the agency or doing it yourself.

9. *Get the most out of existing art, photography, and copy.* Photos, illustrations, layouts, and even copy created for one promotion can often be lifted and reused in other pieces to significantly reduce creative costs. For example, copy created for a corporate image ad can be used as the introduction to the annual report. Also, you can save rough layouts, thumbnail sketches, headlines, and concepts rejected for one project and use them in future ads, mailings, and promotions.

10. *Pay vendors on time.* You'll save money by taking advantage of discounts and avoiding late charges when you pay vendor invoices on time. And you'll gain goodwill that can result in better service and fairer prices on future projects.

More Promotions You Can Afford to Do in a Down Economy

• ***Direct mail.*** In difficult times or when your business has dropped off, think about increasing your use of direct mail. E-mail, fax, and regular mail are cost-effective ways to deliver targeted offers to the most desirable prospects. Rather than doing less-effective shotgun mailings to rented lists, consider repeat mailings targeted at databases of known prospects (like past inquiries). To cut costs, use business letters rather than expensive full-color mailers. Then save more money by sending expensive literature or materials only to those who request it—not to every prospect in your database.

If you don't have your own e-mail lists to market to, consider renting e-mail lists from publishers or riding along in their targeted e-newsletters or e-zines. These can be very economical ways to reach your market and generate a quick response.

If you don't have someone's e-mail address or permission to correspond with them by e-mail, you can still save money by sending faxes instead of mail. This works when you have a preexisting business relationship with the prospects. Don't send unsolicited faxes to rented lists, and be sure to give recipients the ability to opt out (by calling a toll-free number) if they wish.

• ***Public relations.*** Consider getting more bang for your marketing buck by focusing on inexpensive PR opportunities. These include writing or contributing to articles for industry publications. Contributed-article programs may include customer success stories that feature testimonials from satisfied clients as well as bylined expert articles that highlight your company's expertise.

Newsletters are another great way to provide value to your customers and to keep your company's name in their minds without spending a fortune. And controlling the circulation of the newsletter can help you identify and qualify prospects: You can make it a requirement for people who want the newsletter to fill out a brief survey. The survey asks questions about their level of interest in your products, buying authority, and purchasing horizon. This information then goes into your database for immediate or future follow-up, as appropriate, by marketing or sales.

For newsletters and contributed-article programs, consider not only the traditional print format but also the Web. If you already have a web site, it is cheaper and faster to post customer success stories and newsletters to the site rather than to print and distribute them.

Another economical PR tactic is to provide your company's executives as speakers at key meetings and conferences. You can use these events to generate leads by promising to send audience members a copy of the presentation, a free white paper or some other valuable information if they give you a business card.

• ***Trade publication advertising.*** Rather than cutting back advertising in trade publications, you might be better off with a frequent or high-impact presence in one or two key publications rather than an occasional presence in several. Be sure to study Business of Performing Audits (BPA) statements to clearly understand what percentage of the magazine's readership is really your target market. Ask your media reps to give you statistics on what percentage of their readers also read their competitors' magazines, and consider this information when calculating your true cost-per-thousand.

Bear in mind that when the economy is soft, advertising sales may be weak. That being the case, you may be able to negotiate an attractive rate with publishers who, in better economic times, would not be willing to cut a deal.

• ***Trade shows.*** Trade shows can be expensive, so consider eliminating those that haven't shown a favorable ROI. However, if your trade show exhibits have proven effective in generating inquiries, qualified leads, and sales, you can still find ways to reduce your trade show costs and boost your return.

For example, consider a smaller booth. Have dealers, distributors or resellers help you staff the booth. Eliminate expensive cocktail parties. Send preshow mailings to increase the number of visitors to your booth. Send post-show mailings and use telemarketing follow-up to convert casual inquiries into qualified leads.

• ***Web sites.*** A few cost-effective changes can dramatically improve the marketing ROI of your corporate web site. Work with other organizations to link your site to theirs, increasing the number of visitors to your site. Register your web site with search engines, selecting keywords carefully so your site will appear in the search results of your intended audience. Post articles and case studies on your site, then register those individual web pages with the search engines.

• ***Seminars and workshops.*** You can cut some of the cost of your seminars and workshops by holding them as Web events, teleconferences or videoconferences. "Webinars" and other virtual meetings eliminate the need for presenters and support staff to travel to distant cities. And virtual events sometimes enjoy better attendance than live events, as attendees don't need to leave their offices to attend. You still need to promote virtual events, but you can save a bundle on travel, meeting rooms, and refreshments.

• ***Find a marketing partner.*** Another way to stretch your marketing dollars is to team up with a company whose products or services complement yours. By pooling your resources, you and your partner can get far more mileage from your respective investments than either of you could alone.

An example would be a jointly sponsored contest or sweepstakes to promote both partners' products and services to their mutual universe of prospects. To share the investment, your company might provide web site space and administration, and your partner might provide prizes for the contest. The investment would be minimal for both of you, but the number of leads you generate would be substantial.

• ***Marketing collateral.*** To save money, consider distributing smaller quantities of printed materials to your customers, salespeople, reps, dealers, and distributors. Partner with a good literature fulfillment company to create a web site for just-in-time orders of additional literature supplies. The fulfillment company's services will more than pay for themselves through reduced literature and shipping costs.

Research shows that 3 in 10 requestors will want printed materials to share with their bosses, colleagues, or clients. But that means 7 out of 10 will be happy to save you money and get instant gratification by downloading PDF files or printing HTML pages from your web site.

You can save on your printed literature production costs by avoiding expensive metallic inks and taking advantage of excess paper supplies the printer is willing to discount. Die cuts can be costly, but not if you use a die the printer has already created. You can also make items slightly smaller or print two-sided to reduce printing and shipping costs.

• ***Create a referral program.*** A low-cost way to leverage the power of your existing customers is to create a referral program that rewards customers for referring prospects to your company. Depending on the relationship with the customer, an incentive may not even be required. Getting a referral from a happy long-term customer may be as easy as asking for it.

• ***Sponsorships.*** Sponsorships typically are not used to generate leads, but they do help maintain brand awareness during periods when it is not practical to invest in mass-media image-advertising campaigns. And they can do so quite economically.

You don't need to sponsor the Kentucky Derby or the Olympics. By sponsoring local charity or cause-related events, you can boost brand awareness and generate goodwill in your community. Sponsorships require an investment of company resources, but they don't require an emormous budget. Instead of becoming a financial sponsor, your company may volunteer space for an event, transportation in company vehicles, or employee time and know-how to plan and run an event.

Five Steps for Down Cycles

In down economic cycles, commerce doesn't end. Ordering may be slow or postponed, but eventually purchases are made. The secret to success is capturing the moment when customers are ready to buy. Public relations expert Alan B. Isacson recommends the following five strategies for cost-effectively attracting and capturing eager prospects in down markets.

1. *Identify champions.* Determine which products and services, targeted to which buyers, will generate the greatest revenue in the shortest time. Chasing too many opportunities will dilute resources and garner poor results.

2. *Strategic advertising.* Create advertisements that spotlight the single most important benefit of your champion product. Prospects will spend capital, especially if they can satisfy primary goals and gain quick payback. Avoid scattering advertisements over a 12-month period. Running ads in four or six consecutive issues of a magazine that best targets your prime prospects will effectively cast your net.

3. *Champion selling.* Before ads appear, advise salespeople of the advertising plan and explain how to follow up on leads. Clearly outline benefits and features of the advertised champion product. Develop a manageable list of potential customers who would be ideal users. Instruct salespeople to schedule meetings with key decision makers to review ways to effectively increase productivity, reduce waste, or speed products to market. Time these presentations to coincide with the start of the ad program.

4. *Leverage customer successes.* Customer testimonials demonstrate to prospects that their peers are achieving significant results and gaining quick returns. Make certain testimonials emphasize benefits and ROI. Benefits can include greater efficiency, increased sales, and reduced total costs. Case studies can be published in magazines that accept them, posted on web sites, used as follow-up literature for inquires generated by ads and publicity, and incorporated in sales presentations.

5. *Trade shows.* In down business cycles, trade shows can net fast sales. However, exhibitors who believe that "if we build it, they will come" will probably miss out on trade show opportunities. Using promotions to attract qualified prospects can help propel sales faster. Send out preshow press releases at least four months before the show, making prospects aware they can accomplish key objectives by receiving product demonstrations in your booth. Send invitations with RSVP cards to schedule special VIP product demonstrations. Feature your champion product in a virtual booth on trade show web sites to ensure that prospects include your booth as a must-see exhibit.

To sum it all up . . .

- When business is slow, the prudent strategy is to step up your marketing efforts, not slow them down.
- Media rates are often negotiable. Haggling for a lower price for air time or magazine space can often save you a bundle.
- When cash is tight, shift your marketing to those activities that traditionally give you the greatest results for the lowest cost, such as public relations, e-mail marketing, or networking.

CHAPTER
8

Repackage Your Offers

When your business is busy, there's a whole group of prospects you probably turn away without a second thought. These are companies that are too small (read: too underbudgeted) to afford your product or service. But when things are slow, it pays to look for ways to market to overlooked customers. As outlined in this chapter, this is best done by repackaging your service or product line to accommodate smaller customers or customers with reduced budgets. First, I'll give a quick overview of why it's so critical to accommodate customers with alternative pricing and repackaged offers.

Serving Customers Who Have Less Money to Spend

One reason that the current economy is the Age of the Customer is what I call *downward mobility*. Simply put, although we make more money than our parents did, we are actually less well off, because the cost of living has outstripped the increase in salaries.

For instance, about 35 years ago, a three-bedroom house in my county might have sold for $20,000, and the person buying it was earning maybe $15,000 to $25,000 a year. Today, that same house goes for $200,000—ten times as much—but the buyer is earning $60,000 to $75,000—only three times as much. What this means is that while we make more than our parents did, our expenses are disproportionately greater, so we're not living as well.

How does this affect you as a businessperson? Disposable income is less. Consumers are still buying, but they are spending more carefully. Interestingly, they are buying some small luxury and expensive items (air-pump sneakers, gourmet ice cream, take-out sushi) to compensate for the fact that they can't afford the big-ticket items. They're also buying services that save them time, such as housecleaning and baby-sitting, but are cutting back in many other areas. **Downward mobility reduces buying power and makes your customer extremely deliberate about purchase decisions.**

As a result of all the factors just discussed, there has been a fundamental shift in the way consumers and businesses acquire products and services, and in their relationships with retailers, service providers, manufacturers, dealers, and others who supply these goods and services. Understanding these differences, and accepting that this is the way it is right now, will make your life easier in two respects. First, instead of being frustrated by the changes taking place, you'll recognize them and accept them. You'll still have to meet these challenges, but you'll at least learn to accept reality and stop longing for better days.

Second, the first step in solving a problem is *understanding* the problem—not the apparent problem, but the true nature of the challenge you are facing. By recognizing that these fundamental shifts in the customer-vendor relationship have taken place, you'll be better able to adjust not only your customer service and product quality to meet these new demands, but also your sales and marketing efforts to sell this new consumer.

As a direct result of the recession of 2001–2002, your customers have become more price sensitive. This does not necessarily mean that price is the only concern, or that the low price or low bid will be the one that makes the sale. But it does mean that business and consumer buyers *are more concerned than ever about what things cost.* While it might be true that price is always a factor, to some degree, its importance has escalated dramatically, and the way you price your service plays a large role in whether the customer is happy with you or whether they will begin to look elsewhere.

Consumers evaluate many purchases more carefully. In the corporate world, the manager is increasingly rewarded for *being a good buyer,* which translates into getting vendors to do the job for as low a price as they can be negotiated down to.

Another reason to consider repackaging your offers is because you need to appeal to consumers who want price, quality, and service. In the past, firms would choose their area of superiority and market themselves based on one of the three values. Some vendors got jobs on *price*—they always bid low and won contracts from prospects who looked to get it as cheaply as possible. Other vendors stressed *quality*. They said, "We take our time, and you'll have to wait, and we charge a lot. But if you want the best, you have to pay for it." And customers looking for quality responded to the pitch.

A third group of vendors stressed *service*. They weren't the cheapest, and they weren't the best, but they would do anything the customer asked them to. If the customer said "Jump," they asked "How high?" Customers who valued service above all else gravitated toward this type of vendor, even if the price wasn't low and the quality wasn't absolutely the best.

Now, however, all that is changed: **You can no longer specialize in price, quality, or service. Your customers want all three.** They want a top-of-the-line product, but they also want a good price, and they want you at their beck and call. This is a difficult bill to fill, and it's why many service providers long for the golden years of the 1980s. But it's what you'll learn to live with today, and repackaging your services and goods allows you to offer all three values to different customers.

The market is more price sensitive, but as I've said, this does *not* mean that offering the lowest price is an automatic winning strategy. There has always been a segment of your market that buys primarily on price. What has happened is that *the size of this segment has increased.* Not everyone is a price-buyer, but more people are. Pressured by lack of disposable income or a corporate mandate to control spending, they want you to give them a break on price, price, price. To the price-buyer, the winning bid is selected by the bottom-line dollar amount: The job goes to the firm who can do it for the least amount of money. They figure it will be good enough and so do not consider higher bids.

You must be able to spot the price-buyer and decide if you are willing to play this game. As a rule of thumb, when a customer calls you and the first thing they ask is what so-and-so will cost—with no apparent interest in your qualifications, track record, product features, or experience—you are probably dealing with a price-buyer.

Some industries have been harder hit by an increased emphasis on price-buying than others. In contracting, for example, independent contractors who do home remodeling and building face stiff competition from bigger firms that advertise standard-design family rooms, dormers, or other add-ons at a low package price. "These firms generally don't do good work and can rip you off," one independent contractor told me recently, "but that low, low price does sell for them. Prospects ask me, 'Why do you charge so much when so-and-so firm advertising in *TV Shopper* can do it for $10,329?' And it's a problem: Many don't understand, don't believe, or don't care when I point out the difference between our work and the bargain-basement contractor's. And we lose business to them."

So part of this price-consciousness trend is that many of the consumers who were not previously price-buyers have been converted to price-buyers. As for those customers for whom price is not the major issue, most of them have changed as well; they have become more *value* conscious. That is, they aren't necessarily going to buy the low price, but they do want to be sure they are getting the most *value* for their money.

Be aware that the value-conscious buyer is going to be a demanding customer. But there are very few *non*demanding customers left. So you've got to adjust your marketing. Be prepared to provide more service, to do more, and to act faster, for the same or lower price than you were getting five years ago.

Value-conscious buyers will often meet your price but in return want to make sure they are getting the most they can out of you, and everything you do will be scrutinized carefully. These buyers are less shy than the 1980s consumer about complaining when they're not happy, and they'll often complain about small things—every detail must be to their liking. Get used to it and prepare to accommodate them. This is business in the 2000s.

An important note: If you are going to give extra service to a customer, do it immediately, pleasantly, openly, and willingly, without griping about it.

Coping with Small Average Orders

People and businesses will always have to spend money. They need products and services and can never totally do without them. However, today they are spending less, and the average dollar value of their purchase, investment, or contract is likely to be far smaller than it was in the 1980s.

There are two reasons why the average purchase has shrunk in size. The first is purely economic: People and businesses are on tighter budgets and want to save money and spend less; they might like to buy more, but they feel they can't afford to.

The second reason is that consumers are fussier and prefer to test a vendor, product, or service before making a larger commitment. The small initial purchase is one way of testing you without a large risk or investment. If they like what they get, they'll probably come back for more. If they don't, they figure they haven't lost much.

This buying habit is hard on vendors for one simple reason: In many cases, it takes just as much effort to close a sale worth $10,000 as it does to close a sale for $1,000. So you spend just as much time courting the customer, only to be rewarded minimally for your efforts. It's frustrating and tiring. Again, you're working harder and making less.

Part of coping is simply to acknowledge and accept this fundamental change in buying habits as the way things are now. However, there are a few specific things you can do both to increase your ability to get business from customers and to boost your revenue.

Repackage Your Product or Service

First, because the customer wants to spend less initially, you should repackage your product or service to accommodate this desire. What you're doing is lowering initial entry cost for the customer to do business with you. This gets your foot in the door and paves the way for repeat business, which is the lifeblood of most companies.

For example, I know one software vendor whose product costs $1,999. Because that's a lot of money and people are hesitant to spend that, he offers what he calls a Small Project version of the program for only $50. The Small Project does everything the $1,999 Commercial version does, except it restricts the user from entering more than a few pieces of data, so that it cannot handle any real-world application. For $50, many more people buy and try the software, and those who like it then move to the next step and upgrade to the $1,999 commercial version.

In another situation, a company was selling a kit of tools and raw materials for building certain products at home. The kit cost $599. The company owner realized that the price was a barrier to many prospects who would prefer to make a smaller initial purchase. So to those who did not take the $599 offer, he offered a starter kit for only $99. This proved enormously profitable; when the entry point was lowered, customers bought.

Services can also be repackaged to accommodate this trend of buying in smaller increments. A $1,600-a day-consultant, for example, might offer an initial half-day consultation at a reduced rate, say, $600 instead of the usual $800. Many customers who find $1,600 a day hard to swallow see a $600 "starter package" as more affordable.

Offer a Wider Range of Options

You should also think about organizing your product line or service menu so that there are a wide range of options from which the buyer can choose, from a low-priced item to an expensive purchase.

One company selling information on how to be a better public speaker sent me their literature. I was interested in their material but not sure that it was what I wanted or that it would be good. Because of that, I didn't want to subscribe to their newsletter for $100, take their seminar for $250, or buy their audiocassette album for $180. So I did not buy.

Later, when they mailed me a catalog, I saw that they had produced a $10 book that contained some of the basic material in the other items. I ordered immediately and became a customer. I have since bought many other things from them, moving up the price scale with each new purchase as I become more comfortable with them.

Lower or Waive Your Minimum Order Requirement

If you require a minimum order, you should think about lowering or eliminating it. What happens when a valued customer picks up the phone to place a small order and is told she can't, because it doesn't meet your minimum order amount? She'll probably remind the order taker that she is a regular customer and request that the order be taken anyway. When the order taker says he can't, she will immediately call your competitors, because she's in a hurry and has no time to waste.

The competitor fills the order, and your customer realizes, "Hey, it's the same product, and it's just as easy to order, and they helped me out." And suddenly she has moved all her business to your competitor—a loss you could have prevented by being more flexible and accommodating.

A key strategy to keeping customers satisfied is to remove all barriers to doing business the way they want to do it and to be totally accommodating and flexible. Waiving the minimum order requirement for existing accounts is one example of doing that. In a soft economy or when your business slows, the average project will be smaller in scope, the average purchase smaller in size. Accommodate that with a lower-priced starting point so the customer can sample your wares before making a bigger commitment.

This applies to existing accounts as well as new business. The size of the average order you receive from your customers will probably be substantially less than it has been in the past. Yet they will expect the same level of service, care, and concern they received when they were a bigger account.

Do not let customers know you are annoyed or unhappy at their reduced spending. They care about themselves, not your profits, and remember: *They can always go elsewhere.* No matter how good you are, you're not indispensable.

Accommodate Incremental Buying

Even if the customer has a big need, today's customer is more likely to buy incrementally rather than all at once. Even your regulars aren't going to give you the big orders you once got; instead of buying everything on the menu, they just want Item 3 from Column B.

The trend will be for customers to give you authorization for smaller pieces and parts of what they need rather than the full package. Even if they eventually purchase the full package, it is not going to be bought all at once. As a result, you are less likely to walk away with that big eight-part project; rather, the customer will assign the work to you one piece at a time and then wait and see what their needs and finances are in the weeks or months ahead before going forward with the next phase or step.

Don't fight the customer on this or push too hard for a bigger order; this piecemeal buying is pervasive among customers today, and they are looking for you to accommodate it rather than fight it. In fact, you will likely score points with your customers by showing them how to do things less expensively and spend less rather than more. In this era of reducing spending, customers often get the feeling that their suppliers and vendors are always pushing for them to buy more products or use more services, not because it's in the customer's best interests, but because it means a bigger sale, with more profit, for the vendor.

To a degree, they're right. If you're a contractor specializing in adding family rooms to houses, and you get paid by the square foot, aren't you going to push the prospect to get a bigger family room rather than a smaller one? Your rationale on the surface is that they'll enjoy the bigger room, and even though it's tough for them to afford it now, they'll thank you later. That may be true, but at the same time, you know there's a little voice in the back of your head saying, "And also, I'll make more money on the bigger project." So the customer's mistrust of vendors and belief that they are out to get the customer is partially valid.

While the bigger job brings you bigger bucks, losing the customer because they think you're only looking after your own interests means no bucks at all. So let me suggest an alternate strategy: **Every once in a while, recommend to the customer that they *not* buy your product or use your service, or at least that they buy less of it. This instantly raises the customer's trust and opinion of you by an order of magnitude.** It comes as a shock because it's directly the opposite of what they expect from you. They *expect* you to try to sell them; when you show you are trying to *help* them instead—especially if that help means they spend less money rather than more—it gets their attention. And it strengthens the customer-vendor relationship substantially: You are the one whose recommendations they can trust; why bother to go elsewhere?

Another effective strategy for dealing with the customer trend of buying in small increments is to offer the customer a *menu* of products, services, or options from which they can select what they want, rather than bundle everything together and force them to take the whole package. Make the identity and cost of individual elements clear rather than trying to hide them.

If you offer customers a high-priced take-it-or-leave-it, all-encompassing package, they're more likely to leave it than take it. Which means they will soon be dealing with another vendor instead of you. On the other hand, if you let your customers buy a little now and then come back for more later, they'll be more likely to do business with you on a basis that accommodates their limited budget and more timid buying habits. Obviously your profit on the sale is smaller. But the idea is to maintain a good relationship so that you make it up on many future sales.

Make Money Servicing Do-It-Yourselfers

Consumers have always been into do-it-yourself to some degree, and business customers have always done in-house some of the type of work you do for them. But now, because of economic necessity, the trend is to save money by doing more in-house, especially low-end projects that do not warrant the expense of costly outside help.

You may immediately be thinking that I am in error. "The trend is downsizing," you say, "so actually, businesses are cutting staff, which means more work for outside vendors." This is true, but only to a degree, and here's what's really happening: Although businesses are cutting back on staff, they are *investing* in in-house systems and technology that make them less dependent on costly outside services.

As an example, consider graphic arts. Corporations have scaled back communications departments, so companies that once had five or six graphic artists on staff now have none. You would think that would mean lots more business for independent graphic design studios. And it did, for a while.

But what are these companies doing now? They are acquiring desktop publishing systems and training support staff to use them to produce newsletters, bulletins, reports, fliers, and other materials that were once farmed out to the graphic design studios. Secretaries are now producing materials that professional typesetters and designers once charged customers a pretty penny for.

Yes, the customers still use the freelance graphic artists for the important stuff: annual reports, color product brochures, posters. *But the trend is for customers to do more of the easier, less important, or nonessential tasks in-house themselves*.

Consumers, despite lack of time, are the same way. People who would once have called a professional to paint a room or put up wallpaper are buying do-it-yourself Time-Life books and videos and are watching Bob Vila, the home improvement spokesperson for Sears, Roebuck and Co. People who once spent freely in the 1980s and 1990s are suddenly concerned about what things cost and how they can save their money.

What does this mean for you as a vendor or supplier? Much of the low end of the market for your service or product will shrink or vanish altogether. As a result, you will be competing with more firms for a smaller number of projects or sales. Again, this makes the environment more competitive and puts the customer, not you, in the driver's seat.

How to cope? One strategy is to redesign your business so that you can handle the smaller jobs and nonessential projects so efficiently and cost-effectively that customers give them back to you instead of doing them themselves.

For instance, in the 1980s, when desktop publishing began to get noticed, ad agencies and graphic design studios laughed it off as a fad. After all, the customer was not a graphic artist, so just having a computer instead of a ruler or paintbrush wouldn't allow them to replace the agency or studio, they reasoned. The graphic arts industry, therefore, was slow to implement the new desktop technology. But their corporate customers embraced it and were suddenly turning out reams of material and telling the agency, "We don't need you for this."

Many graphic arts agencies and studios responded by acquiring their own desktop capability and offering it as a faster, less costly graphic service, making it once again attractive for customers to go to the agency or studio instead of doing it all themselves. In this way, the agencies and studios regained some of the work they had previously lost.

In your case, you may decide the low-end stuff isn't worth having and allow the businessperson or consumer to do it themselves, concentrating your own efforts on services the customer is not going to perform in-house. The choice is yours, but you must be aware of the do-it-yourself trend and have some strategy for responding to it.

The do-it-yourself trend has also created a new source of competition for you: lower-priced service alternatives designed specifically to handle these low-end tasks at low cost. To continue with our graphics example, the rise of desktop publishing resulted in numerous people starting desktop publishing services. People bought Macintosh computers with page layout software and told corporations, "We'll do your newsletters and bulletins for you—and we'll charge one-third of what your ad agency is charging."

Ad agencies looked down on such services or laughed them off initially, but they don't now. The desktop publishing service has created a permanent low-priced alternative source to the more sophisticated ad agency or graphic design studio solutions. Ad agencies and design studios must respond to the challenge by offering similar service when needed or more effectively bonding themselves to the customer as the number one vendor for design services through some other means. But the options of do-it-yourself or do it through a low-priced alternative are here to stay.

Customers Want to Get More, But Not Pay More

Today's customers want as much as they can get for as little as they can pay for it; they want extras and freebies and discounts. The higher-priced supplier or vendor used to be able to combat this type of buyer with the argument, "I know we cost more, but if you want a Rolls Royce you have to pay for it." Now the customer expects a Rolls Royce for the price of a Mercedes or even a Cadillac—and, in many instances, there is competition out there offering it to win the customer away from you. In fact, many of them might be offering quality comparable to yours.

Negotiation in all aspects of business is becoming the norm rather than the exception. Many vendors will tell you their pricing is firm, but when you don't buy, and they call back, suddenly there's a reason why they can offer it lower if you act now.

Many authorities on selling will tell you always to stick by your price and never back down. I gave such advice myself in the books I wrote and published in the past.

But today you need all the competitive weapons you can get to win the business war, and you need me to be completely honest with you. So let me tell you: Almost *everyone* today negotiates or bargains at least part of the time. Anyone who says he doesn't is a megastar in his field, has a virtual monopoly, or is misleading you.

Does this mean you have to give away the store to make the sale? Fortunately not. Customers are reasonable and understand, to some degree, that you have to make a profit; they don't expect a $25,000 home improvement job for $10,000. However, today's buyer is likely to get you to throw in some extras with the job—extras you'd normally charge for—and then get the whole package for $24,000 or $23,000.

Here are some examples of how businesses have accommodated value-seeking customers in a down economy:

- ***TheStreet.com.*** TheStreet.com sells stock market newsletters online. You can pay for your subscription on a monthly or annual basis. To encourage subscribers to pay by the year, TheStreet.com sells a one-year (12 month) subscription for a price equal to 10 months of service—essentially giving the subscriber two months free. Many magazines and publications use this marketing tactic to encourage long-term sales.
- ***Early to Rise.*** *Early to Rise* is a motivational e-zine (online newsletter) published daily. The publisher allows subscribers to name their own price, paying what they think the subscription is worth. When the publisher offered a free gift as an incentive to subscribe, the average payment increased 45 percent—yet the gift cost only a few dollars.
- ***Alan Caruba.*** Most public relations agencies charge a monthly retainer ranging from $3,000 to $20,000 or more. To accommodate small businesses with limited budgets, PR counselor Alan Caruba sells public relations advice by the hour over the phone; callers can even charge it to their credit card.

- ***The Communication Workshop.*** When corporate clients balk at paying Dr. Gary Blake's $3,500-a-day training fee for on-site business writing seminars, he closes the sale by offering them 30 days of free follow-up for trainees. They can call to ask him questions or fax their writing for critique. Although the managers who hire Dr. Blake love this service and consider it an incredible value, most trainees don't use it much. Therefore, it costs him very little to provide.
- ***Copy critiques.*** I charge $2,000 to write a one-page lead-generating sales letter. Clients with limited budgets, who can't afford that or don't want to pay it, opt to write their own letter and have me critique it for a modest fee of $300. They save money by doing all the work, yet they have the benefit of my knowledge and expertise in direct mail at a fraction of my normal rate.

To sum it all up . . .

- In a soft economy, many ordinary prospects suddenly become more value conscious, and some people who are ordinarily value buyers become price buyers.
- You can often overcome buyer reluctance by offering added value far in excess of the cost of your product or service.
- To accommodate buyers with shrinking budgets, offer several models of your product and multiple service level options, with choices to fit every buyer's needs and budget.

CHAPTER

9

Select Your Best Customers and Occasionally Lower Your Standards

You have a set of written or mental guidelines that determine which customers are desirable as recipients for your marketing efforts. During a depressed economy or personal business downturn, you may want to be more flexible in this area than you usually are. For instance, if you normally do business with Fortune 500 companies only, you may want to consider taking on assignments from smaller local firms—provided the pay is decent and their credit rating is good. Or, if you normally work only on major annual reports, you might consider knocking out some small quarterly reports to generate needed revenue.

This doesn't mean you throw your standards out the window and work for anyone who calls you. Instead, you are simply readjusting your acceptable customer criteria during this temporary lull to accommodate a wider range of prospects and projects.

Business Is Not a Democracy

Unlike the United States, business is not a democracy, and the idea that businesses treat all customers equally is simply not true. Example: Because I rarely travel, I receive a lower level of treatment when I fly than do those who travel often, because the airlines accord special privileges to frequent fliers. I may resent the red carpet treatment frequent fliers get, but I accept it as a fair and sensible practice. Why shouldn't the airline give them more? After all, over the course of the year, they give the airline much more money than I do.

In your business, you don't have to make the preferential treatment for better customers as apparent as a frequent flier program, but you may render such treatment nevertheless. You may give better service, more value, volume pricing, and other considerations to some customers and not others. Similarly, you may decide to market to some customers and reject others based on the value of their potential business with you and on other factors such as whether you like them or feel there is a good fit between their needs and your products or services.

Ranking Customers

To make the determination of preferential customer selection and treatment more efficient and logical, you may want to rate your prospects and customers in different categories.

Make this rating system as simple as possible. A complex system is difficult to implement, and you will spend an inordinate amount of time applying it. You should be able to determine and assign a rating to each prospect or customer in just a few minutes based upon an evaluation of their characteristics against the rating criteria you have established.

Here is the simple customer and prospect rating system we use in my office:

Diamond—a customer who is a perfect fit for my direct mail copywriting service, meaning I have substantial experience in their industry or product, and the customer has a large volume of work, values copy and copywriters, is knowledgeable about direct marketing, and pays a premium price for premium quality.

Gold—a customer who is a good fit for my direct mail copywriting service, meaning I have some experience in their industry or product, and the customer has some good projects, thinks copy is important, regularly uses direct marketing, and pays a decent price for quality work.

Silver—a customer who is a decent fit for my direct mail copywriting service, meaning I either have done at least one project in their industry or product or else believe I can do well with it, and the customer has a good project, wants good copy, and will pay a decent price for quality work if he is convinced he will get a good return on his investment.

Copper—a customer who is a not a great fit for my direct mail copywriting service, meaning I have no experience in their industry or product and do not think I can do well with it, and the customer has a project I am not terribly interested in, considers copy for the project less important than design or programming (if an online project), and balks at my fee with a comment like "What! Just for *copy*?"

You will have your own rating system and your own criteria for each category, but you get the idea: Rate each customer according to their desirability and profit potential. Then—remembering to be courteous and respectful—treat him or her accordingly.

For instance, diamonds, my most desired customers, get preferential treatment. I have maximum flexibility with regard to deadlines and other terms. I will bend over backward to accommodate them. Reason: I love doing the projects they have and am most likely to be successful with them. Also, they pay the highest fees per project and give me the most repeat business of any customer.

At the other end of the spectrum, I routinely turn away coppers. I don't particularly want to do their projects, provide the level of handholding they require, or deal with their low level of sophistication and direct marketing understanding.

Are my coppers inherently bad customers to work with? No. I know many customers who consider my coppers their diamonds, and my diamonds their coppers. That's because the service they want to provide and the type of customer they want to handle is different than mine. The important thing is to establish criteria that make sense for your business, then apply it consistently from customer to customer.

Qualifying Prospects and Customers

How can you accurately determine whether a prospect or customer is a diamond, gold, silver, or copper?

Prequalification is best done over the telephone. Questionnaires sent through the mail can be a first step, and these devices can sometimes help stimulate response to your package or to cold mailings. But most of us can't really prequalify a person until we talk with him or her over the telephone. In most instances prequalification is not done in person, because one of its benefits is that it eliminates wasting time meeting people who are not good candidates for your service.

I can't give you the exact questions to ask your prospect because the questions depend on the markets you serve, the way you do business, and the services you offer. But I can offer guidelines to help you formulate your prequalification script, similar to the list of questions that I ask my own prospects.

Basically, the purpose of asking the prequalification questions is to determine whether the person fits the characteristics of a qualified prospect. A qualified prospect:

- Has an immediate or future need to obtain a particular benefit or buy a particular type of service.
- Has the money to do so.
- Can authorize the purchase (or obtain authorization for it).
- Is a person you can work with (meaning that you have personal chemistry).
- Would significantly benefit from retaining your services.

If a person meets each of these five criteria, then he or she can be considered a prime prospect for your service, and you should actively and aggressively direct your sales and marketing efforts toward this person. If a person meets only some of the criteria, or meets all of them but only marginally, he or she can be considered a marginal prospect. You might try to sell the marginal prospect, but you wouldn't spend much time and effort doing so.

If a person does not meet the criteria, he or she does not qualify as a prime prospect for your services—and you should politely end the call. (Interestingly, some of the biggest nonprospects will waste huge amounts of your time, if you let them, while some of the best prospects do business efficiently with a minimum of chit-chat and small talk.)

Let's take a look at each of the five prequalifying criteria in a little bit more detail:

Prequalifying Characteristic #1: The person has an immediate or future need to obtain a particular benefit or buy a particular type of product or service.

The prime prospect is someone who either needs you now or will in the future. Obviously, the best sales leads are prospects with an immediate need. To determine whether the need is immediate, you simply ask, "Do you have an immediate project/assignment/problem I can help you with right now?"

If there is no immediate project, try to determine if there is a future need. Ask, "Do you use this type of service from time to time?" ("This type" refers to the type of service you render as described in your sales materials.)

Naturally, most prospects will say, "Yes, I use your type of service from time to time" or "I haven't used this type of service yet, but I'm thinking of doing so." Otherwise, why would they have requested your brochure? So it's also a good idea to determine *when* they'll have a need by asking them. However, when doing so, don't say "Will you have a project in the future I can help you with?" because prospects' tendency is to answer "I don't know"—which leaves you in a weak position for follow-up. Instead, assume they *will* have a need and instead ask *when* they will have a project. For example: "Do you anticipate holding a training seminar for your salespeople within the next three months? within six months? this year?" Prospects will generally answer with some time frame, and your response is to offer (and promise) to contact them again around that time.

A few prospects may indeed tell you that they *don't* use your type of service. For example, "No, we've never had an outside sales trainer do a training program for our sales reps, but I saw your ad and just was curious." In this case, they might not think they need your services, but they certainly need the *benefit* your services provide—namely, better-trained salespeople who sell more products and open more new accounts. So you will need to explain a bit about how your services work, what the benefits are, and the results you have achieved for your other customers.

For instance, a sales trainer, upon being told a firm never uses an outside sales trainer, might say, "I understand. But tell me: If I could show you a way to get each salesperson in your organization to increase their gross sales by 10 to 25 percent or more this year, would you be interested?" When the prospect says yes, the trainer then launches into his sales pitch.

Prospects who state that they have no immediate or future need, do not use your type of services, do not express interest in the *benefits* or results your services provide, and tell you, "I'm not interested and I am just collecting brochures; leave me alone!" are probably not prime prospects for your services. They've said they are not interested, and it probably will not pay off to spend your time trying to convince them otherwise.

Prequalifying Characteristic #2: The person can afford to buy from you.

A prime prospect is someone who has the money to buy what you are selling. There are many people and organizations that want your service and could benefit from it but cannot afford your fee. Obviously, because you want to get paid, you must do business only with prospects who can afford you.

Ascertaining the financial status of a potential customer is a bit tricky. Bring up the subject of price too soon, before you have clearly established the tremendous value of what you are selling, and you risk scaring potential buyers away. Bring up the subject of money too late, and you'll find yourself wasting many hours of your valuable time giving sales pitches to people who under no circumstances can possibly afford you. That's terribly draining on any business but especially so if, for you, time spent selling means time not spent servicing customers and making money.

I can't tell you exactly *when* to introduce the subject of cost into your discussions with the prospect, because it depends on what's customary in your industry. However, if the prospect asks you about money, that's an excellent sign; the serious buyer is more likely to want to quickly get to the bottom line and find out what the cost will be.

Here's a rule of thumb you may find helpful in prequalifying prospects regarding their ability to pay: When you're uncertain in your own mind as to whether the prospect really has money or is just wasting your time, bringing up money can quickly separate the serious from the frivolous.

For instance, if the prospect is blowing hot air about grandiose plans, but you suspect it's more to puff her own ego than to actually buy anything from you, it's perfectly okay to say, "Well, I'd be happy to handle that; my fee is $250 an hour and I'll need a retainer of $3,000 to get started. Do you want to send a check out today so we can begin this work next week?"

At that point, the serious prospect will ask more questions, because now that you've stated your fee (and it's big), she wants to grill you to make sure she's getting her money's worth. The nonprospect will either balk ("That's outrageous!") or, to prevent her ego from getting bruised, tell you sure, it's no problem, she'll send a check today. Then she quickly ends the call and you never hear from her again.

On the other hand, if you feel good about the prospect—you think it's a serious inquiry from a person or company with the budget to afford you—then *don't* bring up money right away. Instead, set up a time to make your full sales presentation. Remember, the key to selling serious prospects is to present the benefits of your service in a way that makes them desire it strongly—so strongly that your fee, when finally discussed, seems insignificant compared to those wonderful benefits you will deliver. If you bluntly say "My fee is such-and-such" too early—especially if that fee is large and before the prospect has really become interested in you and your service—you risk seeming too arrogant. And that can be a turnoff to a potential customer.

Prequalifying Characteristic #3: The person can authorize the purchase or obtain authorization for it.

It's not enough that the prospect has a need or desire for your product or service and can afford it. He or she ideally should also be in a position to sign your contract and write you a check.

If you sell to consumers, for example, how many times have you thought you had the job sold because you convinced your prospect, only to find out you didn't get the job because "my husband/wife doesn't want to spend the money"? And if you sell to the corporate market, as I do, you might have heard a prospect tell you "I'm ready to buy"—only to have the customer drag his or her feet and then ultimately say, "My boss thinks it's too much money" or "The committee didn't approve it"? Unfortunately, you haven't sold your service until everyone who must approve the purchase has done so.

The best prospect is usually someone who can directly authorize purchase of your service. This might be the head of a household, the owner of an apartment complex, or the president of a manufacturing firm. However, it's not always possible to deal directly with the man or woman in charge. That person may be too busy, not interested, or consider the matter too unimportant to give it his or her personal attention.

If that's so, the second-best scenario is to deal with prospects who, while they cannot directly approve your contract, are in a strong position to specify or recommend your service. In a business, this might be the manager whose area of responsibility deals with your service and whose direct boss is the person who can sign your paperwork.

The worst-case scenario is to deal with some lower-level employee who has no real knowledge of what you sell, no real understanding of the problem, and no clout when it comes to specifying, recommending, or approving use of your service. For instance, in my business, I've learned that almost all inquiries from secretaries and other assistants are worthless. If prospects don't think it's important enough to write or phone me themselves, then they don't understand the importance of what I offer and are unlikely to buy. (This may not hold true for your business, of course.)

Prequalifying Characteristic #4: The prospect is someone you can work with.

You are going to be spending a lot of time with the customer after the sale is made, so it's important that you get along with the prospect reasonably well. You might experience good personal chemistry with prime prospects and a minimal but only an acceptable amount of personal chemistry with marginal prospects. If you can't stand the person at the other end of the phone—cringe when she speaks, sense he'll be difficult, or feel the two of you just don't "click"—then that person is probably not a good prospect for you.

Prequalifying Characteristic #5: The prospect will significantly benefit from buying what you are selling.

If the customer can't really benefit from your services, he or she will be dissatisfied no matter how well your product performs. And if the customers are going to be dissatisfied, we should probably dissuade them from buying in the first place.

Why? Because unhappy customers can pose collection problems and generally aren't good for our reputation. We build our businesses by creating a large number of happy customers, not dissatisfied ones.

How do you determine whether prospects can benefit from your services? You *know better than they do*. If you've been in business for a year or more, you've gained a pretty good feel for what type of problems you can solve, what type of projects you excel at, what type of people can benefit most from your help. You also know what you don't do well and whom you can't help.

Did you ever talk to a prospect who resisted your sales pitch, and think, "I've got to make this sale because I can really help this person and it would be a tragedy for both of us if he didn't use my service"? If you get the feeling that prospects will be suffering a terrible loss if they miss out on the opportunity to be helped by you, and that no one else could serve them as well as you can, they're probably prime prospects.

In other cases, you may feel that you can help prospects, but so can a lot of your competitors. You know you would do a good job, but probably no better or worse than others in your field. People about whom you feel this way are good or marginal prospects, but not prime, hot prospects.

If you feel you are unqualified to help prospects, or that you are qualified but your particular services are not right for them, you should probably turn away the work unless you really need it. The best move would be to refer them to a friendly competitor, who (you hope) will reward you with a referral to a different prospect who is more up your alley.

Downgrade Slightly Your Acceptable Customer Profile

Now here is the key to surviving a recession, business slowdown or other down economy: Downgrade slightly your acceptable customer or customer profile.

As an example, in my office, in a normal economy, we focus on diamonds, enjoy working with golds, determine whether to work with a silver on a case-by-case basis, and turn all coppers away. We proactively market to diamonds and golds, and follow up religiously with all diamonds. We get inquiries from silvers and coppers, but never target them deliberately.

In a recession or down economy, or when the lead flow dries up somewhat, we become more liberal in our marketing. We still focus on working with diamonds and golds, but we take on more silvers than we normally would to fill up our work schedule. We even talk to coppers and take on some of these customers on a selective basis. Surprisingly, many turn out to be very rewarding projects. We broaden our marketing, including silver in our deliberate target market profile along with gold and diamond.

The late direct mail copywriter Paul Bringe said it best: "When the feed is scarce, the chickens will scratch at anything." When you are flush with work, you can afford to be highly selective in your acceptable customer profile. When the feed is scarce, you can't. Adjust the profile as circumstances dictate and go with the flow.

To sum it all up . . .

- There is nothing illegal, unethical, or immoral about giving preferential treatment to certain customers based on the amount they spend with you. Airlines do it all the time in frequent flier programs. So can you.
- To determine how qualified a prospect is, find out if the person you are dealing with has the budget, authority, and desire to buy your product or service.
- During slow times, you can fill your book of business by downgrading slightly your acceptable customer profile—that is, by doing business with people you would not ordinarily seek out.

PART

III

BUSINESS STRATEGIES

So far, we've looked at both the personal and motivational strategies as well as the marketing and promotional activities required to reverse your business turndown.

Part III examines business strategies that keep your organization lean and mean, so that you can survive and emerge from any adversity the business world throws at you.

In Chapter 10, you get proven techniques for reducing your overhead and operating costs. Chapter 11 shows how to increase efficiency and add value using the Internet. And Chapter 12 gives pricing strategies that are particularly effective during a down economy or business cycle.

CHAPTER

10

Cut Overhead and Operating Costs

"If you don't have the will and you're not hungry and you're not almost compulsive about it, you can't succeed."

—Joyce Carol Oates

Good sales and cash flow can make up for a lot of sloppiness in finances and operations. But when sales and cash flow dry up, every penny becomes precious, and suddenly you can't afford to be careless about money.

Multimillionaire entrepreneur Robert Allen, best-selling author of *No Money Down*, says that a business's cash flow is like a bath tub. The water pouring from the faucet is your stream of income: your revenues. When business is good, the faucet is wide open, and the tub—your profits—fills up fast. But when business is slow, the faucet closes, and the incoming stream of income slows to a trickle.

The drain at the bottom is your operating expenses. When you are spending too much, the drain is open, and the water pours out of the tub. To stop your tub from emptying rapidly, you have to plug the drain. In other words, cut back on expenses and control cash flow more rigorously.

This chapter gives you some quick and easy ideas for saving money and preserving capital in a down economy.

Get Your Receivables Paid on Time

A key area of responsibility in any business should be attention to collections. Nothing is quite as uncollectible as an account that is more than six months overdue. Successful collection letters comprise patience, tact, and understanding with an underlying firmness, often in circumstances that are very trying for the collector.

Collections are important for two reasons. They bring in money that might have had to be written off the books or else collected through litigation; and, strange as it may sound, they can actually create goodwill at the same time that they are persuading debtors to settle delinquent accounts.

Here are a few tips for collecting past-due bills, from mail order entrepreneur Andrew Linick:

- State your request for payment of a specific sum immediately. Use a polite tone, gradually getting stronger with each effort.
- First letters should be simple reminders: "We are writing to remind you of an unpaid balance of $5,000.00 on your account."
- Follow-up letters should be inquiries about the reasons and facts behind the delayed payment: "You have not called us to let us know of your specific situation and any difficulties of which we should be aware." Then you may want to appeal to the reader to talk things over with you.
- Finally, you will come to demand payment in lieu of further legal action: "If we do not have your payment within ten days, we will be turning the matter over to our collection agency." Make the response easy. Supply the total amounts owed, enclose an envelope, provide a contact phone number: "If there is a problem, please call [name] at [phone number] to explain why we haven't received your payment." Or ask for an explanation on the back or bottom of your letter or statement: "Please take a moment to jot us a note on the bottom of the enclosed invoice, explaining your situation."

Get Help from an Outside Collection Agency

As you know, the older a bill gets the more difficult it is to collect.

How long should you try to collect the money yourself? Typically, the internal dunning cycle should consist of at least four efforts sent at 30-day intervals. And you should keep sending dunning letters until the response rate drops off, which usually occurs prior to the sixth effort. At this point, it's time to refer the account to an outside agency.

Getting a third party involved creates a greater sense of obligation and urgency. When the collection letters suddenly start appearing on the official-looking letterhead of a third party instead of your company letterhead, the bill suddenly becomes a *real* debt to the customer—one he perceives he is obligated to pay.

Collection agencies typically work with clients on two different fee arrangements: third-party letters and contingency. In a third-party arrangement, you pay a fixed fee per collection letter mailed. This is typically $400 to $480 per thousand, but can be more or less depending on volume. Keep in mind that there may be minimum volume requirements for the agency to work on such a fixed-fee basis. In a contingency arrangement, the agency's compensation is a percentage of the money recovered for you, typically 40 to 50 percent. You pay only for results, not for pieces mailed.

What are the pros and cons of each method? With the contingency method, there is no initial investment, no risk, and, indeed, no out-of-pocket cost of any kind. You can initiate this type of program at any time, because it does not require you to have a budget for back-end collections. The agency assumes all cost risks, and the program generates the agency's fee. The third-party arrangement offers you a low fixed cost per letter, enabling you to budget accurately and to predict returns based on projected response rates.

Whether it is better for you to use contingency or third-party collections on your first effort in the external cycle depends on your situation. The contingency arrangement reduces risk, because there's no out-of-pocket exposure, and it allows you to "test" a new collection agency for free. On the other hand, if you have reason to think that response to the first external effort will be high, the third-party arrangement can net you more cash. You can determine the return on investment at different response rates through a simple break-even analysis based on the agency's fee and the average dollar balance of the accounts. Traditionally, the first external effort generates the highest recovery rate in the series, so it's where you are most likely to recoup your investment in a third-party mailing.

Take a look at the collection efforts the agency uses, including the outer envelopes. Experience proves that a change in letterhead in either an internal or external dunning letter series will lift responses virtually every time. One situation where such a letter works well is as a replacement for the third or fourth effort in your internal cycle—typically after you have sent a bill and two notices and have suspended credit or refused to ship orders. Although there is a slight increase in the mailing cost of the third-party letter versus your internal billing letter, it is usually more than offset by the lift in response the third-party letter generates.

Most outside collection agencies use one or two letters to collect subscription payments. But they may be giving up too early. Look for a collection agency that isn't just content to collect the easy receivables but also goes after those hard-to-collect delinquent accounts. Testing by the agency may suggest that additional efforts are beneficial. For instance, while a one- or two-letter external series is traditional, some progressive agencies are achieving profitable recoveries with an extended letter series.

The goal of your external dunning cycle is not just to collect the money owed you, but to retain the customer and his goodwill. Your agency is not just a collector but a problem resolver and a customer service representative for your firm. And the by-product of good service is payment.

Here are some ideas on how your collection agency can help you improve customer service:

- The external letter copy must acknowledge that not every customer the agency duns actually owes you money. Letters should not only seek payment, but also encourage subscribers to call or write and explain why they have not paid or feel they do not owe the money.
- Once the subscriber pays, it's your responsibility to start shipping his subscription to him promptly. Make sure your agency can transfer payment information to your fulfillment house on a timely basis and in a convenient format so pay-ups can be quickly fulfilled.

- Promptly acknowledge and resolve every nonpayment and partial payment response. Your collection agency should have a special correspondence response department whose job is to communicate with subscribers who dispute invoices, make partial payments, or have other responses out of the ordinary.
- Make sure your agency employs a courteous and professional staff who treat your subscribers with dignity and respect at all times.

Run a Tighter Financial Ship

CPA Tamara Davidson (tsdavidson@profitprofiler.com) points out that many small business owners do not run fiscally fit businesses. During times when things are good and the money keeps rolling in, you can get away with less-than-pristine financial controls. But when business is down, let too many dollars flow down the drain, and you could be out of business.

How do you make your business more fiscally fit during a downturn?

"One of the initial ways to begin the fitness process is to capture accurate and timely financial information," says Davidson. This is akin to the doctor visit you make to be sure all is in good working order before a fitness program is put in place to limit risk or injury. If you are able to rely on the validity of financial reports you limit the risk of making wrong decisions.

Use these test questions to help you measure your company's fitness:

- Do your numbers have integrity?
- How often is your financial information reviewed internally or externally?
- Is your financial information set up in an easy-to-use format?

Companies are often so concerned with day-to-day financial maintenance, they give little thought to the monthly outcome necessary for effective decision making. Often the missing link is the ability to use your automated system to its fullest capacity or even to a larger degree. Along with that is the lack of physical procedure linking one department with another. Both are elements of business processes.

Referred to as fiscal management, business processes measure efficiency of a company. They incorporate both manual and automated internal procedures. Your company can have a powerful automated system, but if few know how to use it, it becomes ineffective and leads to inefficiency. Manual operations must coincide with automatic systems. For example, once inventory has been ordered and received there must be a manual check-in and accounting before vendor payment can be made. All systems must work together for the company to run at its highest capacity.

The three most important indicators for measuring your financial strength are your comparative income statement, gross profit, and operating income.

The comparative income statement provides an understanding of growth over the past year. Was there one particular revenue stream that increased faster than others? Did the revenue growth meet your expectations?

Gross profit revenue is total revenue minus direct costs or cost of goods sold. Direct costs are those that management sees as having direct relationship to revenue. When gross profit increases, it means production cost management is becoming more efficient.

Operating income is a measure of profitability after subtracting selling, general, and administrative overhead costs. It is the true earning capacity of the company.

Are sales and administrative costs in line with the previous year? This is important in the attempt to become lean and mean. These financial performance indicators are helpful to a company to understand their business success. Like the beginning of a fitness program, starting slow is a healthy way to begin a lifelong change.

"What we've done in the last eight months has been very difficult," said Jim Sinkinson, head of the Infocom Group, in December 2001. He advises: "Do what the numbers tell you to do. Renegotiate office leases, lay off employees, cut salaries."

Dr. Jeffrey Lant, a self-made Internet entrepreneur millionaire, marketing author, and consultant, offers the following advice for belt tightening.

> One key to weathering a recession [or any downturn] is to take your outgoing expenses and put them under both a microscope and a knife. You need to look at each item you spend money on and ask yourself whether you need this, whether you need

it at the current levels, or whether you could not get along with less of it or arrange your activities to cut back this expense. In other words, you need to get total control of all your outgoing expenses, including (importantly) personnel, which is for most businesses the largest single expense. Remember your objective: to survive the bad times with as little discomfort as possible, while leaving the infrastructure of your business intact so that you're ready when the economic turnaround eventually comes.

The silver lining in the economic cloud is that all businesses spend at least some money unwisely. During economic times, when everyone is fat and happy, there's no incentive to make changes. "What, me worry?" is the Alfred E. Newman approach to expenditures during boom times. Thus, an economic downturn may actually have a salutary effect, causing people who are determined to survive to develop their *money consciousness* by putting every single expense under the microscope and asking, "Do we *really* need this?"

What else can you do to control your money situation aside from spending less? Here are some tips from Lucia DiNapoli Gibbons, an executive vice president with FleetBoston Financial Corporation:

- Cash flow is critical for a small business. Plan your cash budget carefully, quarter by quarter. And stay on plan.
- Be sure that you have a sufficient credit cushion to get through a business turndown. If you don't have a line of credit, talk to your banker.
- Look for cash management products, like a lockbox service, that can help speed up your collections.
- Review your insurance coverage to confirm that it's exactly what you need. Make sure your employees are taking advantage of pretax payment options in their benefits programs.

Here is another tip: When times are tough, don't cut out benefits altogether, but ask employees to share the load for payment. The objective: to prevent employees from taking frivolous courses just to take advantage of your training benefit, and to ensure that they are serious about the courses they are asking you to pay for.

"We made an offer to our employees after they had expressed a desire to learn more and become more efficient; this was music to my ears," says one small business owner. "We said, 'Take any correspondence course you want, pay for it out of your own pocket, and we will double your money—regardless of the cost—once you have completed it.

"These courses begin at $175 and go to $1,800. In 20 years, we have never had a taker."

Reduce Your Labor Overhead with Outsourcing

The practice of delegating to vendors instead of staff employees is called *outsourcing*. In good times, outsourcing is mainly a strategy to increase productivity to meet demand, especially seasonal or cyclical demand. In bad times, outsourcing can allow a company to serve its customers and stay in business while dramatically reducing its labor overhead.

Outsourcing has grown tremendously in popularity in recent years. For instance, Manpower, the world's biggest staffing agency, now employs 1.5 million people. According to the National Association of Temporary and Staffing Services (NATSS), 21 percent of temp workers in the United States can be classified as "professional and technical."

A Coopers & Lybrand survey shows that in 1996, 81 percent of America's fastest-growing companies hired temporary, part-time, or contract employees. In 1996, NASA outsourced operation of the space shuttle to a consortium of private contractors. And Dun & Bradstreet Information Services reports that 40 percent of small businesses outsource at least one function.

One factor contributing to the growth of outsourcing is ongoing corporate downsizing. More and more Americans are becoming self-employed. These include writers as well as the word processors, clerks, programmers, and other professional and clerical services necessary to support them. In 1992, the *Wall Street Journal* reported that about 10 million Americans worked in their own unincorporated businesses. *Occupational Outlook Quarterly* estimates that more than 15 million workers are self-employed, with 3 million owning incorporated businesses. During the past decade, more than 700,000 workers made the transition from corporate employment to self-employment.

An article in the *Record* (August 10, 1997) reports that the use of part-time workers is growing. Part-timers made up 16 percent of the national workforce two decades ago; today they are 18.5 percent of workers—22 million people—according to the Bureau of Labor Statistics.

Why not outsource? Some people hesitate for the following reasons:

- They think they're too small to need or afford help.
- They don't have enough work to keep an assistant busy.
- They don't make enough money to be able to afford to pay someone else to do some of their work.

But as you become busier, you realize that the amount of work you can do, and therefore the amount of income you can generate, is limited by your own energy and the number of hours you can work in a day. One way around this is to spend more of your time on billable work, especially work that earns a high hourly rate. To do this, you have to free up some time by *not* doing work that is not billable or is billed at a low rate. This is where hiring outside help comes in.

You make money by thinking and producing. Everything else—learning how to use a particular computer program, scanning source materials, going to the library, buying supplies—is a waste of time that could be spent on productive work. Some or all of these nonessential activities can be outsourced to others.

What should you outsource? Businesspeople outsource all different kinds of tasks including the following:

- Research.
- Filing.
- Typing and word processing.
- Mailing list and database management.
- Telephone selling and telemarketing.
- Customer service (help desk).
- Proofreading.
- Sales and marketing (through agents).
- Bookkeeping and accounting.
- Computer programming.

You can outsource all or some of these tasks at your discretion. My policy is to do all the high-end work myself, and outsource the administrative, clerical, and secretarial work to subcontractors (which I'll discuss in a minute).

Obviously, to make a profit, you have to pay the subcontractor less money than it would cost you to do the work yourself. This means the subcontractor either charges less per hour for his services than you do, or charges less for the task because, given his high degree of proficiency, he can do it in a much shorter time frame than you can.

I don't do filing, for example, since I can pay someone to do it for a fraction of the money I'd make spending the time on writing and consulting projects. My attorney is more expensive and earns fees equivalent to mine, but I still use him on contracts and for other needs. Not only does he do a much better job than I would, but he can do in one hour (and bill me for one hour) what would take me half a day or more.

Let's say you are interested in getting more help around your office. A major decision is whether to hire an employee or to outsource. When you hire employees, they generally work on your premises using your office space, equipment, and supplies. You pay them a salary and often provide benefits such as sick days, vacation, and health insurance.

When you outsource, you contract with an individual or small firm that provides the services you need on a fee basis. This fee can be per project but is usually an hourly fee. Independent contractors typically works on their own premises, using their office space, equipment, and supplies. You pay their invoice like you would pay a bill for any product or service you buy.

I have had both staff employees and subcontractors, and I prefer the latter to the former by a wide margin. Here are six reasons why:

1. Subcontractors and other part-time workers can perform as well as full timers but, on average, earn 40 percent less. Only 12 percent get a pension, and only 15 percent get health care benefits. Therefore, they are cheaper to employ.
2. There is no long-term commitment and no recurring overhead. You pay subcontractors only when you give them work to do. Employees gets paid as long as they show up, whether they have work to do or not. When you don't need subcontractors, they work for their other clients (or take time off), and you don't pay them.
3. Subcontractors are independent and responsible for their own welfare. Employees may depend on you for guidance, career satisfaction, and other needs—a responsibility you may not want to deal with.
4. Using subcontractors is less complex, from an accounting and paperwork point of view, than having employees. Employees require social

security tax, FICA, workmen's compensation, and other complexities. Independent contractors are paid as vendors. *Note:* The Internal Revenue Service requires that people who are paid as independent contractors work on their premises and have other clients. Consult your accountant or tax attorney.

5. Subcontractors are more motivated because they are sellers and you are the buyer. They have a customer-service orientation, which is a welcome change from the attitude of resentment or indifference many employees seem to have toward the boss.
6. Subcontractors provide their own equipment and office space, buy their own furniture, and pay their own utility bills. Often subcontractors will have better equipment than you do, and as their client, you get the benefits of this equipment without buying it. So subcontracting can actually reduce your overhead and capital costs, while hiring employees increases it, since you have to supply the employee with a fully equipped work space.

"Outsource everything other than your core function," recommends Stephen M. Polland in an article in *Dan Kennedy's No B.S. Marketing Letter* (December 1998, p. 12). His advice includes replacing full- and part-time staffers with independent contractors or other entrepreneurs; leasing or renting rather than owning hard assets; and focusing on personal productivity and profitability.

Where do you find outsourcing help? Be creative. When my longtime staff secretary quit to take another job, I wondered where I would find another assistant. A colleague suggested that instead of hiring a full-time secretary, I find a typing/word processing/secretarial service to handle my needs.

I looked in the local paper and Yellow Pages and called several services. I explained that I was a busy writer looking for substantial secretarial support, and asked each service—most of whom were individuals working from their homes—whether they would be interested in having a client who would provide them a substantial amount of business on a regular basis. Every word processing and secretarial service I talked to became excited at the prospect of having such a client! Apparently, the word processing and typing business is sporadic and project oriented; having a regular client on retainer was unusual and a welcome change that would bring greater income and financial security.

I interviewed several word processing services and chose one person.

I explained that I would buy 30 hours of her time a week, by the week, and pay for a month's worth of service in advance at the beginning of each month. In return, I wanted the best rate she could offer me and a high level of service.

This person, who is now my assistant, works for me from her home in a town eight miles away. It's close enough that she can easily come over to do some work here or pick up materials if required, but mostly we work by phone, fax, and e-mail. In fact, her small word processing business has a part-time messenger to serve me and her other clients, and I only see her a few times a year.

This "virtual office" approach has many advantages and few drawbacks. In addition to the six advantages of outsourcing already discussed, I can work in privacy without having my assistant physically present (privacy and solitude are, to me, productivity boosters).

The only drawback is that my subcontractor isn't here every day to run certain errands, but I found a solution: I hired my former secretary as a second subcontractor. She works for me after her regular job, from 4:30 P.M. to 7:30 P.M., and can therefore go to the post office and bank and do other errands for me. I also have an independent sales rep who negotiates deals for me with corporate clients, a literary agent who does the same with publishers, an accountant who does my taxes, and a freelance bookkeeper who handles accounts payable and receivables. Obviously I am a big fan of outsourcing. It works for me, and I recommend you try it.

I found my sales rep when I went to a trade show and attended a workshop on self-promotion for freelancers. I was so impressed that, after the seminar, I called her and asked if she would represent me, so I could outsource all of my personal selling to her. She agreed and it has worked beautifully ever since. She is compensated based on a percentage of my gross sales.

Start small. Hire a part-time secretary or word processor to work for you one day a week. If you can keep her busy, like having the help, and feel it frees you to increase your work output and income, you can always buy more of the person's time or, if she is too busy, hire a second helper.

One caveat: Since many of your colleagues may not use subcontractors, you may not be able to find someone through referral. Call people who advertise word processing, typing, or secretarial assistance in the local town paper and Yellow Pages. Meet with them face to face for an interview before hiring them. Start on a trial basis, and don't promise anything more regular until both of you are satisfied the relationship is working well.

Another source of help is college students, who can be hired as part-time assistants or summer interns. The problem is that after the summer, or when they graduate, they're gone. The value of an assistant increases as they learn your procedures and business over time; this advantage does not exist when you hire college students and other transients who don't stick around. A professional word processor or secretary running his or her own service business, on the other hand, wants to make that business grow and is looking for long-term client relationships. That's why I prefer professionals to students.

Reduce Your Business Real Estate Overhead

Economy dictates that many small service businesses stick to a home office. Rented offices cost money. Many small businesses just starting out don't make enough to justify the expense. And for many people, working at home is the ultimate lifestyle: no commuting, no office politics, no dressing up in a suit and tie. But despite these benefits, a lot of at-home professionals eventually consider getting an outside office. Here are some of the most common reasons why:

- ***A change of scene.*** Personally, after seven years of staring out the same bedroom window at the same tree five days a week, fifty weeks year, I wanted a change. But there was no other room in my house I could use.
- ***Separate your work from your personal life.*** A home office makes that difficult. Clients call during dinner; you get faxes at 9:00 at night. An outside office affords you more privacy and a place to leave your worries when you come home.
- ***No kids.*** When my son Alex was born, his crying made it difficult to conduct business over the telephone because his bedroom was next to my office/bedroom. When he became a toddler, he wanted to play with me constantly during the day.
- ***There are too many distractions at home.*** Children aren't the only distraction. If shopping, housework, lawn care, TV, and the refrigerator beckon too frequently, an outside office will eliminate these distractions. My productivity doubled when I moved to an outside office.

- ***Outgrowing your space.*** After my tenth year as a freelancer, I had almost ten times as many papers in my files as I had during my first year in business. I had a lot more equipment, too.
- ***Clients visit.*** Meeting clients in a rented office doesn't disrupt your home life and keeps the presence of pets, children, and friends from creating an unprofessional setting.
- ***Hire a staff.*** Hiring a full- or part-time secretary or researcher requires another workspace. Your home office may be too cramped, and your spouse and children may object to the invasion of privacy. Of course, outsourcing solves this problem, since independent contractors prefer not to work on your premises.
- ***Neighbors complain.*** This rarely happens, but the fact is that most home-based businesses are run in offices not zoned for business. An outside office in a business district eliminates this concern and protects you from neighbors who want to keep the neighborhood free of commercial enterprises.

Five key factors to consider when evaluating office space are size, location, luxury, type of office setup, and cost.

Take the minimum size of space that will meet your needs. Don't overpay for a larger-than-necessary office to accommodate future growth. If you end up needing a bigger office later, you can always move. But especially when money is tight, keep overhead to a minimum.

As for location, you want a nice, safe neighborhood, but it probably doesn't have to be in the most exclusive part of town. Offices in suburbs and rural areas are much less expensive than office space in major cities. An office close to your home will minimize commuting. And a local office is likely to cost much less than an office in the city.

You also don't need a fancy office. One with good lighting, adequate heat, and electric outlets should suffice. For me, a window and a good view are also important. Some of the best deals can be found in converted houses and other small office buildings owned by local landlord/entrepreneurs. Oftentimes these owners are least able to afford prolonged vacancies and will negotiate terms with you to get you as a tenant.

If you require support services such as typing, faxing, and photocopying, consider renting space in a small office suite shared by self-employed professionals. Large office buildings are often too costly, but recent high vacancy rates in some areas of the country have made owners of such buildings more flexible.

Rent the office only if you can comfortably afford the monthly payments. Aim for rent payments of less than 5 percent (and certainly no more than 10 percent) of your annual income.

Don't hesitate to be a fussy buyer and negotiate a lower rental than is advertised or initially proposed for the office you want. Most landlords require a security deposit equal to one month's rent plus the first month's rent in advance. If they ask you to sign a lease, show it to your lawyer first.

Eight More Cash Flow Tips

1. ***Pay your bills on time.*** Do not count on the mail float to finance your operations. Delaying check to vendors makes them angry, incurs late charges, may jeopardize your credit with them, and only serves to give you a false sense of security.
2. ***Refinance or pay off loans or mortgages to lower your monthly overhead.*** When the down economy hit after 9/11, I paid off a $200,000 mortgage on my house. This immediately eliminated around $4,000 a month in mortgage payments.
3. ***Don't make major changes without thinking.*** If you lay off a key staff member because you're panicking about meeting the payroll, he or she may not want to come back when you decide you can afford to pay the salary again.
4. ***Establish a line of credit if you don't already have one.*** If you already have a line of credit, look into expanding it.
5. ***Look for what Bob Allen calls "multiple streams of income."*** Add other services to your offerings or open up new niche markets. That way, if your primary revenue stream dries up, the ancillary income streams can partially offset the decline.
6. ***Monitor your accounts receivable carefully.*** Send out bills and statements in a timely manner. Do not let collections slide.
7. ***Reduce or eliminate nonessential expenses such as entertaining, overtime, or charitable donations***—at least for as long as the downturn lasts. Reinstate them when it is over.
8. ***When revenues recover, begin setting aside "rainy day" cash reserves*** so that when the next downturn comes, you need not worry about paying the bills.

To sum it all up . . .

- To reduce the stress caused by reduced revenue during a business downturn, do everything you can to reduce overhead and control costs.
- Stay on top of accounts receivable. Get bills paid on time. The longer a past-due invoice goes unpaid, the less likely it becomes that you'll ever be paid.
- To keep your labor overhead low, consider outsourcing rather than hiring new employees.

CHAPTER 11

Use the Internet to Cut Costs and Attract Customers

When business is off, you want to do two things: cut costs, and increase revenues.

The Web and new technologies can help you accomplish both goals, but almost no business in America today is using the Web to nearly its full potential in achieving either of these above objectives.

You may object that when sales are off, the last thing you want to do is pour money into e-business applications and implementation—especially if the Internet is not central to your business strategy right now. But we are moving inexorably forward into the Internet era, where e-enabling your business gives you a sustainable competitive advantage. Making the right investments in online marketing, customer service, and business processes, cautiously and conservatively, can pay big dividends and rapidly return your investment many times over.

In this chapter, we'll explore how to use the Internet to reduce operating costs and increase revenues. With your increased revenues, you can free up money for marketing programs, or pass the savings along to your customers.

Your Web Site as a Profit-Generating Asset

Even if you already have a web site, it's likely that you haven't harnessed all of the benefits. Thomas Massie, CEO of Bridgeline Software, a web development firm, says that too many companies are content to have a "brochureware" web site when they could have a site that is so much more. A brochureware site is a web site that consists mainly of pdf, txt, or html product documents posted on a server. Such sites merely present product information and have no transactional capabilities.

In this chapter, I'll explore how to create a site that is more than mere brochure, but rather communicates your brand and its differentiating features and gives potential customers clear reasons for choosing to transact with you. In addition, later in the chapter, I'll discuss how to use e-mail to communicate with customers.

Internet-Based Transactions Are Cheaper and Faster

Why should you consider moving various operations and processes from paper to the Internet? As I hinted earlier, by fully leveraging the Internet, you can greatly increase your firm's efficiency. For example, handling transactions electronically speeds processing while reducing costs. According to Doculabs, it costs approximately $32.74 to handle a customer inquiry through a call center. By comparison, handling the same inquiry on the Web—through a search engine, online product information, or an FAQ page—costs just $1.17.

For one of his clients, a large mortgage company, Massie's firm created a web site enabling online processing of mortgage applications. Processing mortgage applications is labor-intensive. This mortgage company had commissioned a study by an efficiency expert, who found that their mortgage process involved 22 separate steps, resulting in an average approval time of three weeks. In addition, because many individuals processed the paperwork, the process was prone to errors and delays. The company was losing business as customers turned to other lenders who could give quicker approvals on their mortgage applications.

Business analysts identified the objective of the company's Web initiative as streamlining the mortgage process and making it more efficient. A web site was built to handle mortgage processing online. The number of steps in the process was reduced from 22 to 2; the average approval time was cut from three weeks to three days. **The result was lower processing costs and improved customer service. Quicker approvals increased the mortgage closing rate, directly contributing to revenues.**

Another example of a company that does more than just display brochureware on its site is IBM. IBM has many product lines on its web site. Among them are its eServers, which are servers specifically designed for e-business applications.

In its marketing efforts, IBM typically sent a mailing directing the prospect to the web site for more information. However, it was difficult to tell whether these promotions actually drove sales. They had no way to tell if people clicking onto a web page were qualified prospects for that server—or whether they took the next step and purchased.

To offer responders to direct marketing a value-added Web alternative, IBM created an "Online Configurator" for its pSeries eServers. When you click on the URL, you go to a table. The columns list the different models available in a given category, such as for the p610 eServer, an entry-level UNIX server. The rows list different options (memory, ports, interfaces, storage, rack vs. tower configuration).

The user can select the model and options he wants to custom configure a pSeries eServer to meet his needs. He then clicks on a button and instantly receives a price quotation for the unit as he configured it. If the price is acceptable, he can click another button and order the server online, completing the transaction without talking to a sales representative. If the price is too high, he can reconfigure the options until he gets a unit that is within his budget.

You can probably think of other sites that have these fine-tuned capabilities. When a web site is truly at its best, the experience of browsing and buying can be fantastic. The site that transcends brochureware is our ideal.

Now let's start at the beginning. Building or reconfiguring your site means starting with the right name.

Adding Value with the Right Domain Name

The first step in establishing a Web presence and building a web site is to select and register your domain name. Choosing a domain name is not a trivial decision; it is as important as coming up with a strong company or product name.

According to a recent article in *CIO* magazine, there are more than 550 billion individual pages posted on the World Wide Web. Network Solutions, a major online registration service, registered 840,000 domain names last year alone. Therefore, although the Internet presents users with a wonderful tool for research, entertainment, communication, and commerce, we are faced today with the problems of clutter and overload. There is too much information for the consumer to digest, too many web sites competing for his attention, too many online stores and brands competing for his dollars.

For this reason, online marketers are—quite appropriately—incredibly choosy about the domain names they adopt for their web sites. The domain name is an essential element—perhaps the most essential—in establishing and communicating an online brand.

Businesses tend to gravitate toward a particular domain name for three major reasons. The first is that the domain name relates well to their positioning and branding. The domain name might be a variation of their product name or product category. Look for a domain name that logically ties in with what you do. Examples would be printing.com for a printer and flowers.com for a florist. Or simply make the domain name the same as your company name. IBM's domain name is IBM.com.

The second reason is association: The Internet marketer believes Internet surfers would go to the name when looking for information on that specific topic. The third factor making a URL desirable is memorability: The Internet marketer believes that visitors will find the domain name easy to remember. This is the reason why a printer with a four-color press might register the domain name www.colorprinting.com. There are, of course, cases such as Amazon or Yahoo, when the name of the web site stands out from the crowd and becomes integrated into the lexicon. Unfortunately, these cases are rare.

All else being equal, I prefer succinct domain names because they can be more descriptive. For instance, one printer has a web site named www.printingforless.com. It gets a message across, but will you really remember that when you are online and need printing? Although domain names can be as long as 67 characters, shorter—like www.printer.com—is better.

Think about the web site URLs you can recall off the top of your head without going to your book marks. How many of them are more than one word long? It's no coincidence that one of the most popular online retailers is www.amazon.com.

As for what not to do, just a few tips:

- Try to avoid having the word *and* in a domain name. I can never remember if it's Barnes&Noble.com or BarnesandNoble.com, and I'm sure I'm not alone. Having the last letter of your first word the same as the first letter of your last word also creates problems, because people can't figure out whether to use the letter once or twice. To convert my name into a domain name, would people be more apt to think www.bobly.com or www.bobbly.com? I solved the problem by registering the shorter and simpler www.bly.com. People frequently comment on how easy it is to remember.
- Make sure your URL is easy to say. People should remember it if it's repeated on TV commercials, plastered on billboards, or sung in a radio jingle. Sheraton had great success promoting a toll-free reservations number with a catchy TV jingle. Can you remember? "Eight-oh-oh, three-*two*-five; three-five, three-five."
- Avoid domain names that are difficult to remember or to figure out how to spell. If your last name is Pasterittinelli, avoid www.pasterittinelli.com. People are likely to get confused and try www.pastteritineli.com or www.pasteritineli.com.

You can't copyright, patent, or register human names and book titles, which means multiple people can have the same name, and different books can have the same title. But domain names, like phone numbers, are unique. So when in doubt, it pays to register any name you might want and hold it, rather than risk letting it go to someone else. Register your Internet domain name early. When in doubt about a name, register it anyway.

But if someone else registers the name you want, you may have to pay dearly to get them to sell it to you. Recently, drugs.com sold for $823,456. And a Texas entrepreneur recently sold business.com to a California company for $7.5 million. Two years earlier, he had bought the name from someone else for $150,000.

According to an article in *Business 2.0* (August 22, 2000, p. 32), a Scandinavian financial services company recently spent more than $1 million to register 3,080 domain names. "While registering thousands of names may be unusual, many large companies do log all possible combinations of their names and product—including possible misspellings," the article notes.

Some marketers, finding the domain name they want is already taken, do a close variation with a small typographical change.

Under current trademark law, a domain name is not a trademark. Using the domain name does not automatically make the domain name operate as a trademark. If you intend for the domain name to act as a trademark, you should search trademark records to see whether the domain name has already been trademarked. (Source: *Writer's Digest*, March 2001, p. 48.) This can be done on www.idnames.com. If the domain name is not being used as a trademark, a trademark application should be filed.

Will we ever run out of good domain names the way we exhausted the supply of available 800 numbers? Network Solutions registers a new domain name every 3.9 seconds. So the shorter, more logical-sounding dot-com domain names are rapidly being taken.

But there is another solution: Registering the same domain name you wanted as a .com but with an alternative extension. These alternatives include Top Level Domain names (TLDs) and Country Code Top Level Domain (CCTLD) names. The latter are available on the Network Solutions site www.idnames.com.

Right now, the major domain name suffixes—the letters after the last period—are .com, .org, and .edu. These suffixes are called top-level domains (TLDs). At a recent meeting in Japan, the Internet Corporation for Assigned Names and Numbers (ICANN) said it will create new TLDs to be determined, making many more domain names possible. So if www.consult.com is taken, consider registering *consult* with one of the new TLDs when they become available. These include .biz, .info, .aero, .pro, and .museum. But, as always on the domain name front, it's first come, first served.

A far bigger inventory of alternative extensions is the CCTLDs—Country Code Top Level Domain Names. These are extension you can get based on the name of the nation from which the domain originates. But in dozens of cases, you do not have to have a physical presence or even operate in that country to use their domain name extension. CCTLDs are plentiful and easily available for registration.

The country-code domains can be classified as follows: Of the 243 assigned country codes, 184 are actively registering names. Of the 184 active country-codes, 100 are classified as "restricted" and require a local presence and/or specific legal documentation in order to register (China, Japan, and France, for example). The remaining 84 are classified as free market or "unrestricted." Anyone from anywhere can register, just like in the .com, .net, and .org domains; no local presence is needed. Examples include the United Kingdom, Mexico, Denmark, Israel, and South Africa. These domain extensions are becoming more and more popular and might someday become as ubiquitous as .com or .net. Clearly, they might not be right for everyone, but with the right package, an unusual domain extension could be quite memorable.

Creating Web Sites That Sell

Now that you're thinking of a great domain name, let's turn to the issue of web site content. In his book *Roger C. Parker's Guide to Web Content and Design* (MIS Press, 1997), Roger Parker says content should consist of two components:

1. Information your prospects need to know in order to buy from you.
2. Information you know that will convince prospects to buy from you.

Information your prospects need to know in order to buy from you is the product information a serious potential buyer is likely to ask for. This "need to know" stuff includes the following:

- An overview of your products or services—usually found on your home page or an "About Us" page.
- Pages on individual products and services—one per product.
- Additional product information—specs, features, options, accessories, models, ratings, upgrades.
- Customers. Who buys from you? Some customers might wish not to be named specifically, so be sure to check before you post their names.
- Projects. What are some of the major projects your firm has handled? Make these descriptions results oriented.
- Applications. What applications is your product used for? What industries do you serve?
- Testimonials. Are customers satisfied? What do they say about you?

Product information can be of several varieties. A common technique is to post product brochures on the site. Converting a printed color brochure to an html file can sometimes be tricky. Some companies use typography printed over color photos, which can be difficult to read when put on a Web page. As a solution, the Web designer can change the design for the html versions, so that the copy is taken off the photo background and printed in black against a white background next to the pictures for greater legibility.

In industrial companies, it is common to photocopy product brochures and circulate copies to different decision makers while evaluating potential vendors. If you serve such a market, consider posting your product data sheets as pdf files which, when printed, look remarkably similar to a printed brochure.

Allow viewers to drill down to the level of detail they need. One chemical company has links in its product brochures to MSDs, or "Material Safety Data" sheets, on the safe handling of each chemical they sell. A prospect with a particular safety concern can get his question immediately answered by accessing the MSD sheets online.

Your web site should not only contain everything the prospect wants and needs to know about you—but also everything *you want to tell them*. There are certain facts and information a prospect may not look for or ask about, but that you would want to tell them, nonetheless. These are items that establish credibility and expertise.

Many products are, to a large extent, commodities, with little to differentiate your goods from another vendor's. What determines whether customers buy from you is whether you can convince them that you are reliable, trustworthy, knowledgeable, and competent. In other words, you know what you're doing, better than your competitors. In the classic marketing book, *Differentiate or Die*, Jack Trout and Steve Rivkin talk about the importance of differentiating your product from the fray. Ultimately, you determine a core feature that you communicate through your marketing and advertising and convey in every interaction with your customer. Coke, for example, differentiates itself as the original, and Volvo differentiates itself as the car for safety. Other differentiating features might be heritage, ease of use, being the latest, or being the best (or even, in the case of Hertz, being number two).

Repetition is key for solidifying your differentiating features within the consumer's mind—therefore, you might state outright what separates you from the competition, and repeat this quality throughout your site. If your differentiating feature is reliability, you would highlight in your client profile the long-term relationships you have established with certain clients. In your client testimonial section, you would select blurbs that praise your long-term, unwavering reliability.

Another way to differentiate and to brand your products is by highlighting your awards or record for innovation. Jericho Communications, a New York PR firm, has a large button on its site labeled "Awards." Through that link, you can find all the PR awards Jericho has won. Although you may be more interested in PR results than awards, Jericho knows you'll be impressed.

They also offer a document called "Five Point Equation for Ideas That Work." Even though you may not intend to ask how they come up with PR ideas, they proactively tell you. The method establishes believability—they have a system for producing ideas—and makes you feel you have learned something about creativity when you read it.

On the web site for my freelance copywriting practice, www.bly.com, I post samples of my work—because potential clients want to see promotions I've written for other companies before making the decision to hire me. They can also click on a page showing color images of the covers of the many books I've written on marketing. That's what I want them to see, because it increases their comfort level regarding my expertise in my craft. Posting content on your site—useful information, such as white papers or how-to articles—is another, more subtle way of convincing potential customers that you are the qualified source.

Another technique you might consider is a button on your home page for "Recommended Vendors." It opens to an html file or database of resources, in fields allied with yours, that your visitors might find useful. For example, as a copywriter, my vendor list includes graphic designers and html programmers I recommend. When you post a regularly updated recommended vendors section, visitors come to view your site as a useful resource. Knowing that they can find on your site the other products and services they need to complete their project increases the likelihood of them buying your product as well.

So make sure viewers give your site a passing grade. Show people what they want to see—and be sure to lead them to what you want them to see. Remember to differentiate your products and services from the competition, and repeat this core feature throughout your site.

Nine More Steps to a Winning Web Site

How can you make sure your web site is a powerful marketing tool and not just pretty html pictures posted on a server that people can look at for free? Here are some simple steps:

1. Write down your marketing objective. Is it to generate leads? build a database of names with e-mail addresses? give your business a storefront on the Web? put your product catalog online to eliminate the time and expense of mailing print catalogs?
2. Now quantify your objectives. Do you think having an e-commerce site can increase your sales 10 to 15 percent? Are you looking to attract a thousand visitors a month? If you don't know what these numbers should be, make your best guess.
3. Make sure your web site has the information your visitors need to make a decision and take the action you want them to take. If you are selling a product, the prospect won't buy unless there's a clear description of each product along with its features and benefits. If you are selling a service, the prospect must be able to get a price on the site or at least be given a phone number to call for an estimate.
4. The prospect must be able to get all his questions answered while at your site. The easiest way to do this is with an FAQ, or "Frequently Asked Questions," page. The FAQ lists the most common questions visitors ask, along with the answers. A number of software products now allow visitors to interact with a customer service rep while viewing sites, either via e-mail or on the telephone.
5. Use tools that can quantitatively measure site activity. Compare actual performance against your stated numerical objectives. There are an increasing number of applications that can measure everything from how long visitors spend on each page in the site to how much and how often they buy.
6. Add strategic hyperlinks and site maps to guide visitors to where they want to go and also to where you want them to go. For instance, if you sell mixers and have an articles library on mixing, you might put links on the articles about particular applications to the description of the particular model mixer that handles each application best. Don't be afraid to aggressively lead the visitor toward the solution you want to sell, not just the nice free stuff you give away.
7. Study competitive sites carefully. Creatively plagiarize site features and Web techniques they are using to sell products similar to yours. There's no need to reinvent the wheel. Despite the emphasis on creativity among programmers and designers, creative adaptation of marketing techniques that are already working for others is more likely to result in your own success.

8. Take a tip from the Yellow Pages. When people open the Yellow Pages, they have an immediate need and are looking for a solution. So the ads are heavy on content, light on fancy design or marketing fluff. Your site visitor may not have as immediate a need as the Yellow Pages user, but she still has some interest or she wouldn't have come to your site. So while prizewinning Web design is fine, copy and content that *sell* are even more important.
9. Align your marketing across mediums—meaning that your web site should have the same look and feel as your brochures and direct mail pieces, and all of your marketing materials should repeat your core message. According to many marketing gurus, defining a key differentiating idea is essential to positioning your products and services in the mind of the consumer.

Cut Your Direct Mail Costs with E-mail Marketing

If you promote your product or service through direct mail, you know that response rates have been dropping over the past few years. At the same time, postage and printing costs are continually increasing. The 9/11 terrorist attacks further hurt direct mail response rates. With the anthrax threat, people were afraid to open mail from sources they didn't recognize, so direct mail-dependent businesses were hurting from reduced orders.

E-mail marketing may be the answer. The costs are significantly less than with paper direct mail. There is no printing or postage charge. The only cost is renting the e-list and transmitting your e-mail to that list.

Another advantage of e-mail marketing is speed. A direct mail piece sent third class can take two to three weeks to reach the recipient. E-mail is delivered in seconds, and the recipient can respond electronically. With a traditional direct mail campaign, it might take four to eight weeks to get all your replies in, count them, and evaluate whether your mailing was a success. With e-mail marketing, you get the bulk of your response within 48 hours of transmission.

Where can you find good e-lists? Your best list is your existing customers and prospects. But be careful. Have they agreed to receive e-mail marketing messages from you? If you get leads from people registering on your web site, add a check-off box on your registration page that says, "Yes, I am willing to receive e-mails with offers that may be of interest to me." When someone checks the box and submits the form, they have opted in and given permission for you to e-mail them. Consider adding this "I agree to let you e-mail me" to other lead-generating promotions, such as reply cards in paper direct mail. Include clear directions for how customers can remove their names from your list (i.e., by responding to a message you sent and typing "unsubscribe" in the subject line).

Can you use e-mail to prospect for new customers? Yes. Most list brokers who handle traditional mailing lists also handle e-lists. You can also find e-list brokers on www.evendorsonline.com, listed in the Appendix.

There are over a thousand e-lists on the market today, but how do you tell which ones are the quality e-lists? Ask your e-list broker the following six questions. The answers can help you determine which lists can produce profitable results for your product or service.

What Is the Web Site's Method for Opting-In the People on Their List?

There are dozens of databases with fancy names and big descriptions, but after you dig through the promotional information, they turn out to be nothing much. Prospects who have not requested anything rarely remember how or when they got on the list, and probably will not respond. These lists might have a chance with the many free offers that circulate on the Web, but serious direct marketers are looking for genuine Internet buyers.

For promotional e-mail, response lists are generally superior to compiled lists. In e-mail, there are numerous lists on the market compiled from Internic, which is the organization with which all Web advertisers must register their domain names. Other compiled lists consist of Internet addresses of people who visit user groups.

Response lists, by comparison, consist of Internet-enabled prospects who have either responded to an e-mail offer or registered at a particular web site. By doing so, they have actively indicated interest in a particular subject area. Another plus is that, in addition to just the Internet address, the list contains additional information such as name, address, phone number, and sometimes even buying preferences and demographics.

Early results from Internet marketing programs indicate that the best response is obtained using opt-in lists. The true definition of *opt-in* is that people on an e-list have registered at the web site or through some other electronic or paper form, and have checked the option requesting additional e-mail information from other companies.

Today, customer privacy is a key concern, both on the Internet and in traditional direct marketing. Opt-in ensures privacy and prevents spamming by giving people control over whether they receive e-mail marketing messages. According to a survey by IMT Strategies, more than half of all e-mail users feel positive about e-mail marketing when opt-in lists are used, and three-quarters respond to e-marketing messages with some frequency.

Sending unsolicited e-mails (i.e., spam) to people who are not opted in usually does not work. Spamming is illegal, and such blind e-mailings usually get terrible results. Opt-in lists clearly are the better way to go.

Different list owners use different definitions of opt-in, resulting in lists of varying quality. When you visit web sites and fill in guest pages, note that some web sites have prechecked the "Yes, I want to receive e-mail from other companies" option. So when you complete and submit the guest form, you opt in automatically. Other web sites require the registrant to proactively check "yes" to the opt-in option. The latter is indicative of a more responsive, qualified e-list. (Increasingly, the term *permission-based* is being used to replace *opt-in*.)

Make sure the opt-in language explains clearly that other companies will be e-mailing to the Internet user. If Web surfers visiting the site are not presented with the choice to opt in, they may respond negatively to receiving e-mail from direct marketers, including you.

How can you find out what opt-in means to the e-list you are considering testing? Ask for their opt-in language. Or go to their web site and register. If an e-list owner won't give you their opt-in language or the URL address of their web site, question the integrity of their list.

A number of lists use a form of reverse opt-in. They broadcast e-mails to Internet addresses with an advertising message that includes the promise of future promotional e-mails. They state that if the recipient doesn't want to receive future e-mails, he or she must click on "UNSUBSCRIBE" (or a link appearing immediately after the word) to remove themselves from the list.

Therefore, these so-called opt-in lists are in reality "opt-out," and prospects who take no action are considered to have given their permission to send them e-mail. (This is the electronic equivalent of mailing qualification cards for a controlled circulation publication, and considering anyone a qualified subscriber who does *not* send in the qualification card with a note saying "I *don't* want to subscribe.")

What Type of Relationship Does the Site Have with the People on Its List?

The most responsive lists have ongoing relationships between site and registrant. Whether customers are receiving a monthly magazine, a weekly newsletter, or are purchasing products from the company, look for lists of people who have an ongoing relationship with the site and are not just surfers. You want to know how often the people are returning to the site, how often the site is contacting them, and the last contact date.

How Old Are the Names?

In traditional direct mail, mailers pay a premium to rent newer, fresher names. Known as "hotline" names, these are people who have ordered from a catalog or direct mail piece within the last 3, 6, or 12 months. Why?

In traditional direct marketing, lists are judged by recency, frequency, and monetary categories. Monetary is how much money a customer on a mail order buyer list spent. Given as a dollar amount, this represents the average size of the mail-order purchase made by the buyers on the list. Average size of order is a good indication of whether people on this list might be willing to pay your price.

Frequency refers to how often the customer places an order. Recency refers to how recently the customer last placed an order. Experience proves that the more recent the order, the more likely the customer is to buy again. This is why mailers pay extra for hotline names.

In contrast to the demand for hotline names in paper direct mail, Internet marketers are finding that older lists sometimes pull better than newer lists! One reason may be that people who want to receive e-mail offers stay on such lists, while people who don't, opt out—meaning they asked to be removed from the list.

How Is the E-List Maintained?

Well-maintained lists add new names, match e-list names to e-mail preference files, update address corrections, and remove bounce backs and opt-outs. Thanks to the speed of the Internet, there is a lot of activity on e-lists. A dirty file can decrease response and increase flaming, bounce backs, and costs. Look for e-lists that are updated monthly or more frequently and guarantee 100 percent delivery.

When you rent a quality response e-list, don't be surprised when the list owner refuses to transmit the names to you, and instead insists on transmitting your e-mail, for a fee, themselves. This is standard practice among owners of quality lists. It's the electronic equivalent of a conventional list owner who won't send his list directly to mailers, but ships only to bonded letter shops.

In a recent survey of list owners, we found that 56 percent insist on doing the transmission themselves, while the others will release their e-mail lists to mailers. Research shows that most of the firms who release their e-mail addresses have inferior compiled lists.

Why do owners of quality opt-in lists insist on controlling their lists so closely? One reason is to ensure the integrity of the list by eliminating tampering. More important, it prevents the people on the list—whose trust the owner values—from receiving unwanted offers. And it ensures that Internet users get only offers of interest . . . including yours.

What Selections Are Available on the E-List?

Selections are essential for target marketing. E-lists have two types of selections: web site data and individual data.

Web site data is generated from log reports, and a quality e-list will have it available. Examples of site data are original registration date, last time visited, and number of times visited.

Individual data is gathered directly from the registrant or by list enhancement through demographic overlays. Examples of individual data are consumer versus business, age, gender, job title, industry, and special interests. Selections allow you to target only those Internet prospects most likely to respond to your offer.

Some e-lists offer significant selectivity. Catalogs.com, an e-mail list of people who have requested online merchandise catalogs, offered selection by age, income, and a multitude of product interests including clothing, electronics, food, travel, books, and magazines. Versions! E-Mail, an e-list of computer prospects, lets you select names by application and operating systems used.

Does the E-List Owner Offer Any Value-Added Services?

Some e-lists offer value-added services that can increase the effectiveness of your marketing. An e-mail message can be personalized by putting the person's name in the body of the copy. Immediate click-through reports show how many people took the next action by clicking through to a web site.

Other value-added services available include split tests for multiple messages, list owner endorsements, address corrections, e-mail address appending, data enhancements, and e-mails with graphics and rich media, to name a few. Many of these services can increase response and reduce cost per order.

If possible, when ordering opt-in e-lists, omit zip code 90210. Most web site guest pages require filling in a zip code field to complete the registration process. This creates a problem in foreign countries that don't use zip codes. The best-known U.S. zip code to foreigners is 90210, from the TV show *Beverly Hills 90210*. Many use this zip code when filling in Web registration forms, and, as a result, we have discovered that many e-lists have a huge number of listings in 90210—most of which are foreign!

Keep in Touch with Your Own E-zine

In today's age of specialized information, newsletters—both offline and online—are popular. Sources estimate that there are more than 10,000 print newsletters and at least 500 electronic newsletters (e-zines) published in the United States—and probably several thousand.

In the online world, many e-marketers publish electronic newsletters that they distribute via e-mail free to their customers and prospects. The main purposes of such an e-zine are:

- To keep your customers and prospects informed about new products, services, and offers.
- To contact your customers and prospects more frequently than you can affordably do by other methods (mail, visits, phone calls).
- To build your credibility with a select audience (the people who receive the newsletter) over an extended period of time.

Instinctively, most marketers recognize that they should be in touch with their customers and prospects far more often than they actually are. You know, for instance, that there are many people in your life, both business and social, whom you don't think about, see, or talk to for long periods of time, simply because you are busy and not thinking of them.

However, your customers and prospects are busy too. And while you may be agonizing over why Joe hasn't placed an order from you recently or called your firm to handle a project, Joe isn't even thinking about you—because he has so much else on his mind.

You know you should be doing something to keep your name in front of Joe and remind him of your existence. But what? You may want to call or send a letter, but you think this is too pushy. Besides, there's no real *reason* to call, and you don't want to seem to be begging for business.

An e-zine solves this problem. It regularly places your name and activities in front of your customers and prospects, reminding them of your existence, products, and services on a regular basis. And you need no excuse to make this contact, because the prospect *expects* to receive an e-zine on a regular basis. The e-zine increases the frequency of message repetition and supplements other forms of communication such as catalogs, print ads, and sales letters.

There are several reasons why you should consider having an e-zine to promote your company.

- You capture the e-mail addresses of many potential customers who surf onto your site, see the free e-zine offer, type in their e-mail address, and submit their information to receive the e-zine. See, for example, the e-zine sign-up box on my web site, www.bly.com.
- The e-zine enables you to keep in touch with your site visitors, prospects, and customers as often as you want, at virtually zero cost. The biggest expense in e-mail marketing is the list rental charge, which can run $100 to $400 or more per thousand names. But since the e-zine is distributed to names you already own, it's free.
- You can quickly and easily communicate information about special promotions and offers, new products, changes in terms or pricing, inventory close-outs, upgrades, accessories, and other news of interest to the people on your list.
- By sending your e-zine periodically, you maintain top-of-mind awareness with prospects and customers who might not think of you if they did not hear from you so often. This gives you an edge over competitors who don't have e-zines, while allowing you to compete on the same playing field with competitors who do have e-zines.

How long should your e-zine be? How often should it be published? In my opinion, your e-zine should feature five to ten short items, each only a paragraph or two in length. You can also add one or two longer features, but these should be no more than one or two screens.

Already there are too many e-zines, and yours won't be read unless it's of reasonable length. In this regard, the fact that the e-zine is electronic instead of print works against you. Readers will put a print newsletter in their briefcase to read later if they don't have time now. But with an e-zine, it's too tempting for them to click the delete button.

As for frequency, e-zines can be sent daily, weekly, twice a month, once a month, or even less frequently. With their low production and distribution cost (virtually zero), most marketers opt for at least once a month. The ability to contact the prospect cheaply and often is why they are doing an e-zine in the first place.

An optimum schedule for contacting your customers and prospects via e-mail is twice a month, with weekly being the maximum recommended frequency. There are very few organizations, including yours, whose members or customers need to hear from the organization more often than once a week. That's one reason why I advise against a daily e-zine for most marketers.

The other reason not to do a daily e-zine is that most companies don't have enough news to fill 250 issues each year. If your schedule is too frequent, you may find yourself putting unnecessary fluff and filler in the newsletter just to get something in the mail. Your readers will be turned off by the lack of quality and the poor content, which would hurt you rather than help. Finally, it's a big burden that you really don't need to take on.

To sum it all up . . .

- Implementing e-business applications and moving business processes online offer you two basic benefits: lower transaction costs and increased revenue.
- You should have a consistent message across all your marketing materials, online and offline.
- When capturing data about new prospects, get their e-mail addresses and ask permission to send them e-mails about your company, products, services, and special promotions. You can then contact these "opted in" prospects as often as you want (although weekly is the maximum frequency of contact for most marketers) via low-cost e-mail.

CHAPTER

12

Quote Competitive, Affordable Fees in Bid Situations

One of the toughest questions beginning *and* experienced business managers wrestle with in a down economy is "How much should I charge?"

You probably have a standard fee or range of fees you want to charge (or have been charging) your customers. But are they the *right* fees? The amount of money you charge—and *how you present* your fee to your potential customer—plays a big role in determining whether you make the sale and get the project.

Charge too little, and you diminish your prestige and importance in the eyes of your customer. You also diminish the perceived value of your services and dramatically reduce your own earnings. A low fee may get you a contract you might otherwise have lost, but will you be happy doing the work for so little money?

People who sell products don't worry about this as much as service sellers, because they can always make it up on volume. As comedian Jay Leno says on the corn chip commercials, "Crunch all you want—we'll make more." But when you are selling your services, you are also selling the finite amount of time you have available to perform these services. In fact, time is your only money-making resource, and there's a sharply limited inventory—about 40 to 60 hours per week per employee in your firm. So you can't afford to give your time away too cheaply.

On the other hand, charge too much and you may price yourself out of the market, losing out on jobs to other business managers who charge less. In a slow economy or when business is down, we fear that customers and prospects won't buy from us because our prices are too high—and we may be right. According to a Netscape Watercooler Poll (December 4, 2001), the two biggest signs of trouble are cancelled orders and delayed payments. If you've experienced either, it may be cause for concern.

The purposes of this chapter are to (1) help you determine exactly how much you can charge for your time and services and still remain competitive in your marketplace; (2) show you how to present your fees to potential customers over the phone, in a sales meeting, or in writing; (3) give you the confidence and tools you need to negotiate successfully and get the projects you want at the price you asked for; and (4) help you determine whether you should adjust your fees in a recession or economic slowdown or keep them firm.

Determining What to Charge

Because each industry is different, I can't go into a comparison of the hourly rates or project fees others typically charge in your profession, how customers in your market are billed, or a detailed course on cost estimating for each type of service. That's beyond the scope of this book, and if you've been in business for any length of time, you already know these things about your own industry.

But I do want to ensure that you charge your customers competitive fees. These are fees that bring you maximum revenue without causing you to lose those projects you want to get—fees, in short, that win you the sale. Following are five important factors to consider when determining what to charge the customer.

Your Status

Are you a beginner or an old pro? Are you well known in your field and highly recommended, or are you still waiting to be discovered by the masses? Are you a novice, learning your craft as you go, or are you really a master at what you do? And do you just *think* you're good, or do you have the customer list, testimonials, referrals, and track record to back up the big fees you want to charge?

Because of their status, experienced business managers generally can command higher fees than beginners. But ability is even more important, so a highly talented novice is worth more to customers than a poor performer, no matter how long the latter has been working. Still, as a rule, those who are less experienced set their fees at the lower end of the scale, old pros at the higher end.

But be careful about underpricing yourself. Beginners have a tendency to set their fees at the absolute bottom of the scale, reasoning that they do not have the experience or credentials to justify higher rates. I used this strategy myself when starting out, and it makes sense in most cases, but you must weigh the benefit of charging less than your competitors against the possibility that customers will probably take you more seriously if you put your fees in the range of medium to medium high. I have found that the less a customer pays for a job, the less he or she respects the work and the person who produced it.

One beginner I know charged during his first year fees that it had taken me four years to get up the nerve to charge, and he had absolutely no trouble getting them—despite the fact that he was young and lacked heavy experience. I've concluded that I may have lost a lot of money by charging too little for too many years.

The Going Rate (What the Market Will Bear)

Unless you are the number one guru of your industry, or the most in-demand contractor in your town, your rates will have to be *somewhat* reflective of what the standard rates are for your type of service. And even if you *are* the great guru, there's still an upper limit to what most customers can afford or are willing to pay you.

In some industries, pricing is fairly standard. For instance, doctors in my town in northern New Jersey charge $55 per office visit, although some charge a premium for the initial visit; fees above $100 for a standard visit are extremely rare. Some industries are regulated; in others, professional societies or codes of behavior set fee guidelines. On the other hand, many businesses have no such standards, and their fees, as one professional puts it, "are all over the lot." For example, in my business, direct-mail copywriting, fees for writing a sales letter range from $350 to $20,000 and up.

The variation in fees in many fields is tremendous. However, by talking with a few prospects, you quickly get a sense of the upper and lower limits you can charge. You may find, for example, that some homeowners expect to pay $1,000 for landscaping, while others are willing to spend $10,000 or more. But no one expects to get it for $200, and no one is willing to go above $20,000. After a few initial conversations and meetings with potential customers, you'll get a good idea of what the market will bear.

The important thing to remember is that you are not locked into an hourly or project rate because you quoted it to one customer. You can experiment with different rates until you find the right range for your services and your market.

The Competition

The third factor to consider in setting fees is the competition in your local area. Call some of your competitors and ask them what they are charging. Many will gladly tell you. If not, you still need to get this information, so it's perfectly acceptable to do so undercover. Call—or have a friend call—a few of your competitors, posing as a potential customer. Describe a typical project, and get a cost estimate. See if they have a published fee schedule or price list, and ask them to send you a copy.

Finding out the competition's fees is a real help in closing sales. You learn just where to price yourself in relation to other firms offering similar services. You'll also benefit by asking your competitors to send you their brochures and other sales materials. By reviewing these materials, you can learn much about their sales and marketing approach.

Financial Need

The fourth factor is your own financial needs—how much you need the business and the income. In some situations, when cash flow is slow, you may feel financial pressure to get the work. At other times, you may not need the money, but psychologically, you need to close the deal in order to feel successful and good about yourself.

Your need to make the sale shouldn't really be a consideration, but practically speaking, it is for most of us. If you've got a million bucks in the bank, or dozens of top corporations are knocking at your door, begging you to make space for their projects in your busy schedule, then obviously you don't need the work, and this helps at the bargaining table. If the job isn't right, or the prospect gives off bad vibes or haggles over your fee, you can walk away without regrets. If, on the other hand, the rent check is three weeks overdue, and you haven't had a phone call or an assignment in the past two months, you may be willing to take on a less-than-ideal project or customer, who, if he senses your neediness, may use this to his advantage in price negotiations.

Ideally, you should negotiate each project as if you don't really need or want the work. But when you're hungry and just starting out, this isn't always possible or even wise. Sometimes you need the ego boost that comes with landing a project or being busy with work. For the business manager, psychic wages can be as important as the green, folding kind.

Supply and Demand

Supply and demand is the primary force that moves markets. If more customers want your product or service than you can accommodate, you can charge high prices. With more business than you can handle, you can say in effect, "I only want customers who will pay my price; if you can't, go somewhere else."

On the other hand, when your supply of product or service outweighs the demand, you want to set prices so as to interest more buyers. In a down economy or during a personal downturn, your business becomes slow when supply of your product or labor outweighs demand. Therefore, you want to price so that you attract more business, not turn people away. So how should you adjust pricing in a recession or other downturn?

If times are tough for you, they may be tough for others in your industry. Customers know this and may seek to take advantage by sending jobs out for multiple bids, where previously they might have come to you only. And if there's a recession, the cost of services or products will become more of a factor than it normally is; customers and prospects will be unusually price-sensitive. The solution is to bid competitively but reasonably. If you are high-priced to begin with, and you insist on getting top dollar, be prepared to lose out in some bidding situations.

How should you price your products or services during a slow period or a down economy? *Don't* instantly lower your prices to rock-bottom. You may never be able to raise them again. Also, you don't necessarily have to reduce your prices, especially if your rate card or fee schedule presents a *range* of fees. You should, however, bid toward the middle or lower end of your published fee range, rather than at the maximum. For example, if you list $5,000 to $8,000 to write an annual report, quote a price of $5,000 or $6,000, not $8,000, to make sure you are not charging way more than other firms bidding on the job.

As a rule, during a recession you probably want to adjust your bids so they are 15 to 20 percent lower than what you would normally charge in a healthy economy. This gives your prospects the break they are looking for, and shows fairness on your part, but does not cost you much in the long run.

Note: Do not tell customers or prospects that the fee is a special reduced fee. Simply present it as your bid on the project. If customers and prospects sense you are cutting fees because you are losing assignments, they will take advantage and try to force your prices even lower. So keep your pricing tactics secret, and simply present the price as you normally would.

Presentation of your fees to the potential customer actually involves two separate issues: (1) presenting potential customers with a fee schedule or giving them some other preliminary idea of your fee range and how you charge, before quoting on an actual assignment; and (2) quoting and presenting a fee for a specific job once you and the prospect have discussed the specifications for that project. Let's take a look at how to do each of these important jobs.

Publishing Your Price List or Fee Schedule

One of the key concerns prospects have when looking over your materials is "How much is this going to cost me?" Introducing the matter of fees and fee structure into the sales presentation at the right time is critical. Bring it up too early and you may scare off good potential customers. But if you are too evasive, prospects become suspicious and uncomfortable. Think about how you react as a customer. You like to have some idea of what something is going to cost you before the salesperson gets too far into the sales pitch, don't you? Of course—and your prospective customers feel the same way.

If you are meeting with prospects in person, then handling the matter of fees is somewhat easier than if you are dealing by mail. In a personal meeting, you can tell, from feedback, when prospects are ready to discuss fees. Usually this will come as a direct question, such as "How much do you charge for an employee benefits review?" or "Can you give me an idea of how you charge?"

When prospects ask, answer directly and factually. State how you charge, what your fees are, and, if appropriate, give the reasoning behind why you charge the way you do. Do not be shy or apologetic about fees, as so many business managers are. You offer a professional service and customers expect to pay a professional fee for it.

And if prospects don't ask? You can probably tell by their body language when the meeting has gone on too long; they will be fidgety and uncomfortable, bored and unfocused, or seem eager to be through. At this point you say, "I think we've covered all the key points concerning your project, would you agree? If that's so, let me explain a little bit about how we charge for our services." Then present your rate card, or fee schedule, or explain how jobs are estimated and what the range for the prospect's job might be.

But what about a prospect who telephones? Once I have determined that I am interested in working with the prospect, my next step is to tell him or her that I will send detailed information about my services. The material I send includes a one-page fee schedule listing my charges and the terms under which I do business.

I like a printed fee schedule because it gives prospects what they want (an idea of what I charge) and also proves that I am an honest professional who is so open about his fees that he publishes them. In addition, the fee schedule gives me a firm position when quoting fees. For example, if I list my fee for writing brochures at $500 per page and a customer needs an eight-page brochure, then she really can't argue when I tell her my fee for the brochure is $4,000.

Many, many businesses do not have published fee schedules. If you do not publish your fees, you ought to give customers some rough indication of fees either over the telephone or in a letter. For example: "For the project we discussed, my fee would be in the range of $5,000 to $7,000 plus $150 for the initial onsite inspection. I can quote an exact project fee once I review the job site in person."

The one disadvantage of a fee schedule is that it locks you into a fixed price, which may be too low for handling a particular assignment from a particular customer. The solution is to list a broad *range* of fees for each item on your fee schedule rather than a single dollar figure. Then, for a specific project, you can quote a price within your fee range that reflects the difficulty of the job and the amount of work involved.

For example, I used to quote my audiovisual script rate at $200 a minute. Invariably a prospect would say, "Okay, give me a three-minute script for $600." When I explained that the fee was based on a minimum fee of $2,000, prospects felt that I was charging more than I said I would.

So now I list my fee for writing scripts as "$2,000-$4,000." When customers describe the job in detail, I quote a price within that range which I feel is fair compensation for the work involved.

I think it is a mistake to give *no* indication of fee in the initial package you send out. The fee is one of the prospect's key concerns and, although they don't necessarily buy the low-priced service (indeed, the opposite is often true), most prospects want to get a feel for your fee structure fairly early on in the buying cycle.

Some service businesses—freight forwarding and word processing, for example—lend themselves to well-structured rate cards and fee schedules. Others—interior decorating, landscape architecture, computer programming—may not. But even if you can't publish your fees, the earlier you can give the customer a *rough* indication, the better.

When giving a rough estimate of your fee for a given project in advance of a firm price quotation, quote a range of fees rather than a single number. For instance, it's better to say "$5,000 to $7,000" than "$6,000." If you said $6,000 and you later have to revise the quotation to $6,500, customers feel you have raised the price; they feel cheated. But if you said it would cost between $5,000 and $7,000, and then quote $7,000, customers feel you have stuck to your initial estimate.

The exception to this rule is when quoting on a standard item for which you charge a set fee—for example, an attorney charging $100 for preparing a simple will. In that case, simply say to the prospect, "For preparing a simple will, my fee is $100."

When to Bring Up Price with the Prospect

The biggest mistake beginning salespeople make is feeling they must come up with a fixed price quotation the instant a prospect asks for it during the initial meeting or telephone conversation. If you can give a rough range or an exact price right then and there, fine. But if you can't, it is perfectly acceptable to say, "I'll need some time to prepare a price quotation. Let me review my notes of this meeting and the background material you are giving me. Then I'll get back to you with my understanding of what you want along with an estimate of what I would charge to do the job. Fair enough?" No intelligent customer will find this unreasonable; indeed, most will expect you to go through this process.

Should you present your fee verbally or in writing? My preference is to call prospects and go over the quotation on the telephone. This way, they are assured that I understand their specifications completely, while I get a sense of whether my price is acceptable or, if not, why not and by how much it is not.

Also, a telephone call indicates there is flexibility and room for negotiation, while a price quotation in writing signals "Take it or leave it"—a message you might sometimes want to convey. But with a telephone call, if I have misunderstood a prospect's requirement, he or she can tell me so, and I can adjust my quote accordingly. Prospects will be less likely to work with me to correct an error in a written estimate, which they tend to view as nonnegotiable.

For example, we recently got three estimates for landscaping our front yard. One was for $4,700; the second, for $5,000; the third, for $8,700. We selected the $5,000 quote based on price and the fact that we liked the firm's initial rough design. We actually liked the design of the $8,700 firm better, but felt that that was more than we wanted to pay.

Days later, the $8,700 landscaping firm called us back to see if we were ready to proceed. When we explained that we chose someone else because of price, he complained, "But you should have called me first! I would have given you a different design that you would still have loved and that would have been within your budget." But because his estimate had been presented as a ready-to-sign, drawn-up contract, I assumed it was firm and didn't even think it could be flexible. Your prospects will make the same assumption.

Show the Buyer the Value He Is Receiving for His Money

As marketing consultant Jeffrey Lant points out, customers buy only if they perceive that the value or benefit received from engaging your services is disproportionate to the fee paid—that is, they want to get their money's worth. Your service has to seem worth the big fee you are charging. You will sell more of your service if you present it as a valuable package at the time you quote your fee to prospects. And how do you make your services seem more valuable? By pointing out all the things customers will get (and that you do) for the fee involved.

To take a simple example, let's say a prospect calls me and describes a sales brochure he needs written. He then asks, "What will it cost?" If I immediately answer, "Five thousand dollars," he is taken aback. After all, where did I get that figure—out of thin air? And gee, isn't that an awful lot of money for a few typed pages?

Instead, here's how I would present the fee over the phone or in writing:

"The job, as I understand it, is to write a six- to eight-page brochure designed to sell ABC Widgets. For this fee, I will:

- Read all previous brochures, ads, technical literature, and other materials ABC Company has produced on ABC Widgets.
- Read articles you provide me on the widget industry.
- Review the widget market research studies prepared by your ad agency.
- Conduct telephone interviews with the product manager and chief engineer to learn which new features of the improved ABC Widgets should be stressed in the new brochure.
- Do a random telephone survey of three to six widget users to determine what they think of ABC Widgets and what features they are most interested in reading about.
- Write a comprehensive outline for the proposed brochure and submit this outline to ABC management for review and approval.
- Write a first draft of the brochure copy based on the approved outline and submit this copy for review and approval.
- Make any and all revisions and rewrites requested by the customer (up to two complete rewrites).
- Make suggestions on photos and illustrations to include in the brochure and write captions for all visuals selected for the final version.
- Do a rough layout and then review the artist's comps at no extra charge.

"My fee for these services is $5,000."

See the difference? In the first proposal, I'm merely typing up a few pages, for which I'm asking the customer to pay $5,000. In the second, I am performing an incredible list of helpful services for which $5,000 seems a reasonable fee if not a downright pittance.

***Key point:* Prospects find your price much more palatable when you *spell out* for them all the wonderful things they are getting for that fee.**

What to Do When the Prospect Says Your Price Is Too High

The most common objection sellers hear is "Your price is too high." There are two ways to handle this objection.

The Wrong Approach

You quote a fee of $2,000 for the project. The prospect says: "Your fee is too high." You, scared of losing the assignment, immediately say one of two things. Either you say, "Okay, well, for you I can do it for $1,000," or you say, "Well, I'm flexible, tell me what your budget is." The prospect tells you the budget is $1,000, and you say, "Okay, I can do it for that."

What's wrong with this approach? Several things. First and foremost, you didn't get the fee you wanted—the fee you thought you deserved. Second, when you immediately offer to do the job at a lower price after the prospect objects to your initial fee, he or she can only conclude—quite rightly—that when you quote a fee, it doesn't really mean much; it's only a starting point from which you can always be bargained down, probably because you are desperate and need the work.

Let's say I'm your prospective customer with a $2,000 budget. When I ask you what your fee is, and you say $2,000, I will probably say "too much"—because I want to get your service for as little as possible, and I know your initial quote is meaningless and you can always be bargained down.

The Right Approach

You quote your fee for the project as $2,000. The prospect says, "That's too high." You say: "I understand. Of course, I can't do the job as outlined for a lower price, but if you tell me your budget, I'll tell you what I can do for you at that price."

How does this work? Let's say the project is to design a small annual report. Your fee is $5,000. The customer says the budget is $3,000. You say, "I can't do the layout and mechanicals for less than $5,000, but for $3,000, I *can* do just the layout and design. That's the creative part—the part you want. You can then take my layout and get it typeset less expensively elsewhere. So, Mr. Prospect, I can do the job for $3,000—if you handle the mechanical aspects in-house."

To break this strategy down into three steps:

1. You find out what a prospect's budget is.
2. You do not back down from your initial fee. In fact, you explain that naturally, your fees are fixed and you cannot offer something that costs $X for even a penny less.
3. But you tell the prospect how much you *can* do within his or her budget. In essence, you give the prospect a lower level of service to match the limited budget.

Why is this strategy so effective? First, prospects respect your honesty. They see that your fees are fair and have meaning—if you say it's $2,000, then you really mean $2,000. Second, instead of blowing them off, you are trying to help them by working within their budget. Of course, they understand that they can't buy a Cadillac on a Volkswagen budget, so reasonable prospects will at least try to find out how much you *can* give them within their budget constraints.

This strategy works when you decide to stick to your guns and not back down, but you still want the job and are willing to work with the prospect to find a way the two of you can get together on this.

One other thing about fees: A tactic some prospects use to get the seller to lower prices or back down from a quotation is to be silent when the fee is quoted. The seller says, "The fee is $2,000." The prospect is silent for a long time, while the business manager fidgets on the other end of the phone line.

Finally, unable to contain his suspense, shaking with fright that the fee will be rejected, the seller utters that deadly phrase, "*But of course, I'm flexible and I'll work within your budget.*" The prospect immediately knows he is dealing with another dime-a-dozen seller who can be bought for peanuts.

Once you quote your fee to a prospect, shut up. The next person to talk loses the negotiation.

The lesson: Do not assume that buyers always want the lowest price. Often the value and quality of an item are directly tied to what the purchaser pays for it. As Cliff Schmucker, president of the Parachute Industry Association, points out: "Would you want a low bidder building your parachute?" (*Business News*, October 30, 2001, p. 7)

When the Prospect Still Won't Buy

In some cases, prospects will still feel your fee is too high. If you need the work, either for financial or psychological reasons—for instance, when business is slow or during a recession or industry downturn—you are certainly free at that point to give in and agree to do the job for the price that was offered. I've certainly estimated low and reduced my fee at times to make sure I could pay my mortgage and feed my family. But I always hated doing it.

Now that I am in a position of having much more work than I can possibly handle, I simply tell people, "This is my fee. If you cannot afford it right now, I certainly understand. There are others who charge less than I do; I'm sure one of them can handle this job for you, and I'd be happy to give you the names of some good people you can call." Prospects are grateful that instead of snubbing them, you are helping them by connecting them with another business manager who can solve their problem.

Now, many of the prospects who you turn away in such a manner will never hire you. But you would be amazed at the number of people who do come back to retain your services. Some prospects expect business managers to be frightened and bend to their every whim, and they are impressed when you do not.

The lesson: If you charge a fair price for a fair day's work, stick by your guns. You are entitled to your fee and should not work for less than what is fair. You are in business to offer a professional service and get paid a professional fee for it. Don't let fear get in the way.

More Price Negotiation Tactics

What do prospects really mean when they say "Your price is too high"? It can mean one of three things. First, it can mean that your price isn't really too high, but the prospect is a haggler who wants to see if you can be bargained with. The techniques I've just shown you will work with this prospect.

Second, the prospect truly may not be able to afford your services. Prospects without the money to buy what you are selling really aren't prospects; they're just nice people who can't afford to do business with you right now. You can't sell these people—and furthermore, you shouldn't try. You should just walk away. But always turn down cash-poor prospects politely. Don't snub them—they'll remember it, and someday, when they're in a position to retain your services, they won't, because of the way you treated them. Always be nice to everyone who calls you, even those who are not genuine prospects.

Third, prospects may have the money to afford what you are selling but aren't convinced of its value. Either they don't think the service itself is worth the fees being charged, or they don't think *you* are special enough to warrant your high fees.

You handle these prospects by showing them that the benefit, value, or results they will get from your service far outweigh the money they must pay for it. Here's how I handle it in my freelance copywriting business. You can adapt the dialogue to fit your own situation. Let's pick up our conversation from page 190.

Prospect: Five thousand dollars! That's a lot of money!

Me: Mr. Prospect, if you think of it as $5,000 for a couple of hundred words on a page, then you're right—it's a lot of money. But may I ask you a question?

Prospect: Sure.

Me: For each new account my sales letter brings in, how much profit will you make?

Prospect: About $4,500 per sale.

Me: So, if my letter does just marginally better than your letter—and brings in, say, ten more new customers than a less persuasively written letter—you will make $45,000 in profits, right?

Prospect: Yes.

Me: Tell me—would you normally be willing to spend $5,000 to make a minimum of $45,000?

Prospect: Of course!

Me: So my fee is really only a drop in the bucket compared to the potential for increased sales and profits for your business, isn't that right?

Prospect: Yes, I guess it is.

The essence of this technique is to make your fee seem insignificant in proportion to the potential benefit prospects will receive in terms of money made, money saved, time saved, or happiness gained.

A variation of this technique is to make your fee seem small in terms of the project as a whole. For the sales letter just described, this would go as follows:

> *Me:* How many letters are you planning to mail?
>
> *Prospect:* About ten thousand.
>
> *Me:* Then the cost of my fee comes to only 45 cents per letter. Do you think 45 cents is a lot to pay to put a more powerful, persuasive sales message in front of your best prospects? After all, you spend hundreds of dollars to send salespeople to call on prospects. Isn't 45 cents per letter a fair price for a better shot at closing the sale?
>
> *Prospect:* Yes, it is.

This is similar to the TV commercials that ask you to pay for something in three installments of $19.95 each. The price is really $59.85, but the viewer finds $19.95 much easier to swallow. The same technique can work in making your price seem less of an obstacle to the prospect contemplating purchase of your services.

You might also warn prospects of what it will cost them if they *don't* buy your services today. For example, if you sell accounting services, tell prospects about the costly mistakes other businesses were making in tax filing before they hired you.

Offering some type of easy payment plan can work well when selling both products and services. Psychologically, consumers view "three easy payments of $19.95 each" as cheaper than $60, even though they are really equal.

For higher priced products, you may want to consider offering leasing, rentals, or other financing options to your buyers. Leasing has become increasingly popular. More than 35 percent of cars, 30 percent of computers, and 40 percent of copiers and office equipment are sold through leasing. Tens of thousands of resellers nationwide offer some sort of financing as an option to their customers. With leasing, customers who don't have the cash or don't want to exhaust bank accounts or existing credit lines can still afford to buy what you are selling. It also helps overcome price resistance and sticker shock. After all, what sounds better—"$10,000" or "$233 a month"?

"My standard price quote includes monthly lease payments," says Doug Hobkirk, a computer reseller in Watertown, Massachusetts. "This gives prospects an option that makes our system look less expensive. If the prospect didn't have that low number to consider, the high purchase price might have blown them away right off the bat." Adds Hobkirk: "It's a nice selling point, when you are talking to somebody and they start choking on a 15-grand price, to say, 'We'll just do the lease for $350 a month.' It tends to get them out of that price shock mindset."

Another benefit of leasing is that it eliminates obsolescence. When the lease is up, the customer simply returns the equipment. That not only prevents them from getting stuck with outdated technology, but it also creates an opportunity for a follow-up sale.

Offering financing in-house eliminates the need for the prospect to shop around for financing before making the purchase. This allows you to close the sale on the spot. If the prospect walks out the door to search for financing, she may change her mind or be pulled away by a lowball offer from another reseller. She doesn't return, and you lose a sale. By offering financing through a leasing company, you can close the deal on the spot while the customer is standing in front of you.

Flexibility: The Key to Surviving in a Down Economy

As we discussed earlier, you are not going to back down from your quoted fee. Instead, you are going to quote accurately and fairly, and then stick by your price. Remember, if you immediately back down after quoting a fee, then prospects feel your first price was meaningless.

This can backfire on you. I remember visiting a well-known health club with my wife; we were thinking of joining. The salesperson, an obnoxious high-pressure type, just about kept us prisoners in her office in an attempt to get us to sign up. When we objected that the $1,200 membership fee was too high, she said, "Okay, how about $700?"

Instead of taking the bait, I was outraged. "You mean," I said, "that if I had been interested initially, I would have paid $500 more than your *real* price to me?" The first price given should be the final price.

Magazine publishers have learned this through experience. In sending renewal notices, the first notice gives the best deal the publisher can offer, and subsequent notices just repeat the offer. Circulation directors know it's a mistake to save a big money-off or free-gift offer until the last notice. You might think that would work, but it doesn't. If consumers know that the price is going to get lower, they won't reorder right away. Instead, they will simply wait until the last mailing and the best offer.

So quote an honest price right off the bat, and then stick to it.

Where you *can* offer some flexibility is in terms and conditions. For instance, if a corporate customer says they cannot meet your net-thirty-day payment terms and asks for net sixty days, give it to them. You are not really losing anything. Most corporations take sixty days to pay anyway and never even ask whether that's okay with you—they just do it.

Or let's say you quote a fee to paint the interior of someone's house. Your fee is $3,000 for the walls and ceilings in all rooms but the bathroom. The prospect says, "For that fee I want you to paint the bathroom ceiling too." It's a small bathroom. It will take your helper another twenty minutes to paint it. Do you stand by your original quote and throw away the job? No. You say okay and paint the bathroom ceiling. On the other hand, if the prospect wanted his six-room guest house painted as well for the same fee, obviously you wouldn't do it.

One other area where I offer flexibility is in the advance retainer payment I require. For instance, many prospects would prefer not to pay half my fee up front. And that's okay—having half rather than a different amount is not the key point; what's important for me is getting some money up front to signal the customer's serious commitment to the project.

When a prospect says, "I would rather not pay half up front," I *don't* say "How much would you like to pay up front?" because this gives them the opportunity to answer "nothing!" Instead I say, "I understand. What would be better for you as a retainer—one-third or one-quarter of my fee?" One or the other will be chosen, and either is fine with me.

Here is a final tip: When stating your fees and terms, don't present it like a challenge, or in an aggressive or begging tone of voice, or as if you expect the prospect to object or yell and scream. Just state the facts casually, as if this is the standard routine and you do this every day. If prospects believe that a fee or term is standard or routine, they are much more likely to accept it than if they think the price or policy has been specially formulated for their particular contract.

To sum it all up . . .

- In a soft economy, be sure to quote reasonable, competitive prices, especially when you know the customer is getting bids from other vendors.
- Show the buyer all he or she is getting for the price you are charging. Point out all the extras, such as free shipping and handling or no extra charges for rush orders.
- Quoting a price that is too low may create the perception that your product is inferior or that you are desperate for the business. Don't do it.

PART

IV

CUSTOMER SERVICE

In Part I we discussed personal strategies for coping with a severe business downturn spiritually, psychologically, and emotionally. Part II outlined marketing and promotion tactics that can contribute substantially to the rapid reversal of a business slump. And Part III outlined business strategies to improve cash flow during the tough times.

In Part IV, we look at how you can lead your business out of a downturn and to even higher levels of profits and success through superior customer service.

Chapter 13 shows you how to take your customer service to the next level. In Chapter 14, you gain strategies for delivering more value to your customers. And in Chapter 15, I show you how to use low-cost extras to gain customer loyalty.

CHAPTER

13

Take Customer Service to the Next Level

"Many a false step is made by standing still."
—from a fortune cookie

Customer satisfaction is not something you practice one month, then coast on when things are going smoothly. It is an attitude, and a way of doing business, that must be diligently applied every waking moment, every minute of the business day.

It takes months, even years, of excellent customer service to form solid, lasting relationships with the most profitable, lucrative customers. And all of that can be destroyed with one slip, one mistake, one lapse, one error that gets the customer ticked off at you enough to make them walk. Therefore, you can't relax when it comes to applying the principles of maximum customer satisfaction. You have to do it every week, every day, every hour, every minute. Tiring? Possibly. Doable? Yes. Rewarding? I guarantee it.

Another reason why diligently practicing maximum customer satisfaction and never letting your guard down is important is that, in this Age of the Customer, only those firms that create maximum customer satisfaction will survive and prosper.

"Let's make sure that our customers are satisfied," suggests Lois Geller, president of Lois Geller Direct, in an article in *Target Marketing*. "Lack of customer service can break all of our efforts. If we are to cement buyer loyalty . . . customer satisfaction must be a key objective."

Low levels of customer satisfaction can cost your business a lot of money. According to investment consultant and author John M. Cali, Jr., 91 percent of unhappy customers who have been treated discourteously will not buy from the offending business again. And, just as bad, says Cali, the average unhappy customer will complain about the poor treatment you gave them to 9 or 10 other people, and 13 percent of these unhappy customers will tell more than 20 other people.

According to the American Productivity and Quality Center:

- Sixty-eight percent of customers stop doing business if they receive poor service.
- Customers are five times more likely to leave because of poor service than for product quality or cost.
- Customers who receive poor service tell 9 to 20 other people.
- Losing a customer costs five times the annual value of the customer account.
- The average happy customer tells five other people.
- Fifty to 75 percent of customers who have their complaints solved quickly return and buy again.
- If the complaint is solved very quickly, 95 percent of customers return.

The Rule of "10 Percent Better"

Many business authorities say the only way to succeed is by being great at everything you do. The book *In Search of Excellence* inspired a new breed of business authors, speakers, and seminar leaders, proclaiming that only excellence will win customers and profits.

While striving for excellence is a laudable goal, there are two problems I have with experts telling you that you have to be great or excellent to stay in business. First, it puts tremendous pressure on you. It's hard enough today to juggle all your customer responsibilities and still get all your work done on time. To have to be great in *everything you do* as well? It's too much!

Second, it's not true. You see, to stand head and shoulders above your competition, you don't have to be great or excellent—you just have to be incrementally and consistently *better* than the competition. As business consultant and speaker Brian Tracy says in his audiotape program *Getting Rich in America* (Nightingale Conant), a successful business can be built on being just 10 percent better than the competition in one or more specific areas (e.g., price, speed, service, quality, and so on).

And in giving excellent customer service, being 10 percent better than the competition is fairly easy. Why? Because, despite all we read in the business press about the importance of customer service, most service providers are lousy when it comes to customer service. So you don't have to be great, you just have to be better than they are. And because they're so mediocre, it's easy for you to beat them.

"You beat 50 percent of the people in America by working hard," says A. L. Williams, the self-made millionaire life insurance salesman. "You beat another 40 percent by being a person of honesty and integrity and by standing for something. The last 10 percent is a dogfight in the free-enterprise system."

Winning the Buyer's Trust

"Your professional relationships with your customers and employees require complete trust," says Mark M. Maraia, a Colorado-based management consultant. "Trust, not time, is your most valuable stock in trade."

Mark has identified a number of practices that many businesspeople engage in that undermine their customers' trust in them. These include:

- Failing to identify yourself by name when answering the telephone.
- Failing to perceive pressure experienced by your customers.
- Failing to listen with the intent of understanding; for example, cutting off sentences and not waiting for your turn to speak.
- Failing to keep a promise, no matter how small or insignificant.
- Failing to offer a satisfaction guarantee to your customers.

- Talking down to your customers.
- Failing to educate customers on ways to reduce their dependence on outside services like yours.
- Making customers wait more than a few minutes in the reception area for appointments with you.
- Failing to act consistently with your stated values.
- Failing to act in your customers' best interest at all times.
- Acting without humor in your interaction with others.
- Making excuses; failing to accept 100 percent responsibility.
- Showing little discourtesies and unkindnesses.

I agree with all these points. Most are self-explanatory; I elaborate on a few of them briefly in the following paragraphs.

Use Good Manners in All Interactions with Your Customers

Be polite, cool, calm, collected. As I pointed out in Chapter 1 about avoiding prima donna behavior, in today's society, acting busy and harried has become almost a status symbol. Yet customers resent it when you are curt with them or act as if their call is an annoyance or interruption, or make them feel you don't have time for them.

The *Record* reports that in a survey of 200 businesspeople, bad manners were the number one complaints. People don't like to be treated rudely, so don't do it. *Take the time* to be polite and give each customer your full attention, acting as if their concern and problem is your number one priority and the only thing you have to deal with that day.

Listen to Your Customers

Failure to listen is usually caused by eagerness to be speaking. As Mark says, when you find yourself cutting off the other person's sentences, and not listening but restlessly waiting for him to finish so you can talk, you're not really listening. And that's bad—for two reasons.

First, if you don't listen, you don't know what the customer really wants you to do; therefore, you can't do it. And if you don't do what the customer wants, you don't have a satisfied customer.

Second, it annoys customers. If they see you are not listening, they will feel you are not interested in them and their problems. Equally as important as listening is to *let the customer know* you are listening. This is done by making eye contact, sitting in an attentive position, leaning forward slightly to signal your interest, and making brief verbal responses that show you are paying attention ("I understand," "That's interesting," "Really?" "Uh-huh," "Tell me more," etc.).

Another useful technique is, after the customer is done speaking, to pause for a full second or two before you begin your reply. If you jump in too soon, the customer may get the false impression that you weren't really listening and were just waiting for your chance to speak. By pausing for a second or two, you convey the impression that you have listened carefully and are still formulating your response.

Reduce Your Customers' Dependence on You

This advice may sound contrary to common sense; after all, the more dependent a customer is on your service, the more he'll use you, and the more money you'll make, right?

But if you deliberately attempt to make a customer dependent on you, limit his growth, and avoid teaching him to do for himself, he'll resent it. He'll see that you are trying to maximize your profit and take as much money out of his pocket as you can. And this will cause unhappiness, dissatisfaction, and distrust of you.

Doing the opposite—helping customers become less dependent on your services, not more—makes good sense. If you can show the customer how to do more for himself, you save him money, and that's one of the primary benefits a customer looks for from any vendor. The less he has to spend on outside services, the more he saves; the more he saves, the more he'll be grateful to you. And that gratitude translates to loyalty.

What's more, reducing customer dependence on your services can actually increase use of services rather than decrease them, and raise revenues instead of lower them. How? When you teach the customer to do more on his own, he saves money by handling routine and less critical tasks in-house. With the savings, he will have extra money to spend on more important projects and goals and is likely to think of hiring you to handle those assignments in return for your good service and honesty.

Guarantee Your Work for Your Customer

A guarantee helps build sales and buyer satisfaction. Observe that when you get a direct mail solicitation for a book, magazine subscription, or product, it usually offers a 30-day money-back trial period. Without such a money-back guarantee, many consumers would not buy the product sight unseen, fearing that if they didn't like it once they received it and looked it over, they'd be stuck. A guarantee of satisfaction removes that barrier and increases sales.

If you sell a service instead of a product, you face an added difficulty: Unlike manufacturers or distributors who, if they refund money, can resell the products that are returned to them, once you render a service, you can never get back the time you spent performing the task for the customer. For this reason, many service providers reject the concept of a guarantee, saying, "If I give a money-back guarantee, customers will take advantage of me. They will ask me to do the service, get the benefits of the service, then say they are not happy, ask for their money back, and rip me off. So I won't do it."

However, experience contradicts this belief. The facts are that (1) most people are honest and won't abuse a guarantee privilege, (2) having a guarantee is becoming increasingly important in getting people to buy both products and services, and (3) customers like service providers who give a guarantee. A guarantee shows that you are dedicated to delivering the best service possible and that you have confidence in your ability to do so. When the customer sees you are confident enough in yourself to guarantee your service, the customer becomes much more confident in and comfortable with you.

What types of guarantees can service businesses offer? Following are just a few of the ways to structure a service business guarantee. Feel free to use these as is or adapt them to your particular business and service.

Note: The one thing you cannot ethically do is absolutely *guarantee* a result or service unconditionally. For example, if you are a roofer, you can guarantee the roof against leaks for twenty years, saying that if it does leak, you will repair it at no cost. But you cannot guarantee that the roof will never leak. That is simply impossible. As John Cali explains, "You can't guarantee a service you provide. But you *can* guarantee customer satisfaction."

• ***Offer a money-back guarantee based on tangible results.*** The strongest guarantee is to tell the customer you guarantee a good result and that if it is not achieved, the customer doesn't pay.

For example, in my seminar business, corporations hire me to do in-house training seminars in customer service, sales, marketing, and writing skills. Sometimes potential customers say my fee seems high, and how do they know they will get their value for that kind of money? My guarantee to them is simple: If the seminar is not everything I promised, and if 90 percent or more of their attendees do not rate it "excellent," they don't pay me. Period. This eliminates any hesitancy or fear they may have about my not living up to what I promise—because I am removing the risk from their shoulders and putting it on mine.

A variation of this "guaranteed results or you don't pay" offer is the service firm whose fee is a percentage of the profits or revenues generated, or money saved, by the service. For example, I met an inventory management consultant whose services cut costs and whose fee is 3 percent of the money saved. Under this arrangement, of course, the customer does not pay a penny unless money is actually saved; thus, again, there is no risk.

• ***Offer a money-back guarantee based on satisfaction.*** This is similar to the previous guarantee, except instead of pegging the money-back guarantee on a specific result (e.g., 90 percent of participants will rate it excellent, roof will not leak, etc.), you peg it to more subjective customer criteria. A company that specializes in logo design makes this offer: It will come in and do three preliminary logo designs for you at no up-front cost; if you like one and want to use it, the company negotiates a fee based on use. "If you don't like it and don't want to continue with us, we shake hands, part as friends, and you do not owe us a cent," states the owner.

The customer's satisfaction is guaranteed and, even better from the customer's point of view, he is the only judge of whether the service was satisfactory—no ifs, ands, buts, or conditions.

• ***Offer a money-back guarantee based on performance.*** If you are unwilling to offer a money-back guarantee based on results achieved or customer satisfaction, a weaker but still effective pledge is to guarantee performance of service. This works especially well in industries where service providers routinely do not perform everything they promised, do not keep to schedule, or have lots of cost overruns added to the final bill (examples include defense contracting and home remodeling). Such a guarantee might be: "We promise to do what we said, when we said it, at the price we quoted. If not—if we don't do what we said, fail to meet our deadline, or don't stick to our original estimate—then you don't pay us. Period."

• ***Offer a money-back, replacement, or service redo warranty.*** A warranty is a guarantee of satisfaction for an extended period, typically one year, after the service has been performed and the bill has been paid. In a money-back warranty, the service provider guarantees the quality of the work for the warranty period, with a refund of all or part of the money if the work doesn't stand up. For example, an exterminator might say, "We guarantee your hotel to be free of bugs for one full year. If at any times pests reappear, we will re-treat at no charge and refund part of your exterminating fee in proportion to how long you had the reinfestation."

Some years ago, we had the tiny front lawn in our old house landscaped, for the sum of $5,500. The landscaping came with this simple guarantee: All plants guaranteed to thrive for one year or replacement is free. In fact, three bushes did die within the warranty period and were promptly replaced.

But that's not the end of the story. One of the replacement bushes died a few months after planting, and by that time, the warranty period of one year had passed. We called the landscaper to tell him the bush had died, and he said, "No problem, we'll plant something different and see if it does better; no charge, of course."

Although he had a legal right to charge us, he didn't. Isn't that what you'd want from your landscaper? Isn't that what your customers want from you?

• ***Offer a double-money-back or bonus guarantee.*** Some companies offer to give back to the customer more than the customer paid if there is a problem or defect. This might be a refund fee larger than the fee paid for the service ("double-your-money back") or a refund plus bonus ("full refund plus an extra month's service *free*").

Personally, I don't think this is necessary in service selling, and it's probably overkill. The guarantees already discussed are more than sufficient to make you shine head and shoulders above your competition, simply because more than 95 percent of service providers do not guarantee their services. Therefore, even a limited guarantee puts you ahead.

Don't Rush to Bill the Customer

This is a small matter, but sometimes it's little things that make the difference. I feel you should not be too eager to push a bill on a customer after service is completed or the product is delivered and the money is due. Why is this?

The service—and especially, the completion of service and the result provided—is a very positive thing. It's what the customer wanted, and if you have delivered it, they're going to be happy. But the bill—the money they have to pay for the service—is a negative thing. It's the one part of the deal the customer would love not to have to keep if this was possible. In particular, during a down economy, everyone is on a budget, money is in short supply, and people don't like to part with it. So getting the final bill, and seeing that big number under "AMOUNT DUE," converts the smile into a frown.

As a result, I recommend you do not rush to bill the customer, but instead wait a short period, for several reasons. First, the waiting period gives customers time to enjoy the fruits of your labor before having to get to the reality of paying for it. Letting them live with the completed project or job for a bit allows them to enjoy it and therefore raises their satisfaction level to a new high.

Second, if you bill too quickly, you risk having customers receive an invoice before you know whether they are pleased and happy or whether they want some adjustments or alterations. If customers get billed immediately, and the job is not 100 percent to their liking, their attitude will be, "I'm not going to pay one penny until she gets back here and does it right!" Having the bill will act as a magnifying glass, focusing the customer's attention on what's wrong instead of what's right, and making any minor dissatisfactions seem larger than they are.

Third, when your bill arrives two seconds after the job is done, you convey the impression that you don't really share in the customer's interest in the project or enthusiasm for the work; you remind them that you're just a hired hand, in it for the money and waiting with your hand out to be paid.

Of course, you don't want to hold up billing too long; this deprives you of cash flow and may be problematic for the customer's accounting department. But it's better to err on the side of billing too slowly than billing too quickly.

How long after the service is performed should you bill? In my consulting work, I send the bill about a week to ten days *after* I have handed in the report or presented the training class to the customer. If your end product is a report, drawing, sketch, design, computer disk, or other material to be mailed or delivered to the customer, do not enclose your invoice with your completed work. Instead, mail it in a separate envelope, and mail it *after* the customer has received your completed assignment. Getting your work, if it's good, will make the customer happy. Don't weaken that moment of peak customer satisfaction by adding a negative element (the big bill he must pay) to the package.

If your work is done on-site, don't insist on a check before you walk away; just bill the customer net 30 days (or whatever your terms are). And don't, as so many contractors do, hang around awkwardly without saying anything, hoping the customer will get the hint and cough up a check. Customers resent this behavior; it seems petty and annoying. My advice is to let them praise you for a job well done, thank them, go back to your office, write out an invoice, wait a few days, then put it in the mail.

Your accountant or bookkeeper will tell you that this advice is nonsense and will weaken your cash flow. But accounts receivable are *not*, contrary to what your accountant tells you, your firm's number one asset. *Satisfied customers are*. It won't kill you to wait another week for your money or contend with an occasional slow payer. It will harm you far more to leave every job on a negative note and have your customers report your money-grubbing, self-centered behavior to other potential customers.

Notify Customers Early When Changing Policies, Pricing, or Terms

When you notify a customer of a change in policy, procedure, or fees, do it in a way that implies this is a *suggested* change only, and subject to discussion or negotiation. For example, if you are sending out an announcement saying your billing procedure is changing from net 30 to net 15 days, add a paragraph to the notice that says something like this:

"We are putting this policy in place because slow payments from large corporate customers to small vendors like us put us in a cash flow crunch, make us end up being your 'banker' (a business we're not in), and could force us to raise rates to compensate. We feel the new net 15 days is a good solution for us and for you. But, of course, our policies are flexible and tailored to each customer's needs; if net 15 days is a problem for you, let us know and we'll work out an alternative."

When you send a policy or procedure change notice to a customer and write it as a commandment etched in stone rather than a desired request that can be negotiated, you risk having customers who do not like the policy or cannot comply with the procedure leave you, without even telling you. You want to keep the lines of communication open and let the customer know you are flexible and are willing to accommodate their requirements.

Put the Customer First

Mark Maraia says failure to act in your customers' best interests at all times undermines their trust in you. And he is right. **Customers resent it strongly when they hear or even sense anything in your manner, behavior, or conversation indicating that their interests are not your number one priority, or that your self-interest, schedule, profit, problems, or concerns should in any way be of concern to the customer or have any effect on the work you are doing for that customer.**

Says Dr. Rob Gilbert, "The Golden Rule—'Do unto others as you would have others do unto you'—is wrong." To achieve maximum customer satisfaction, Rob continues, you must do unto others what *they* want you to do for them.

Whenever you are faced with a decision whose outcome favors either you or the customer, choose the action that most benefits the customer, not you. In the short term, they will be the winner. In the long term, you both will. For example, I bought a bag of shrimp at the local supermarket, along with many other items. When I opened the shrimp, it stank—it was spoiled. I went back to the store, found the assistant manager in the aisle, and asked for a replacement.

"Do you have a receipt?" he asked. I told him I did not; I do not save grocery receipts and had thrown it out after unloading the groceries. But I showed him that the printout from his store's digital scale, with the price of the purchase, was still on the bag. "That could be from another store," he protested. "No refund without a receipt!" he snapped and walked away.

I went home, called the supermarket, got the name of the manager, and wrote him a letter. It said: "I don't know the exact figure, but our family spends well over $150 a week in your store in groceries. That's $7,800 per year; $39,000 in the five years we've lived in this town. As we plan to stay here at least ten more years, our continued business is worth at least $78,000 to you.

"I bought a $13.99 bag of shrimp from your store, which was spoiled before the expiration date. Can I come in and get back $13.99 or a replacement bag of shrimp? Please let me know. If not, I will be spending our $78,000 at the supermarket next door to you."

I mailed the letter. Two days later the manager called, apologized, told me a refund would be waiting, and I could pick it up the next time I came into the store. Aren't you glad that the assistant manager who would not pay $13.99 to retain a $78,000 customer is not your employee? Three years later, we still do our food shopping at that supermarket.

Respect the Customer's Time

Your customers are busy people and you must respect their time. One important way to communicate this respect is always to show up on time for meetings. Plan your travel so you will arrive early for your scheduled appointment; you might leave even earlier if you expect heavy traffic or don't know the area and might get lost. Ideally, you should arrive five to ten minutes before your scheduled appointment.

This benefits the customer, because they can start on time with you. It benefits you, giving you a few minutes to get yourself together and mentally prepare. When you arrive with seconds to spare or minutes late, you often lose your composure and start the meeting in a highly agitated state.

If you think you are going to be late, call and let the customer know, either before you leave or from the road. If you're going to be very late, explain why and offer to reschedule at the customer's convenience (most will tell you to come anyway).

Send Thank You Notes When Appropriate

Sending thank you notes to customers is a wonderful way to show your appreciation and to get them to think well of you. You can send thank you notes to show appreciation for:

- Ongoing business and the customer's steady, regular use of your service.
- A kindness or favor the customer did for you.
- Awarding you a specific job or contract.
- Referrals to potential customers within their organization or at other firms.
- Their friendship (if you consider them a friend).

- Their praise of your work or nice treatment of you.
- Anything else you think is appropriate to thank a person for.

Your thank you note will make a big impression on your customer simply because he gets so few of them: it's quite possible no other vendor he deals with sends thank you notes.

To ensure that you send thank you notes or letters to your customers on a regular basis, set aside an hour every week, at a regularly scheduled time (say, from 10 to 11A.M. on Monday morning), to write thank you notes to your customers.

"Appreciate your existing customers," writes Jo Anne Park, editorial director of *Target Marketing*. "Let them know it. Not a one of them is expendable. The attitude, 'There are more where they came from,' is both naive and dangerous. Markets have limits."

Show Your Appreciation with Business Gifts

Bulova Watch, a company that sells watches to be used as business gifts, premiums, and incentives (as well as direct to consumers), published a study of the gift-giving habits of businesspeople. The most interesting finding: Approximately 75 percent of business gifts are given at Christmas time and 25 percent are given on birthdays, anniversaries, for promotions, spontaneously, or at other times of the year. Therefore, a simple but effective technique to improve the impact of business gifts is to give them at times *other than the holiday season*.

In fact, I go a step further and recommend that you *not* give gifts to your customers at Christmas time. A card? Of course. (Make it "Seasons Greetings" rather than "Merry Christmas," so as not to offend those who do not celebrate Christmas.) But I am against giving customers Christmas gifts, for several reasons.

First, because 75 percent of business gifts are given at this time, your gift will be lost in the shuffle. Your gift also competes with all the gifts the customer is getting from other vendors—and larger vendors have probably outspent you.

Second, once you give a nice gift at Christmas, the customer expects it every year; absence of the gift may make the customer feel you are treating them cheaply. The Christmas gift-giving becomes a mandatory obligation that, in rough economic times, can quickly become too expensive, especially as you add more and more names to your Christmas business gift list.

When is the best time to give a gift to a customer? Many advocate keeping files on customers, indicating birthdays, anniversaries, children's birthdays, and other occasions on which a tasteful gift can make a big impression. Although I don't do this myself, I agree it's smart thinking. And by the way, if the customer has young children, they'll appreciate a gift for the kids more than a gift for themselves.

My practice is to give gifts spontaneously, almost randomly throughout the year. Some of the best occasions to give a customer a gift are:

- To thank them for a specific project or assignment.
- To thank them for being patient and understanding if there was a problem on a job or project.
- To thank them for a referral.
- As a get-well gift for a customer who has been ill.
- To strengthen your bond with the customer at a time when the relationship seems in danger of weakening for any reason or for no reason.

For example, I called a customer to discuss a project. Her assistant said she had fallen off a horse, wasn't hurt seriously, but was laid up in bed at home for two to three weeks. I knew this person loved baked goods, so I sent her a large tin of gift muffins and cookies. Not only was it gratefully appreciated, but since she had the leisure to enjoy it at home, it stuck in her mind for many days that I alone of all her vendors cared enough to make her a bit more comfortable during her recuperation period.

In another case, a customer's office was destroyed by a broken water pipe in her building. She had to move to another office within the building. When she got to her desk, she found a vase of cut flowers welcoming her to her new office—courtesy of me. After the annoyance and headache of moving boxes and sorting through soaked files and papers, this put a smile on her face.

If you have a customer who travels too much and is tired out from it, find out from their assistant where they are headed. Call ahead to the hotel, ask for the concierge or the catering department, and arrange to have a snack delivered to the room that night.

Here's a time-saving tip on the logistics of giving gifts to business customers. Don't go out, shop, buy the gift, wrap it, and mail it yourself—that's too time consuming. Instead, shop by catalog from any of the many fine mail order companies that specialize in gift merchandise. They will wrap the package, send it for you, even enclose a note from you.

You probably receive many such mail order catalogs each year, especially at Christmas. Just save them in a file folder marked "Mail Order Business Gifts." Whenever you need to send a gift, open the folder, pick out a nice item from one of the catalogs, call a toll-free 800 number, and order using your credit card. Remember to keep the catalogs on file so you have the information handy when you need it.

Do Your Customers Small Personal Favors

From time to time your customers will ask for small personal favors that really do not relate to your business relationship or the work you are doing for them. My feeling is, as long as the favors aren't illegal, immoral, unethical, or unreasonable, you should do them if you can.

For example, after a meeting, a customer, knowing I write books, said, "Bob, I hope you don't mind me asking, but I have an idea for a book and I think it would really sell. Do you have any advice on how to get it published?" I mailed him several how-to reports I've written on how to get books written and published and also gave him a half-dozen names of agents, editors, and publishers. Did this increase my business with him? Not visibly. Did it increase my goodwill with this particular person at the customer organization? I hope so, but don't know. Would ignoring the request and not responding have been noticed and created negative feelings from this person? I strongly believe so.

So when a customer asks, "Can you do me a favor?" don't ignore it, and don't say yes and then not follow through, hoping they will forget. They won't. Instead, say yes, then follow up immediately—as if this were a paying assignment—and do the favor you promised.

Even those favors that do not seem to pay off immediately for you create goodwill that cannot possibly hurt and that may pay off handsomely in the future. For instance, I did several favors for one customer who never reciprocated, gave me little business, and ultimately left the company and took a job out of state. But a year later, he referred two people to me, both of whom instantly became paying customers. So what goes around does come around.

Must You Give Customers Access to You at Home?

In TV situation comedies, employees frequently get involved in the personal lives of their bosses and customers. Must you? No. In today's cell phone/beeper/Internet access age, that's a contrarian opinion. But hear me out.

Some service providers enjoy mixing their personal and business lives and have very little separation between them. One friend, for example, works at home and has a telephone extension for his business line on the nightstand next to his bed, so he can take calls from customers or the media (he is a publicist) at any time of the day or night. (With no advance notice, he once did a half-hour interview on a call-in radio show at 4 A.M. from his bed.) Another has so intermixed business and social life that at his 30th wedding anniversary party, 90 percent of the guests were business customers, associates, or colleagues.

By comparison, my business and personal lives are completely separate. I have an outside office and separate phone lines for business, and I do not socialize with customers.

Is it necessary to allow customers into your social life? Or is it better not to? My conclusions after 20 years as a service provider and seminar leader are these:

- It is not necessary to socialize with customers to do extremely well in your business. You want to be *friendly* with customers, but you don't have to hang out with them evenings and weekends.
- You can be successful without mixing your business and social life, and many people are.
- Many other successful people do mix business and personal life, and this is effective for them in forming strong relationships with customers. But most do it because it's natural for them—they have an outgoing personality and generally enjoy hanging out with customers.
- Therefore, socialize with customers only if you are so inclined. Don't force it or go against your nature if it's not for you.

Naturally, some small talk helps to strengthen the bond between you and the customer. But keep the small talk to fairly safe, neutral subjects, and don't let it go on too long. After a few minutes, move on to business. The reason? The longer you engage in small talk, the more relaxed your mind becomes, the more you let down your guard, and the more likely you are to talk too much and say the wrong thing. So small talk is okay, but keep it to a minimum, and always be in control, thinking before you speak and aware of what you are saying and to whom you are saying it.

What if a customer invites you to a hospitality suite, holiday party, company family day, or other company-sponsored event? Must you go? I think it is nice to attend and stay for an hour, but it is not necessary. The customer understands you have a business and a life, and their invitation is more of a courtesy and a way to say "We think of you as a friend" than a mandate saying, "You'd better come—or else." So if you are in the neighborhood or at the trade show, by all means put in an appearance. But don't go out of your way or rearrange your schedule to do so.

To sum it all up . . .

- A soft economy is a buyer's market. In such a market, your customer service must be extraordinary. Subpar customer service will cause customers to switch to other vendors.
- One of the strongest messages expressing your commitment to customer satisfaction is an unconditional money-back guarantee or its equivalent.
- Don't rush to bill the customer or push your bill in front of the customer. It makes you seem more concerned with your fee than with their satisfaction.

CHAPTER

14

Deliver More Value to Your Customers

"To effect the quality of the day is no small achievement."
—Sign seen at a gas station

In a recession or soft economy, customers want to make sure they get the best value for their dollar. "Tied in closely with a deteriorating economy is the increased importance of serving your customers, to maintain your customer base," writes Richard Henderson, publisher of *Home Business* Magazine (February 2002, p. 12). "It is now more important than ever to hang on to your existing customers, and figure out new ways to market and serve them."

You can win new accounts and retain existing customers by enhancing your service and providing your customers with more value for their dollar. For instance, if you are selling a commodity item, you could add value by offering faster delivery than your competitors, or a larger selection, more colors, more options, easier payment terms, a better guarantee, or a new way to improve their business that they may not have thought of before.

In his book *How I Multiplied My Income and Happiness in Selling*, Frank Bettger relates the following story of how a job seeker gained employment during a depression by offering added value to his potential employer.

> During the worst period of a nationwide depression, a young university graduate applied for a position in a big department store. He carried with him a letter of introduction from his father to the president, an old classmate of his.
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> The president read the letter, then said to the young man, "I wish I could give you a position. Your father was one of my best friends in college, and every year I look forward to seeing him again at our class reunion. But, unfortunately, you have come to me at the worst possible time. Our business has been losing money, so we have been compelled to lay off every employee except the most important people in our organization." Many other graduating students from the college applied to the same store for a position. They were all told the same story.
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> So, when still another student said he was going there for a job, his classmates laughed. But that didn't discourage him—he had an idea! He walked in with no letter of introduction. He went directly to the president's office, but he didn't ask for a job. In fact, he didn't say anything about what he wanted. He sent a note in to the president about something the president wanted! The note read: "I've got an idea that will help your store get out of the depression. May I tell you about it?" "Send him in!" ordered the head of the store.
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> Coming immediately to the point, the young man said, "I want to help you open a College Department. We would handle nothing but clothes for college men. There are 16,000 students in our college, their number increasing every year. I don't know anything about buying clothes, but I do know what those boys like. Let me have one of your good buyers, and I'll help you set up the kind of department the students will like. Then I'll sell them the idea and get them coming in here." In a short time, the department became the liveliest and one of the most profitable the store ever had!

This enterprising young man gained employment in a depression by offering incredible added value to the employer who hired him. But you don't need to revolutionize the customer's business or life to gain his favor. A small, incremental added value to your offer is often more than sufficient to build loyalty and retain the account. This chapter stresses that there is no need to give away the store and promise an excessive amount of extra service. Just a little extra effort or service on your part will be perceived as a significant increase in value by the customer.

When Sales Are Slow, Boost Them by Adding Value

When you experience a downturn in sales, it does not mean that your customers have no money and cannot afford your product or service. However, they may be more concerned about money and therefore more careful about parting with it. They will still spend, but what they are telling you by not placing orders is that they want more value for their money. Give them added value and they will start buying again.

Jon Spoelstra, former president of the New Jersey Nets, said that games between the Nets and the Los Angeles Clippers never sold out. He increased value by severely reducing the price, adding a free meal, and giving away a free basketball. "We sold out every time we did this," says Spoelstra.

Today's customers are fussier and more demanding than ever, which makes them a difficult bunch to satisfy. However, it's still possible, even in the Age of the Customer, to keep customers happy and run a successful business based on *high customer retention through continual customer satisfaction*.

What's more, the secret to keeping your customers satisfied can be summed up in a single statement: **To keep your customers satisfied, don't just give them their money's worth—give them *more* than their money's worth.**

I certainly didn't invent this principle, and it's been stated in different ways in many different places. Jerry Hardy, publisher of Time-Life Books, made that division fabulously successful by declaring, "Our policy will be to give the customer more than he has any right to expect."

What this means is that the vendor who merely fulfills the contract or proposal and does what the customer asks is missing an enormous opportunity for creating a high level of customer satisfaction. The secret to making your customers love you is not to give them their money's worth, it's to give them *more* than their money's worth.

Giving your customers more than their money's worth involves not one but two separate steps:

Step 1. Create an expectation on the customer's part that is realistic, yet that you know you can not only meet but *actually exceed.*

Step 2. Consistently exceed expectation and deliver more than promised in a way that delivers revenue to you via increased customer retention and repeat business, such that the revenue generated is far greater than the cost of creating that superior level of customer satisfaction.

The two steps work in conjunction and are sequential. Let's look at how to do it.

Step 1: Deliver More Than You Promise

As I've said, most businesses promise more than they can deliver. Instead, to achieve a superior level of satisfaction among your customers, you should deliver more than you promise. "But," you say, "if I promise spectacular results and then have to beat that promise, I'll either fail to deliver *or* give the customer so much extra that I'll lose money on the deal." The solution is to *underpromise* rather than overpromise.

Now, in today's highly competitive business environment, underpromising is a tricky thing. Underpromise too much, and you won't appear as good as other companies who are promising your customers much more. On the other hand, promising no more and no less than you are capable of giving, and then giving it, won't make you any enemies but it won't turn the customer into a fan for life, either. As for overpromising, you already know what happens when you overpromise and then fail to deliver.

The key is to make promises to customers that are both attractive and accommodating, yet at the same time credible and realistic. For example, let's say you provide a certain type of service. Your service is superior, and that puts you in heavy demand. As a result, normal turnaround time is five days.

Now, a prospective customer comes to you via word of mouth. She wants to know what you can do for her, and how quickly you can do it.

You promise an outcome from your service *superior* to what the competition provides, because you know that your service *is* superior and that your firm almost always does a better job. So far, so good.

Next is the issue of delivery. For this customer, five days is too long. Her firm represents a big, potentially very lucrative account, and she is asking for overnight turnaround. What are you to do?

The immediate temptation is to promise your customer anything to get the work and then hope she'll forgive you when you miss a deadline, because at that point you'll already have her business and she won't want to switch. Wrong. As we've discussed, there's no faster route to losing business today than to create a dissatisfied customer. And there's no surer way to create a dissatisfied customer than failing to meet a deadline or live up to some other promise you've made.

So what do you do? In this case, the best thing might be a very frank, face-to-face, sit-down discussion of the situation. You explain that while you want to help and give her the benefit of your superior service, the kind of quality you provide cannot be rendered overnight. Tell the customer the real, specific reasons why this is so. For example, you do certain quality checks that other vendors don't, and this takes extra time. And you are not willing to do without this extra time and these quality checks because of your reputation for doing superior work.

Also, probe the customer's request. Does the work *really* have to be done overnight? What happens if it's done in two or three days instead of the one day they are requesting? Often you find that customer demands are artificial—that is, the customer has set a particular deadline or created a specification without any real thought to whether it's necessary or not. In 9 out of 10 cases, you find there is no real event or other concrete deadline driving the rush job and that absolutely nothing would happen if it were done a day or a week later. By having this type of discussion with the customer, you get her to see that not only are there legitimate reasons why the job shouldn't be done overnight but also that it doesn't need to be, anyway.

Still, five days is too much. She says, "What can you do for us?" Here is where you put the art of underpromising to work. You've agreed that one day is too soon, five days too long. You know, but do not say, that you could comfortably do the work in three days but could also turn it around in two days, if need be. The customer says they would really love to have it in two days but could live with three.

The right move is to *promise three-day turnaround*. The customer has indicated she can accept this, and because you've already established that your service is technically superior, she'll likely go with you on a three-day basis.

Now you have created a situation where the customer has come to accept and agree to a three-day turnaround. It's not ideal, but it's been proposed and accepted. So now they expect to get it in three days. This puts you in a perfect position to deliver *more than is expected* because, as we've said, you can do the work in two or three days.

What do you do? Tell her the first job will be ready in three days *and then aim to deliver in two days*. If you succeed, you will have exceeded the customer's expectation, resulting in a pleasantly surprised buyer. If you fail to meet your internal, self-imposed two-day deadline (a deadline the customer is unaware of), only you will know it, and the customer will still get the order in three days, ensuring that no external deadlines are missed.

But let's say you can do it in two days. What if the customer, instead of being euphoric, also get a little suspicious and says, "Wait a minute. You told me that this would take three full days. So what happened? Were you playing fast and loose with me?"

In response, you simply reconfirm your original promise: three-day delivery is what is realistic and what she would normally be getting, but, *because you knew it was important to her on this particular project*, you pulled out all the stops and delivered a day early. That makes you look like a hero without making you look like a fibber.

By now, you see the pattern: You promote all the superior aspects of the service you are going to deliver, while slightly *underpromising* on one small aspect. Then, when you do better than expected in this area, you exceed expectation and create the extraordinary customer happiness and surprise that goes with it.

Here are some other examples of how businesses can score points with their customers by exceeding expectations:

- A restaurant tells you there is a 30-minute wait but then seats you in 10 minutes.
- When my local florist failed to deliver the roses I ordered for my wife on Valentine's Day, he apologized to me over the phone. He then sent them the next day in a nice vase I did not order with a beautiful box of chocolates. There was no charge for the vase, chocolates, or flowers.

- A shoe store giving balloons to children says only one per customer, but then gives your two-year-old son one of each color when they hear him begging you for them.
- A photocopier company says it can't send a person to fix the copier today because it is short-handed but then phones 10 minutes later to say it has rearranged the schedule and a technician will be there within the hour.
- A doctor stays open late to see you on an emergency basis because you're worried about a lump on your body—*and* when it turns out to be just an insect bite, tells you "No charge for the visit."

Step 2: Give Your Customers More Than They Have a Right to Expect

We've established that the best way to create satisfied customers is to give them *more* than their money's worth. I've also suggested a two-step formula for doing this in a way that makes the customer happy while allowing you to still make a nice profit. The first step, as just discussed, is to underpromise slightly rather than overpromise. That is, to get the customer to anticipate and expect something slightly *below* the level of what you are actually capable of delivering. The second step is to then deliver *above* that level, so that your customers now feel you are giving them *more* than they had a right to expect. This rendering of performance above the customer's expectation level is what creates an extraordinary level of pleasure and satisfaction.

However, at this point you may object, saying, "All well and good. But if the customer is paying for a Chevy, and I deliver a Rolls Royce, it's costing me extra money. Sure, if I deliver much more than I promised, the customer will be happy, but I won't make any money—and I'm in business to make a profit."

The answer is simple and straightforward: **You can create an extraordinarily high level of pleasure and satisfaction in your customers by rendering them exceedingly small and simple favors.**

The best example of this I know is the pediatrician, dentist, or barber who keeps lollipops on hand for children. The excellent checkup, dental exam, or haircut provided is what the customer—in this case, the child's mother—is paying for. But if that's all you give, she'll think you're good but not great: After all, you delivered only what she expected in the first place.

Ensuring the happiness of her children is perhaps the strongest emotional drive within her. When you help achieve that by consoling a crying child with a treat, you help her make the child happy again and, in that instant, you are the hero to her. You not only rendered your service; you were kind to her child. She knows you care, and she will come back to you again and again—and all it took was a three-cent lollipop.

You can create an extraordinarily high level of pleasure and satisfaction in your customers by rendering them exceedingly small and simple favors. That's the reason why you should give your customers more than their money's worth—more than they have a right to expect. And it doesn't need to cost you a king's ransom in money, time, or effort. The extras you provide do not have to be big. A simple gesture, a common courtesy, a faster response, a quicker completion time, a little extra topping on the sundae—these are the small things that will make the customer's "satisfaction quotient" with you soar and bond them to you for a long and happy relationship.

This means we can amend our original secret for keeping customers happy, presented earlier in this chapter, as follows:

To keep your customers satisfied, don't just give them their money's worth, give them *more* than their money's worth—but only a *little* more.

Twelve Proven Ways to Add Value to Your Product or Service

Quality

Quality has become a buzzword in American business today. Seminars and lectures are given on the topic. Books have been written about it. Ford Motor Company once claimed that "Quality is job #1." And an ad from Siemens observed, "If the word *quality* seems used too frequently, it's because quality is seen too rarely."

We won't haggle over technical definitions here. Instead, let's take the everyday definition: To the customer, a quality product is a product that's good, excellent, or one of the best. A quality product uses the finest ingredients, the most expensive materials, the most reliable components. A quality product is made with superior craftsmanship—and is backed by excellent service. Quality, to many people, simply means the best—whether they are buying a product or your service.

You must assess what quality level the customer needs, expects, and is willing to pay for. "But that's a silly question," you might object. "Doesn't everyone want top quality?"

Surprisingly, the answer is no. In today's highly competitive, time-pressured, fast-paced world, quality in many things is not as appreciated or desired as it once was. The image of the old-world craftsman carefully making his product by hand, one step at a time, is outdated and archaic—the customer doesn't want to wait 12 weeks for it to be finished or pay what handcrafting costs. Instead, the customer is perfectly happy with a decent but lesser quality product that rolls off an assembly line, because it's half the price and is available now.

Let me give you a concrete, real-world example. Years ago, a friend of my family started a business making compact discs for record companies. His job was to transfer older recordings from record or tape to a CD master that the record company could duplicate and sell. To accomplish this is not an easy task—the old records have lots of hisses, pops, scratches, and other noises, and the overall quality of the original recording may be poor, which makes creating a clean, high-quality master difficult.

This man is a music lover and a craftsman. When he started his business, he won several industry awards and favorable reviews for the excellent quality of his work. As a result, he was soon in heavy demand, with more contracts than he could handle. With a hefty backlog, he planned to raise his fees and schedule work far out into the future.

Alas, the plan did not come to fruition. What happened? In the 1990s, his customers changed. Pressed by hard economic times and increasing competition, the music companies needed to get new recordings out faster, but also had reduced budgets, so they wanted to pay less. Also, many people saw that they could make money doing what our friend was doing and went into business for themselves, so now there was more competition.

Were the music companies willing to pay more and wait longer for the higher level of quality our friend provided? No. He was told point blank: "It doesn't have to be that good, but we need it in a week and we can only pay this much. Can you do it?" In his industry, the clients began to value *speed* and *price* over quality: They wanted it good, but not that good. The incrementally better sound his recordings achieved—perhaps discernible only to experts and audiophiles—was not needed and not worth the extra time and expense.

The lesson: *Don't assume every prospect is a quality buyer.* Some want top quality and will wait in line or pay a premium for it; others want it fast and cheap.

Your product or service is at a certain level of quality. Be sure to assess whether the customer's needs will be satisfied by the quality you offer. It's possible, for example, that your product is well suited to the everyday customer but not of high enough caliber for the *aficionado*. Therefore, you must either take on a higher-quality line to please these fussier customers or decide not to service that segment of the market. And when your business is suffering or in a down economy, you must maintain consistent quality; one slipup could cause customers to try other sources.

Service

Many, many customers today value *service* far more than they value quality. Their attitude is basically, "It doesn't have to be great, perfect, or even excellent; good or even okay will do. But I'm busy and I'm pressured. So please do *what* I want, *when* I want it, exactly the *way* I want it."

For this customer, you need to have a can-do attitude: Whatever the customer asks you to do, you do it—gladly, and with a smile. This customer is quick to forget all the good work you've done for her if a problem arises, is impatient if she doesn't get what she wants right away, and cannot tolerate being told no to any of her requests.

Earlier I said that some businesses incorrectly strive to achieve a level of excellence in quality that their customers really don't care about and are not willing to pay for. With service, the opposite is true: the majority of customers today want and demand as high a level of service as you can give them, and most businesses fail to meet this expectation by delivering a level of service that, to the customer, is subpar.

When a customer switches suppliers today, the cause is usually not that the product is bad but that they were dissatisfied with the service. In the 2000s, the Age of the Customer, the customer has become enormously difficult to please. Service must be at the highest levels, the effort to render excellent service must be continual and unrelenting, and the service must be *consistently* good: One small lapse can undo, in a moment, customer relationship building that took weeks or even months to achieve.

The need to render consistently superior service is the area of greatest vulnerability but also of greatest opportunity for most businesses today. It's the area of greatest *vulnerability* because no matter how hard you try, you will slip up, sooner or later. Why? Because it's virtually impossible for an individual or an organization to be at their best 100 percent of the time. Other pressures, both business and personal, can cause any owner or employee to slip up at any time and treat the customer in a manner that is below satisfactory. To put it in plainer language, we all have bad days where we get tired or ticked off, say or do the wrong thing, and get the customer angry.

When this happens, the customer becomes dissatisfied at that instant. The dissatisfaction may not last long. But during that period of dissatisfaction, you become vulnerable. Your customer is receptive to competitors who are continuously pitching to try to get the business away from you, and if they happen to hit the customer with a phone call, sales letter, or TV commercial during the period of dissatisfaction, the customer is much more likely to respond—and possibly to defect—than when they are generally satisfied with you and your service.

Consider the following example. A woman attending a seminar I gave on how to become a freelance writer told this story:

> "When I was a corporate communications manager, I received many sales calls and letters from freelancers who wanted to work for us, and, being busy, I routinely ignored them.
>
> But one day, one of our regular freelancers turned in some copy I was not 100 percent happy with. When I sat down with her to discuss changes, she became belligerent, angry, defensive, and uncooperative. She *argued* with me, telling me our requested revisions were wrong and that the piece was accurate and perfect as is, which it was not.
>
> After she left, I went to my desk and found yet another letter from a freelancer seeking work from us. However, this time I picked up the phone and *called that freelancer right away*. He came for a meeting, showed me his work. I liked it, and him. The next job went to him, not the regular writer. Soon we were giving him steady work. As for the woman who gave me such a hard time, I never used her again.

In today's competitive marketplace, few of us can afford to lose work because of a bad attitude. The customer wants, and demands, the highest levels of service on a continuous basis.

Take the time to ask customers what they expect in terms of service. Without doing so, you are likely to do something that violates an unspoken expectation of a customer. And even though the customer never openly expressed that expectation, not meeting it will immediately put the whole relationship on shaky ground.

It's far better to find out what level of service customers want, and how they want it delivered, at the start. This eliminates major potential problems and goes a long way toward ensuring your ability to please your customers on a continuous basis.

Speed

Closely related to, but not the same as, service, is the speed of delivery. A major concern of today's customer is, How fast can I get it? And increasingly, they want it faster and faster, and are unwilling to wait.

Modern technology is responsible for spoiling today's customer and creating the expectation that every desire can be instantly gratified. A recent TV commercial shows a business executive flying on an airplane. He suddenly realizes he has forgotten to send his daughter, a college student, her monthly allowance.

Instead of having to wait until he gets to the airport to call his wife and ask her to mail a check, he pulls out the on-board telephone from the seat in front of him and uses his bank card to instruct his bank to write a check for him *that minute*. With such technical marvels, is it any wonder the customer who comes in Wednesday doesn't understand why his job can't be ready Thursday morning?

Another factor fueling the demand for faster service is the busier pace of life: People are more time-pressured and have their hands full just trying to keep up. In the rush to get today's work done today, there is less and less time for advance planning. As a result, your customer has not planned ahead to provide for normal turnaround on his order, but he still needs it when he needs it. So you, as the vendor, are expected to make up for his lack of planning by jumping through hoops and getting it done faster.

As businesspeople, we have two ways to attack this problem, and rather than being mutually exclusive, they are complementary. One is to work faster, and the other is to ask your clients to expect more realistic deadlines.

Work faster. The first solution is to do everything in your power to give the customer quicker delivery, process their work faster, and respond more rapidly. To do this, you may need to take one or more of the following actions:

- Add more telephone lines.
- Keep longer hours.

- Hire more employees.
- Upgrade to a faster computer system.
- Subscribe to DSL or cable modem.
- Make three trips a day to the post office instead of one.
- Implement an electronic data interchange (EDI) system.
- Be open on weekends and holidays.
- Offer additional service options with more rapid delivery.
- Take on less work so you can do existing projects faster.
- Schedule your time more efficiently.

Or you may need to do whatever else it takes to enable your company to provide faster delivery.

A good indicator of the fact that more and more customers desire fast service can be found in mail order catalogs. Notice that more and more catalogs now offer, for an extra fee, delivery of merchandise via Federal Express (instead of United Parcel Service) as an option. Not only that, but mail order buyers are taking advantage of the availability of such service, despite the added service charge of $5 to $7 or more per order.

What's more, what was the accepted standard for rush service yesterday is no longer an adequate solution today. Overnight delivery, for example, was once the ultimate expression of fast customer service. Now at least one industry leader, Associated Air Freight, has added a nationwide same-day service promising delivery within two to eight hours from any pickup location in North America to any zip code in the United States. Customers with emergencies have a need for faster-than-overnight delivery, and the company responded accordingly.

Ask your clients to expect more realistic deadlines. The second strategy for coping with customers' demand for fast service is to attempt to educate them so that their expectations become more realistic.

For instance, an uneducated customer may not understand why it takes two weeks to get a color catalog sheet printed when local printers offset resumes in a day. Take him on a tour of your plant and show that, while modern scanning and pre-press equipment has cut printing time on four-color jobs from four to six weeks down to two or three weeks, there is still much custom work involved, and those steps cannot be skipped or compressed.

If your customers have a genuine understanding of what it takes to produce your product or render your service, they will be more willing to accept a longer delivery period.

Does this mean their "rush, rush, rush" attitude will vanish? Not by a long shot. The customer is still pressed for time, pressured by his own boss or customer and too busy to plan as far in advance as you would like him to. As a result, the demand for fast service will continue.

The best solution is a combination of the two methods just described. Improving your operations, while not allowing the instant turnaround your customer would prefer, can help shorten the time frame considerably, while the education process can help the customer become a little more patient and understanding. The combination may buy you the time you need.

Because missing a deadline or delivery date is the quickest road to creating major customer dissatisfaction, you should carefully assess each customer's deadline requirements, and then evaluate whether you are able to live with those time frames. For example, if you're a printer competing for a job printing labels, and you know it takes you a minimum of five days to print such labels, it is wrong and harmful to promise faster service when you know full well you can't deliver it. The client will leave you after the first late delivery and may not even want to pay your bill.

Repeated failure to meet customer deadlines also risks harm to your reputation in the business community. So ask customers about turnaround times—what they expect normally, how important fast turnaround is to them, what they expect in an emergency or rush situation, and how frequently they anticipate having rush orders. Also discuss whether they expect speedy service as part of the norm or are willing to pay a premium for it.

Price

A fundamental change that has taken place in business today is that the consumer is more price conscious than ever before. That means a greater percentage of clients have become price-buyers—that is, customers for whom price is a major factor (if not *the* major factor) in their buying decision. And even those who are not price-buyers have become much more value conscious—they may spend a lot of money and pay your asking price, but if they do, they're going to make certain they get their money's worth, and more.

A necessary function in keeping clients satisfied is to deliver to them on a steady basis the products and services they want *at prices they* *find reasonable and are willing to pay*. This means that you must understand what your customers will and will not pay for the various products and services they buy from you and, in most instances, price what you sell accordingly.

The customer will tolerate occasionally not being able to afford a particular product or service because you charge a bit more than he or she is used to paying for that specific item. But if every price quotation or cost estimate results in shock, dismay, anger, upset, and an ensuing argument or protracted discussion, the relationship will quickly sour. No customer likes to feel continually abused by a vendor he perceives as being too greedy or charging too much. And no vendor likes haggling with a customer over the price on every order or continually defending his fees and pricing structure.

Although more and more customers are price conscious these days, there is still a certain segment of the market that will pay your asking price *or much, much more* for the special treatment they are looking for. In some cases, these special considerations are so important to them that price is not even an issue!

In general, customers shift out of the price-buying mode and become willing to pay a premium price in exchange for one or more of the following benefits: quality, service, fast delivery, convenience, security, or support. All these factors are discussed in this chapter.

Reliability

Reliability as applied to a *product* means that it performs as promised, efficiently and effectively, without interruptions, breakdowns, or need for frequent repair. In contrast, reliability as applied to a *service* means that you keep your promises to your client and do what you said you will do, when you said you will do it, for the price you quoted.

Here is another major area of opportunity for you. Most firms doing business today are not as reliable as they could be. Their product may be of good quality and their service decent, but they have a habit of breaking promises and not fulfilling commitments. The customer will tolerate this to a degree. Especially if the infractions are minor, lack of reliability will likely be accepted with a sigh and a groan rather than drive the customer to seek new vendors; it's not nearly as grave an offense as poor service or rip-off prices.

However, lack of reliability creates a vulnerability in that the vendor loses the customer's confidence: The customer no longer believes the promises you make, and your track record does not enable you to contradict this negative impression. Therefore, you are vulnerable to competitors who come in and make new promises. Even if those promises are not realistic, the customer believes your competitor more than they believe you *because the competitor has not yet given the customer any cause to doubt him*. Therefore, if he promises price, quality, or service superior to yours, the customer is inclined to try it and not listen to you when you say the competitor can't make good on those promises.

How much the customer values reliability is one requirement that is difficult if not impossible to assess in advance. The reason is that, if asked, virtually everybody would say they value a reliable vendor; who would say they like dealing with unreliable people? Also, while it seems okay to ask a potential customer if your prices are within their budget, it's trickier to ask them in advance how they'll react if you screw up—because that implies you mess up frequently with other customers and will with them too (otherwise, why would you bring it up?).

Yet the truth is, some customers are more tolerant of lapses in reliability than others. One may not care if the paperwork on a project is a day or two late; another may scream if a vendor shows up even five minutes late for a meeting, due to traffic or car trouble.

Your experience with your customers will reveal what each customer's requirement is in terms of your reliability. A good rule of thumb is to strive to be as reliable as possible with every customer: You shouldn't make promises unless you plan to keep them.

However, by grading the reliability tolerance of each customer, you know that in case there is an emergency, and some slippage or other problems cannot be helped, you can allocate your resources accordingly. For example, let's say you have two printing presses churning out two jobs for two clients simultaneously; both are due at 5 P.M. Client A, an executive with major responsibilities at a large firm, is a stickler for reliability and intolerant of anything less than 100 percent on-time performance. Client B owns his own small business, is a relaxed person, and won't throw a fit if something's a day or two late.

Now one printing press breaks and only one job can be completed by 5 P.M. Having accurately assessed each client's needs in terms of tolerance for error in advance, you can take appropriate action. You call Client B to let him know the press broke and see if he can have the job tomorrow instead of today. He says yes, fine, and thanks for calling and letting him know—no problem.

You then take Client B's job off the press and run Client A's job, which is delivered by 5 P.M. You don't even tell Client A about the broken press, because it would raise the concern of your shop being underequipped. In any event, both jobs are performed to the satisfaction of both clients, with both relationships firmly intact.

Had you not taken the different levels of tolerance for error into consideration, you might have tried to run both jobs and delivered them later that evening. Client B would be okay with this, probably, but Client A would have fired you. Again, this is the importance of evaluating the client's needs to assure continued client satisfaction.

Convenience

Convenience has become much more of a factor in the customer's choice of vendors than ever before. Consider this example. Convenience stores are prospering. This means that even in a tight economy, consumers will gladly pay $3.50 for a fire log that costs $1.99 in a supermarket, or $1.29 for a bottle of soda that costs 69 cents in a supermarket, just to avoid taking the extra five minutes or driving the extra half-mile to go to the supermarket.

The evidence clearly supports the conclusion that even in a society of price-conscious, value-driven buyers, people will still pay a premium in exchange for *convenience*. The reason, of course, is that the value-conscious consumer is also a time-pressured consumer, valuing time even more than money savings.

In the convenience store example, I see that I am paying an extra 60 cents for my bottle of soda. I estimate that buying the beverage at the supermarket instead of the convenience store would take another five minutes, not to mention the hassle of waiting in a longer line or walking farther to get the item. Paying 60 cents to save five minutes puts the cost of this time savings at $7.20 an hour. I make the instant decision that *my time is worth much more* than $7.20 and go ahead and pay the $1.29, even though the price-conscious consumer in me screams in silent agony at the waste of paying $1.29 for a 69-cent product.

Not everyone would come to the same decision. Some people might hate wasting money or overpaying. They might have lots of leisure time and not mind the longer trip to the market. Or they may have a limited income, so that the extra charge at the convenience store is significant to them. In any of these cases, this customer does not have a need for convenience sufficient to justify the premium price one must pay to obtain it.

Although customers vary, the trend today is for consumers to seek out convenience in all activities, including buying. And it's the same for business buyers. We want to deal with the pharmacy that's around the corner, the bank with extended hours, the video store with a drop-off slot, the supermarket that allows us to pay by check if we don't have cash, the catalog company that takes credit card orders over the phone so we don't have to waste time writing a check and filling out and mailing an order form, the restaurant that doesn't make you wait for a table, the auto rental place that drops off and picks up the car for you, the computer repair service that comes to your office instead of making you bring the machine in, and the department store that will allow your mother to return the gift you bought her, without a receipt, for credit, exchange, or cash, whichever she prefers.

Depending on your business, you can construct a series of questions to determine the level of convenience each customer requires and whether that's compatible with what you can deliver. For instance, you might ask, "When your word processor breaks down, do you have someone to drop it off at our local parts depot, or would you need us to come pick it up for you?" Or "Are our standard reports acceptable to you, based on the samples you reviewed, or do you need customized formats or different information?"

The customer will tell you what conveniences she requires and what flexibility or responsiveness she expects from you as the vendor. Then you can alter your service to fit that requirement or determine that she is better served by another firm. The decision is yours.

Availability

Availability refers to the hours during which you're open for business as well as the customer's ability to reach you or access all or part of your services after normal business hours. Although the needs of each customer in terms of your availability will vary tremendously, the trend today is that customers expect you to accommodate the hours they keep and be available for business whenever they choose to conduct it.

If you're a catalog operation, for example, it's no longer enough to offer a toll-free number and take credit card orders over the phone. The consumer now wants to be able to call and place that order at any time of the day or night—preferably with a live operator or customer service representative or, at the very least, using voice mail or an answering machine.

The key point is that the consumer is busy during the day and will likely settle down with your catalog at seven or eight o'clock at night, make her selection, and pick up the phone to order right then and there. If the phone goes unanswered, many customers will lose patience, put the receiver down, toss your catalog, and buy from a source which is more accommodating.

Answering machines and services first, then voice mail later, created the automatic expectation on the part of the customer that they can call your company at any time of the day or night to leave a message and voice a concern, placing the responsibility on you to return the call. It has reached the point where it is practically unacceptable for a business to have a phone that is not answered after hours.

The rising popularity of beepers and paging systems also attests to the customer's need for instant access to their vendors and suppliers. Once only doctors wore beepers; now field technicians, service people, delivery people, salespeople, account executives, and many others wear beepers so they can be reached within minutes if a customer wants to place an order or has a problem that needs immediate attention. On-premises paging systems ensure that the manager or executive is never beyond reach of his phone—or his customer—no matter where he is in the plant.

Cellular technology now allows businesspeople to have telephones in their cars or in their briefcases. Several of my clients even have fax machines in their cars for instant review of documents while driving (a trend that does not bode well for highway safety).

More and more companies are gaining a competitive advantage simply by being more *available* than their competition. Innovative Associated Air Freight, for example, will let you call its toll-free nationwide number to schedule pickup of a package or shipment 24 hours a day, 7 days a week, at any time of the day or night—even on weekends and holidays. Federal Express, by comparison, has limited pickup hours during the week and does not pick up on Sunday.

You can, in conversation, gently probe to find out what level of availability the client expects from you. If your company repairs computer equipment, for example, ask straight out how quickly the client expects your field technician to be on site after placing a call for service. Some clients do not demand extraordinary availability; they are happy to have you available during normal 9-to-5 business hours, and if you can't come for a day or two, that's okay. Others have requirements for faster response or longer hours of coverage. Some don't specify hours but simply expect a beck-and-call type of relationship where, when they call, you come—no excuses, no other commitments or clients before them.

You must assess each client's level of need to see whether—and how—you will meet it. Few things frustrate today's customer more than not having you available when they expect you to be. Avoid this potential destroyer of client satisfaction by establishing, up front, what the client expects and what you can and cannot do for them in terms of availability and response time.

Choice

Choice means options: How much freedom do you offer customers to choose between different products, different services, different methods of working, different payment plans and options, different models and accessories?

Conventional wisdom seems to be that the successful vendor is one who offers the widest range of choices to the customer. That's open to debate, but what is clear is that customers do indeed have more choices than ever before: more flavors of ice cream, more brands of laundry detergent, more makes and models of cars, more channels on TV to watch, more books and records released each year.

I'm not convinced, however, that offering the broadest range of choices is always the best strategy. It really depends on your business and the preferences of your customers. In video rentals, for example, it's probably true that the more titles available for rental, the more customers the store will attract. Deciding which video to rent and having the ones you're looking for available are important factors to VCR owners.

In the food industry, however, having more options is not necessarily better, nor does it ensure an advantage over the competition. There are lousy diners and restaurants that have dozens of items on the menu, all of them mediocre, that are not flooded with customers. On the other hand, several of the top restaurants in my area feature smaller menus with only five to ten or so choices of main entrée, and in spite of the lack of choice, these places are busy and successful.

Why? Superior food is the obvious reason. But another, maybe not so obvious, is that *many customers do not like to be overwhelmed with options*. They prefer to have the seller be selective in the presentation of options, and they find it easier to choose from a more limited selection. For a while, Burger King tried to gain a competitive advantage over McDonald's by stressing the variety of choices available as toppings for their burgers, using an ad campaign with the theme "Have it *your* way." But the campaign never really caught fire. What people want is a decent burger fast; offering a choice of lettuce or no lettuce is not a tremendous selling point.

While you should not go overboard with the choices you offer your customers, most do prefer to have some options rather than have you dictate that they do business with you only one way, buy one package of services, or buy only one type of product.

Unlike some of the other areas we are discussing, you usually don't have to ask customers what options they want; if you're not offering them, they will *tell you*. Listen when customers request services you don't offer or complain that they cannot get certain things from you. If it's only an occasional complaint, forget about it.

But if you hear the same request over and over again, take it seriously. The market *is telling you* what options and choices they want to be able to get from you. Ignore their requests at your peril: If you don't start offering these options, your competitors surely will.

Security

Customers want security. They want reassurance. They want to know they made the right choice.

However, there are degrees. Some people are extremely security minded, conservative, and prone toward going with the tried and true, the safe choice. Others are risk takers. They, too, like security, but they are willing to go without it to be innovative, try something new, or get something that is potentially much better or offers a bigger payback than the safer alternatives. For example, one of the first things any financial planner does when working with a new client is ask them to rate their tolerance for risk. You, too, must assess how important security is to your customer and make sure you deliver the comfort level required.

Why has IBM been so successful in selling computers to business? It's not just the product; many computer experts have told me that IBM is not the best or most technically advanced machine, and an IBM certainly costs more than a nonbrand name. But buying IBM offers a high level of security—it's a reputable company with the service resources to support the customer. And the firm is known for its commitment to making sure its machines satisfy business needs.

A nonbrand name, on the other hand, may run better and faster and cost much less. But you are taking a risk with that purchase: How do you know the seller won't be out of business six months from now, leaving you with no way to get your machine serviced or repaired? On the other hand, you can be pretty confident IBM will be in business six months—or six years—from today.

In business, making the safe choice also means job security. Among information systems professionals there's an old saying: "Nobody ever got fired for buying IBM." This means that, while IBM may not always offer the best solution, it's the most *defensible* purchase. If you buy an IBM computer and there's a problem, you can shrug and say, "How could I have known something like this would happen? I bought it from IBM!" But if you had chosen to install "Bob's Computer" and there's a problem, your peers and superiors can say, "What a stupid choice; he should have gone with a better-known company."

Customers will indicate to you their need for security, and their tolerance or lack of tolerance for risk, in their actions and conversations with you. If, for example, customers contract with you sight unseen, they're probably not big worriers and are relaxed about doing business with a new vendor. On the other hand, if they request a tour of your offices or plant, and meetings between their managers and your staff, this indicates a need to assure themselves that you're the right choice and capable of meeting their requirements, indicating a need for a higher level of comfort before proceeding.

You can tailor your service, presentation, and manner to the style of each customer based on each one's need for security and aversion to risk. As a rule of thumb, however, most customers like to have some level of comfort with those they buy from, and the more you can do to create an image of reliability, stability, professionalism, and trustworthiness, the better off you'll be.

You want to do everything in your power to make sure the customer is as comfortable with you as possible. A comfortable, secure customer is an easy-to-please customer. A nervous, frantic customer is more difficult to manage, more likely to generate conflicts, and more likely to become dissatisfied.

Support

Support means that you not only deliver a product or service, but that you are there long after the sale is made to ensure that it delivers continued satisfaction to the customer throughout its lifetime.

On a product, support means having people available to answer questions or give help over the phone, and having technicians available to maintain and repair the equipment either at your own repair depot or the customer's site. For a service, support means being available to give occasional advice and guidance over the phone; answering short, simple questions or requests from clients without charge; and offering follow-up services (for a fee) that address the needs of clients who require more of an ongoing relationship than originally provided.

The customer's need for support varies with the type of customer and the type of product or service you are selling. For example, support service for an office photocopier is more critical than is support service for the office music system. Support from the company that installed your roof is more important than support from the company that steam-cleaned your carpet—especially when it rains.

The key aspect of support is that you must be able to offer it to customers who want it. Your product or service may be great, and the customer may have loved it, but if you're not there to help when he needs you later, the original euphoria will vanish and you will have an unhappy, dissatisfied client on your hands.

Another key point about support is that, while not as critical as some of the other areas we talked about—service, speed, availability, convenience—the customer's desire for more comprehensive support is growing, not diminishing, putting a greater strain on your resources. For instance, I recently met with a new consulting client. During our conversation, he discussed the graphic arts studio he was using to get his brochures designed and produced, and was telling me how thrilled and happy he was with their service. He told me how great their customer service was. He told me how whenever he called, there was an account person immediately available to answer his question or help solve his problem. In addition, they had a network of couriers who were always in the area, enabling quick pickup and delivery of materials without his arranging for a messenger. He told me of their ability to respond to last-minute requests and changes pleasantly and efficiently while meeting all deadlines.

Not once, however, did he mention the *quality* of their graphic design work—excellent though it was. Obviously, he valued the firm's ability to *support his needs as a customer* much more than he valued the quality of the end product (though I am sure this too was important to him). He valued the firm's can-do attitude and their being there for him when he needed them, much more than the style and look of their design work. Increasingly, your customers will value the same thing in you, and if you can't provide excellent support, you will be at a competitive disadvantage.

Business customers today want vendors to be their partners. This can be as formal as forming a strategic alliance or as informal as wanting to get some sense from you that you *care* about their wants and needs and are not just out to make a buck from them. I increasingly hear from new and prospective clients, "We are looking for someone to work in partnership with us." This does not mean a legal partnership; it refers to a spirit of cooperation, a level of loyalty, a can-do attitude, and a degree of service previously not requested by customers or rendered by most service providers. Now exceptional performance is becoming the standard in the customer's specification.

The level of support required by each of your customers can be easily assessed after a few dealings with the particular customer. Some businesspeople refer to this as the degree of "hand-holding" the customer requires. Some customers can manage nicely without frequent contact with you, and are able to put your product or service to use without a lot of daily contact and involvement on your part. Other customers need lots of hand-holding: They have to be guided, reassured, and helped every step of the way. There may be some clients who are so needy that you are unable or unwilling to provide the amount of hand-holding being requested. It's important to know what you are and are not willing to do to support a demanding customer.

For example, I have one consulting client who is usually out of the office during business hours and wants to have his conversations with me in the late evening hours. I cooperate with him because I like him and value my relationship with him. However, I don't *enjoy* making business calls from my home at 11 o'clock at night and would probably refuse to take on another client who required that same level of support on a regular basis.

Here is where you must make hard decisions about business relationships versus lifestyle. Will you do anything the customer wants in order to keep the customer? Do customers and their needs come totally before your family or leisure life? How much are you willing to disrupt your day-to-day routine—not to mention your dealings with your other customers—to accommodate the support requirements of needy accounts?

These are questions that you should ask and answer before you continue serving such a customer. **A customer who demands extraordinary support will not be happy unless he or she gets it. Just providing an excellent product or service is not enough for this customer; he or she needs you to provide support above and beyond the norm.**

And not only does the high-demand client require an extraordinary level of support, but he also expects you to give it with a smile. If every support request from this difficult account is an annoyance and is handled grudgingly, the customer will sense your negative attitude and will be put off by it. The net effect is you'll be doing all that extra work without building up the goodwill that is supposed to go with it.

Therefore, before you continue serving a high-need customer, take another look at the situation and make a decision. If you decide the customer is worth keeping, then resolve to put up with the extra headaches and stop complaining or feeling bitter. Just do the work and do it with a smile. It's not the customer who's forcing you to stay late—it was your decision, remember?

On the other hand, if you make the decision that the customer and the revenue he represents are not worth the extra aggravation, don't think you can retain the customer and keep him happy with a half-hearted effort. It is better to explain to the customer what you can and cannot do, and then let him make a decision about whether he can live with the level of support you are offering to provide. If he can't, and he walks, don't agonize over it or feel let down. Realize you've made a decision to sacrifice income in exchange for peace of mind—and again, it was your decision. Do it and move on.

Expertise

Today's successful businesses generally don't sell just a product or service; they sell knowledge and information. And the more you are perceived as the expert in your field, the better. The more you help your customers succeed in their lives or their businesses because of your wisdom and advice, the happier they'll be with you.

A good example is computer stores. Recently, I was shopping for a new personal computer. In the first store I went to, the salesperson was unenthusiastic and not knowledgeable about his products. "I'm really not a technical person," he explained. "I used to sell office equipment." In the second store, I got a person who was obviously a member of the computer generation. He knew his products, had definite opinions on what hardware and software options I should go with, and could quickly demonstrate the major features of the programs I was considering buying.

Both stores sold essentially the same computers, printers, and software packages. The difference was *knowledge*. **As a customer, I want to**

buy not from a salesperson but from an expert—someone who can advise me and help me make the right decisions.

It's the same with your customers. Simply giving them your product and service and taking their money is not enough. They want advice on how to size, select, use, maintain, and benefit from that product. That's why customers would rather deal with someone they perceive as an expert.

A successful contractor in my area, Pete Johnson of Comfort Control, recognized this early in his career (decades before this book was written) and decided to do something about it. He wanted to position himself and his firm as the experts in home remodeling, to separate the company from the rest of the crowd.

Pete's way of doing this was to write and self-publish a small book on home remodeling. The book focused on how to choose the right contractor and how to estimate the cost yourself so you know if you are getting a fair price quotation from your contractor.

Pete used the book as a premium, giving it to potential clients to impress them and convince them that he was the expert source. He also did a lot of local publicity, and with a published book, it was easier for him to get written up in town newspapers. He did in fact establish a local reputation and was successful to the day he retired.

Not all clients require the same level of expertise in their vendors, however, so you must appear to be at the right level for each client. For instance, an ad agency may position itself as "marketing strategists" in dealing with small accounts that do not have much in-house marketing expertise and need outside help. The more the agency seems to know about marketing and selling, as opposed to just creating ads, the more attractive they appear to these smaller businesses.

However, that same positioning may hurt them when seeking work from some larger corporate clients. The corporate manager may feel *she* is the marketing strategist on the team and view the agency more as a support service that places ads, mails out press releases, writes copy, takes photos, and gets brochures produced and printed. If the agency comes on to this client too strongly in trying to establish their superior marketing knowledge, this customer may feel threatened—the attitude is probably, "Why should I hire a company that does marketing plans? That's my job." The customer may actually feel threatened by or in competition with the agency and not deal with them for that reason.

So it is important to realize how much your customers want to see you as the gurus or experts and to provide those customers who need information with good, solid advice. This means more time must be spent by you to keep up in your field and related areas, making you work even harder.

More and more today, clients want to deal with *informed* vendors. The knowledgeable supplier, the person or company viewed as the expert source or industry leader, is more likely to get and keep clients.

The Personal Touch

In a dehumanized, computerized society, people crave human contact. One advantage you can give them, especially if you are a smaller business, is *personal attention* to their order or account. Customers like to know that there is a caring human being (or team of people) doing their work, handling their shipment, arranging their program, or building their system. They want to be treated with politeness and something more: *attention to details*.

Ideally, you should operate your business like a time-sharing computer service bureau. This type of service, popular in the 1970s, offered computer services to companies that couldn't afford their own computer. The user tapped into the computing system via phone line. The time-sharing computer, a large mainframe, served many such users simultaneously, and its capacity was large enough so one user would not be aware of the many other users being serviced at the same time. It would appear to the user that he or she was the only one using the computer at that time, though this would rarely be the case.

Your customers want the same relationship with you. They know you have many other customers, but when you deal with them, they want to be treated as if they were the only customer you were working with. This means giving prompt, immediate attention to all their requests and doing so in an unhurried, pleasant, relaxed manner. The customer wants to feel that your attention is focused entirely on him; he does not want to sense that you can't wait to get rid of him because you have many other projects to attend to.

Giving the business relationship a personal touch can be accomplished in a variety of ways. Some people remember their customers with a birthday or anniversary card. Others buy inexpensive but tasteful gifts for special occasions, such as the birth of a child. One vendor makes it a habit to make donations to clients' favorite charities, and the client always gets a note from the charity saying a donation was made in the client's name by the vendor.

You'll add the personal touch to your business in the way most comfortable for you. The key is to recognize the customer's growing need for this highly personalized level of service and to respond appropriately.

To sum it all up . . .

- To improve your relationships with your customers, especially in a competitive business environment, consistently give them more for their money than they have any right to expect.
- Ask the customers what their expectations are, then meet or exceed them in every area—quality, service, variety, price, delivery.
- Do everything in your power to make sure the customer is personally as comfortable with you and your company as possible.

CHAPTER
15

Cement Customer Loyalty with Low-Cost Extras

A business can create superior customer satisfaction by giving the customer a *little* more than their money's worth. But how to do it? Following are 15 methods you can use to give your customers those little extras that will win their hearts and their loyalty.

Free Gifts

Want a can't-miss strategy for creating customer delight? Give your customers an unexpected free gift with their order.

For example, I recently bought several gift items in a local candy store. After packing my purchase, the clerk handed me a small box of chocolates taken from a basket on the counter. "What's this?" I asked.

"It's a free gift box of chocolates for you," she replied cheerily. "We give it as a gift to every customer who buys $20 worth of candy or more."

This gesture put a smile on my face, but from the seller's point of view, creating this unexpected surge in my customer satisfaction quotient was easy and inexpensive because:

- The gift was easy to offer. They make candy on the premises and probably made one large batch of this particular item just for giving away.
- It didn't cost them a lot of money, perhaps only $1 or $2 per box for a gift with a much higher perceived value.
- Also, they gave it only to those customers who spent a lot, ensuring that each transaction was profitable. Many who saw other customers getting it went back to buy more so their totals exceeded $20 and they could qualify for the gift.

In addition, the free gift had not been *promised*. There was no sign in the store advertising it, nor had it been featured in newspaper ads. Therefore giving it had the added impact of *surprise:* It was a totally unanticipated and unexpected pleasure.

Had I come in response to an ad offering "free gift box with any $20 purchase," I wouldn't have been excited getting the box; after all, it was what I expected to get. Perhaps I would even have been disappointed, thinking, "Gee, I came all this way for such a small box?" But the fact that it was not promised assured my satisfaction. I had expected nothing and was getting something.

Here's another example: A local printer I do business with printed a quantity of "Things to Do" notepads. When he delivered my next print job, he gave me half a dozen of these large, attractive pads with my envelopes and cards, totally unexpected and at no extra charge. That's the kind of little extra that customers like and appreciate far in excess of the actual value or cost of the gift.

Want to create delighted customers? Try a free gift. It can be given with a purchase or just to every customer who walks in or calls that week. The gift need not be elaborate. Indeed, the more unexpected it is, the less costly it need be to make the customer happy with it.

Be Accessible

In today's fast-paced electronic age, many businesspeople use modern technology to juggle their busy schedules and put up barriers between themselves and their customers so they can manage what limited time they have more effectively. The problem is, while this practice may be convenient for you, your customers hate it.

Customers want to deal with vendors who are accessible and will take their calls *when* they call. They want to feel like their calls are welcome, not an annoyance. They want to feel that their concerns and problems are your concerns and problems, not an intrusion into your already crammed schedule or busy business day.

Many of us, pressured by too much to do and not enough time to do it, often seem agitated or distracted to our customers when we get calls from them. That's understandable, but not good: It annoys customers and puts them off. You may think seeming incredibly busy is a status symbol, but your customer thinks you're just showing off and that you are more concerned with your other business than with their order or problem. And that's bad.

Also, most businesspeople behave hypocritically with their customers: They are always friendly, up, and available when *making the sale*, but as soon as the contract is signed, all the customer hears is "He's not at his desk right now; I'll take a message." The customer senses the hypocrisy in this and is rightly offended. "I was important to you when you wanted my business," the customer thinks. "Now that you've got it, you're too busy wooing other customers to return my calls."

Although they do not like this behavior, customers have come to expect it. So when you are more accessible than your customer expects—friendlier, more helpful, quick to take and return calls—they become relaxed and happy. "Here's someone at last who treats me right," they think, and this elevates you in status head and shoulders above the other vendors they deal with.

How can you be more accessible? One possibility might be to answer your own phone, or, if that's not feasible, to at least reduce the amount of grilling that callers are subjected to before your secretary or receptionist puts them through to you. Think about it: Are you really so important that everyone who calls your office, even valued customers, must be put through 20 questions before you'll do them the great favor of taking or returning their call? Come on! This kind of treatment annoys *you*, right? So how do you think it makes your callers feel? And, since the people who answer your phone don't always remember the names of your customers, your customers often receive the same treatment as the salespeople you want your assistant to screen.

Keep in mind that, according to a survey from *Communication Briefings* (reported in *Direct* magazine, April 1992, p. 5), 82 percent of 564 executives surveyed said the way employees answer the phone influences their opinion of the company. So it's better to do *less* screening and let an occasional telemarketer get through than to do *too much* screening and risk offending a valued customer with such annoyances as "Does he know you?" "What company are you with?" and "Will she know what this is in reference to?"

Train your employees to be more courteous to callers, because many of those callers are customers or potential customers. Don't, for example, allow a secretary to say, "He's not in right now; can you call back at 2 P.M.?" You should *never* ask the caller to call back; you should always take a name and number and promise the caller the person will get back to them.

If you've installed or are thinking of installing a voice mail system, it might interest you to know that 42 percent of the executives surveyed by *Communication Briefings* said that automated business phone "menus" (e.g., "press 1 for billing, press 2 for account balances") are the phone practice that annoys them most. The second most irritating phone practice is being put on hold without first being asked permission to do so.

Fulfill Requests Promptly and Politely

This is the equivalent of "shock therapy" in business: It jolts the customer into awareness because it's so sudden and unexpected. The customer has come to anticipate poor attitudes, lousy service, impolite assistance, and slow, impersonal response. When you do what customers ask, promptly and politely, they're shocked and delighted.

The combination of *promptly* and *politely* is critical. An exceptional effort made on the customer's behalf isn't enough to win their kudos and their loyalty in the fickle, customer-driven business environment of the 21st century. To create exceptional customer satisfaction, you not only have to do whatever the customer asks, you also have to do it quickly and with a smile on your face. Customers will not appreciate your efforts if you are slow, because they are impatient and hate to wait. They will also be put off if there is anything in your tone, manner, or behavior that suggests you are annoyed or unhappy about their request.

Go Above and Beyond the Call of Duty

Fulfill requests beyond what the customer wanted. You create a high level of customer satisfaction by fulfilling requests promptly and politely.

You elevate that level of customer satisfaction to an all-time high by doing what the customer asked of you *and more*.

For example, we hired a painter to paint several bedrooms in our home. To save money, we decided we would paint the closets ourselves. In one walk-in closet, the ceiling was chipped and flaking.

While I can paint, I'm a lousy spackler. So I asked the painter if, when spackling the ceiling for that room, he could also do the walk-in closet ceiling. Several days later, when checking his progress, I saw that not only had he spackled the ceiling, he *had painted the entire walk-in closet* at no charge. Did it cost him much extra paint, time, or effort to do it? No. Would I hire him again? You bet.

Find and Fix Troubles Fast

Correct problems promptly and politely. Although you have certain policies that limit how far you'll go or how much you'll give in when dealing with customers, you should probably suspend most or all of these limitations when a problem arises.

Today's high-demand customers are totally intolerant of problems, expect you to do what they ask when they ask it, and will not continue to do business with a service provider who says "Sorry, but I can't help you." When a problem arises, acknowledge it, apologize for it, and then move quickly to focus on the solution. Do everything you can to correct it—and do so quickly and politely.

Did you ever ask a barber, waitress, repair person, or any other service provider to fix or change something that was not quite to your liking and have them start *arguing* with you? Then you know the worst thing you can do with a customer who is dissatisfied is to give them a hard time. When customers have a problem, they need to see immediately that you are on their side and dedicated to resolving it.

Don't Charge for Fixing Mistakes You Created

Correct problems without charge. Even better than correcting problems quickly and courteously is to do it without charging the customer *even if there is just cause for you to do so*.

We have a contractor who has done three large remodeling jobs for us and will soon do a fourth. His work is excellent; his prices are competitive, though certainly not the cheapest. The main reason we will use him again, however, is that when he is in our home, he will frequently go through the house and fix minor things *and never bill us for it*. Even when we asked him to do a few simple repair jobs that did not involve things he had originally built for us, he did them and, in most instances, did not charge us.

You can imagine how delighted I was, not only with this willingness to help us out but also with his invoice. The charges for the remodeling jobs were big enough as it was; it was certainly a pleasure not to have another few hundred dollars tacked on for the odd jobs he had handled. Obviously, if I had asked him to do something very time consuming, he would have billed me and I would gladly have paid it. But by giving me an extra hour of his time and labor free now and then, he has gotten repeat business from me worth more than $20,000.

Compensate Customers for Any Problems You've Caused Them

Correct problems and pay the customers for their trouble. You can prevent customer dissatisfaction by correcting problems quickly and courteously. You can put a smile on their face by not charging them for it. But you'll really cement your relationship and build extraordinary loyalty by *paying them* for their time and trouble.

This, in effect, says to the customer: "We believe that when you pay for our service, you have every right to be satisfied at all times. If there is a problem, and you become dissatisfied, this is our fault, and not only will we do everything in our power to correct the defect quickly and efficiently, without charge to you, but we will also *compensate you* for your inconvenience."

You can "pay" the customer through a refund or rebate on the invoice owed, but this isn't the best strategy. For one thing, it visibly reminds the customer of the problems involved on this job. For another, it costs you money unnecessarily, in my view, so that you have a loss instead of a profit.

A better way to compensate customers is to offer a credit, discount, price-off, fee reduction, or other cost savings on the *next* job you do for them. This is a better choice for you because:

- The customer will be pleased and happy with such an offer.
- It shows fairness on your part.

- You still get your fee for the current job, so you don't feel upset or angry about the incident (as you would if you didn't get paid in full).
- You have now created a strong incentive for the customers *to use you again* for their next project because they have a credit with you that they do not actually receive until they retain you and apply the credit toward your fee on that new job.

So not only is giving a credit or discount on future service a good way to resolve today's problem in a manner that makes the customer happy, but it's also a selling technique for making sure you get the next job from them, as well.

Keep in Touch

Show customers you care. Follow up with customers unexpectedly one or more times. A major mistake I have made repeatedly in dealing with my own customers is communicating with them only when necessary or only when they expect to hear from me.

Although we don't realize it, our customers are sometimes not as confident in hiring us as we may think. Perhaps they were burned in the past by a service provider whom they hired with great expectations, only to have the firm not deliver on time or not meet expectations in some other way. So, while they may be trying an outside service again by retaining you, they're a little nervous about it, a little worried that their negative past experience may be repeated.

Communication between service provider and customer is the solution. We've all gotten "How's it going?" calls from customers. Maybe you don't like such calls and think of them as an annoyance. I know I used to. My feeling was: What is the point of such a call? I am a professional and deliver a professional service reliably and on time; the customer knows that or they would not have hired me. Calling me to see how it's going is an insult. It means they don't trust me. And what business is it of theirs what progress I have or have not made at this time, as long as they get what they ordered on the date I promised?

Today my attitude is different, and yours should be, too. You should respect the customer's right to communicate with you just to make contact or check progress from time to time. And you should treat such calls as an opportunity to build a positive relationship with the customer. Act and actually be pleased to get and deal with such calls. Don't, as so many do, act as if the customer is bothering you. How can they be bothering you when they are paying you and the primary reason your company exists is to serve them?

Taking it one step further, don't wait for customers to call you and ask "How's it going?" Pick up the phone and call them *before they expected to hear from you* to say hello, touch base, and give them a quick update on your progress. Customers appreciate this far more than you can imagine. It shows that you are concerned not only with the job but with their personal or professional stake in having you do the job well.

For consumers, how well you perform is important because it can affect their quality of life and because the money is coming out of their own pocket. For business customers, how well you perform determines how their supervisors and superiors will judge them. If you fail to deliver, people will say they made a poor decision in hiring you; if you do well, your performance makes them look good to their management. Therefore, hearing from you is reassuring to your customers; it reassures them to know that everything is going smoothly and the project is on schedule.

So don't wait for the customer to call you; if you let it go that long without communication, the customer who feels compelled to phone and ask "How's it going?" is already experiencing mild anxiety and nervousness. Nip their concerns in the bud by being accessible and available.

Pay Personal Attention to Each Customer

Although you have a good business relationship with your customers, you can strengthen that business relationship by establishing a personal relationship as well. This does not mean that you need to become personal friends with customers or let socializing with customers impinge on your personal life. All it requires is that you be human—that you attend to the customer as a human being as well as a buyer of services.

The best way to create this rapport is through small talk. Find some common ground between you and the customer and make that the icebreaker that makes them think of you as a person, and not just as a consultant or contractor or whatever it is you do. You will find that, even if you and the customer are very different and would not be compatible as friends, there is always some common ground that can be used to strengthen the bond between you. This might be sports, family, hobbies, likes or dislikes, similarities in lifestyle, or any one of a number of things.

For instance, I had an initial meeting with one customer who had already decided to hire me but was a little difficult to deal with because he was standoffish. After we got through the business portion of our meeting, we each had a couple of minutes to spare between appointments and decided to shoot the breeze. As it turned out, we were the same age, each had one child, and our children were the same age. This resulted in a lively discussion about parenthood, which I feel established a stronger link between us and improved the working relationship.

Importantly, such bonding cannot be phony; you can't force it or fake it. Don't go looking for a shared interest or other common bond between you and the customer; it will eventually come out naturally, in normal conversation. When you recognize it, encourage it, nurture it, and let it grow.

One point of caution: The area of shared interest should be a relatively safe and non-controversial topic—gardening, for example. Avoid sex, religion, politics, money, or any other area where people who have conflicting views are likely to argue and fight passionately to defend their side. You don't want to state a strong political view you think the customer shares, for example, only to discover they are diametrically opposed to your view and find it reprehensible.

Remember to Be Polite

Another way to strengthen relationships is to be polite. Say "please" and "thank you." "Whenever someone does something nice for me, I thank them," says marketing consultant Joe Vitale. "It may seem trivial or obvious, but not enough people do it. Yet the payoff can be fantastic."

Offer the Customer Something Special

If you're an antique dealer, and you come across a piece of beautiful carnival glass that's a real find yet reasonably priced, call your customer who you know collects carnival glass and offer it to her first, before you display it for your walk-in trade. If you're an innkeeper, and you're planning special activities and fantastic meals for a particular season or holiday, send a postcard to your past lodgers inviting them for this special event and let them know it's exclusive for valued customers only. If you sponsor public conferences or seminars, send a personal letter of invitation to past attendees of previous years' programs *before* your regular mailing goes out, and offer these past attendees a special "alumni discount."

You create extraordinary customer satisfaction when you convey the impression that, even when you're not currently under contract or rendering service to that customer, you're always on the lookout for things they would want or that can help them.

For instance, even if I'm just writing sales letters and not handling any other aspects of the customer's marketing, I'll still send him a copy of a new magazine I come across that might be a good place for him to advertise, even though his advertising is handled by an ad agency and I am not involved with it. The customer appreciates the fact that I am thinking of him and doing so with no immediate profit motive in mind.

Give Free Seconds

Several years ago, we made a pleasant discovery: a good restaurant in New York City that gives free seconds on any dish at any time. This policy costs them very little since few patrons take advantage of it (regular portions are more than adequate). But it makes them memorable and sets them apart from their numerous competitors in a city where virtually every block has two or more restaurants.

This "free seconds" idea can also be applied, with a slight variation, in ensuring customer satisfaction in the service business. The basic principle is this: When selling a certain service to a customer, include some additional *follow-up* service, which they can choose to use or not, free with the original purchase.

For example, a friend of mine gives training seminars to corporations on business communications. He says to customers, "If any of the people you send to my seminar find they need more help or want more information, they can call my Business Communication Telephone Hotline for assistance and, because they are alumni of my program, there will be no charge to consult with them or answer their questions."

This variation of "free seconds" adds to the perceived value of my friend's training programs and also to his credibility. Not only is he giving more value for the money than seminar providers whose fees include the training session only with no follow-up privileges, but he is in effect guaranteeing that trainees will get the knowledge they need when he is hired, since he will answer their questions long after the seminar is over.

This added level of service helps differentiate him from his competitors and has accounted for part of his tremendous success in the training field. Finally, while many new customers comment on how much they appreciate getting the use of the hotline included with their training courses, very few attendees actually use the hot line, so it costs him very little in time to offer this valuable extra.

Give Free Product or Service

This method is extremely effective as a sales closer, especially when selling additional services to existing customers. Let's say the customer is indecisive or unconvinced as to whether the fee you are asking for the service you are providing is justified. Probably, there's not a huge gap between what you're asking and what they are comfortable paying; more likely, you would have to do only a little better to make the customer feel comfortable with the value they are getting.

Instead of lowering the price, you say to the customer, "Okay, I tell you what: Hire us today to do X and we'll also give you Y and Z at no charge." X is the main job; Y and Z are small related or ancillary tasks that take very little time but have a high perceived value to the customer. When the customer feels they are getting three services X, Y, and Z, and you are charging only for X, they grow comfortable with your fee and the level of service you are providing for that fee, which in turn helps build overall customer satisfaction.

Sometimes, even if you don't absolutely have to, it's better to give the customer a little extra service or, conversely, charge a bit less. Just because the customer signed your contract doesn't mean she feels comfortable with it; perhaps she signed because of imminent deadlines or other pressing needs, but feels that you are taking advantage of her situation by charging too much for too little. You may indeed be making a high profit on that job, but are you building customer satisfaction and a long-term relationship based on maintaining that satisfaction?

Any contract you get a customer to sign should be a win-win situation for you and the customer. Giving a little extra service or a small freebie is a simple way to overcome customer resistance or displeasure and create a customer who's comfortable with the deal and feels you are being more than fair, even generous. "The challenge is to deliver results that exceed the customer's expectations," writes Paul Vaughn, chairman of Hooven Direct Mail. "Providing customers with a service they hadn't expected is an excellent customer retention strategy."

Charge Slightly Less than the Original Estimate

Most surprises customers get are unpleasant: a botched job, a job that was not done as ordered, a missed deadline. So it makes an enormous impression on the customer when you give them a pleasant surprise.

One easy way to do this is to send an invoice that is slightly less than the original estimate. Most service providers seek to do exactly the opposite. Often, as the job progresses and they have to do the actual work, they realize how much effort is involved and that they probably bid too low to get the job. So they get revenge on the customer by charging for every little expense, for every change in customer direction, for every little extra service that was provided along the way. The result is a bill 10 to 20 percent (or more) higher than the original estimate.

The problem is customers dislike receiving bills higher than they budgeted or contracted for. Both the consumer and the business buyer are on a budget today. Going over budget hurts the consumer because it's money out of his pocket, and it hurts the business buyer because it makes him look bad to his management.

A colleague of mine, who owns a small ad agency, told me as I write this that she had hired a new graphic artist to design an ad for a customer. The artist bills $50 per hour. She loved his work, but when she got the bill from him, there was a $50 charge for one hour for *showing her his portfolio* and presenting his services and capabilities to her! This was completely unexpected—"I didn't expect to be billed for his sales presentation to me," the customer said—and started the relationship off on a negative tone instead of an upbeat one.

You can be different by sending the customer an invoice for an amount equal to or, even better, slightly *less* than your estimate. Your invoice should show clearly the amount of the discount, both in dollars and percentage savings, as well as the *reason* for the discount—you spent fewer hours than anticipated, or the cost of materials was lower, or you didn't have to do a certain phase or step you originally thought you would have to do when you gave the original estimate. The customer will see that you were able to achieve a cost reduction and then, instead of keeping it as extra profit, passed the cost savings directly on to them through a lower charge.

Taking a few dollars off an invoice now and then won't cost you a fortune, and few things are as effective as a slight reduction in the final bill to give your customer a pleasant surprise or make them think of you favorably. It builds your credibility and, it's appreciated.

Be Fast, Prompt, and Diligent

Complete the job slightly faster than the original deadline. Next to getting it done cheaper, getting it done sooner is the thing that will knock the socks off your customer. Everybody is in a hurry nowadays. If the original deadline is tight, beating it will make your customer that much happier. If the original deadline is distant, the customer will appreciate the extra time to review your work or use what you provide when you get it to them a week earlier.

Be careful, though: Do not complete the work too early; the danger is giving the customer the impression that you rushed their job, didn't give it your best effort, and therefore did an inadequate job. As a rule of thumb, if you are going to deliver your work or complete the job early, don't beat the deadline by more than 20 to 25 percent.

So if today is April 1 and your report is due April 20, you can please the customer by beating the deadline and handing it in anytime between April 15 and April 19. Hand it in earlier than that and you risk the customer taking your "hasty completion" into account when evaluating the work, and so the evaluation is likely to be negative.

For example, Milton, a consultant friend of mine, was once criticized for handing work in too early. His first job was as assistant to the circulation director of a magazine with a large circulation. On Milton's first day on the job, the circulation director handed Milton a stack of magazines and direct mail promotions and said, "Your first assignment is to come up with at least two dozen ideas for increasing the circulation of the magazine."

Milton went to his desk, studied the material, and by lunch handed in a typed four-page memo with the heading, "24 ways to increase the circulation of *XYZ Magazine*." His boss became furious. "I want you to *think* about it!" he shouted as he threw Milton's memo across the desk. "Go back to work and really *think* about this problem!"

Milton went to his desk and put the memo in his top drawer. Two weeks later, he pulled out the memo, changed the date, walked up to his boss's desk, and handed it to him. The boss scanned the four pages, turned to Milton, and, smiling, said, "This is excellent! See? You can do good work when you really put your mind to it." Milton said nothing. He just smiled back.

Get Organized

Keep complete, well-organized records, and have them at your fingertips. Nothing annoys a customer more when they call you up and ask you a question than for you to say, "Gee, I don't know" or "I have no idea."

We live in an age of instant information, a time when people are impatient with anything less than an immediate response to their queries. For this reason, many large companies have spent hundreds of thousands of dollars on computer and communications systems designed to help customer service people gain fast access to customer records, track projects, respond to inquiries, and resolve problems.

For the one-person office and other small businesses, you can achieve the equivalent by keeping well-organized and complete files on each job and storing those files in a place where you have quick and easy access to them.

If a customer calls with a question or problem dealing with a current or past job, you should be able to access the information immediately while the customer is on the phone, or at least be able to find it so that you can call back with some answers or to discuss the problem further within the next five minutes. Keeping a frustrated or annoyed customer waiting for preliminary answers longer than that creates an impression of poor service and incompetence. Customers like to know you are in control of your information, are well organized, and have designed your office procedures to respond quickly to their needs.

In addition to keeping well-organized files, you can use your personal computer to put important customer information within easy reach. Some people use popular database software to maintain customer information; others use personal information management or customer management programs more specific to their needs.

Having the proper information immediately available when customers call with a query or complaint puts them at ease and creates a professional image for your business. Being unable to find the papers when customers call frustrates them and creates a negative impression. And the longer you force the customers to wait to get an answer to a question or a response to a problem, the more dissatisfied they will become.

To sum it all up . . .

- Create continual customer delight by including little extras your customers did not expect to receive.
- One of the easiest ways to make your customers happy is to give them each a free gift.
- It is better to underpromise and overdeliver than to overpromise and not deliver what you promised.

APPENDIX

Sales and Marketing Web Sites

www.breathingspace.com
Jeff Davidson's web site on helping businesspeople find a balance between work and personal life. Focuses on information overload, time management, personal productivity, and stress reduction.

www.bulkingpro.com
Software for bulk e-mail distribution. Useful for sending promotional e-mails or e-zines to your customers and prospects. Also visit their sister web site, www.i-marketingpro.com.

www.clickz.com
Articles on Internet marketing from a variety of columnists. I especially recommend Nick Usborne's column on Web copywriting.

www.emailresults.com
Al Bredenberg's site on e-mail marketing.

www.emarketer.com
A great resource for statistics and trends concerning Internet marketing.

www.evendorsonline.com
A free online "Yellow Pages" of e-business solutions providers including Web designers, e-mail software, e-lists, and more.

www.findsuccess.com
Portal to marketing e-zines, courses, and web sites. The web site of Jon Spoelstra, marketing speaker and consultant.

www.thegaryhalbertletter.com
Back issues of marketing guru Gary Halbert's newsletter, *The Gary Halbert Letter*. He once charged $2,855 for a lifetime subscription. Now you can read it free here.

www.marketingsherpa.com
Web site with several marketing e-zines to choose from.

www.markusallen.org
Useful collection of marketing tips from lettershop owner and marketing consultant Markus Allen. Good source for information on postcard marketing.

www.mrfire.com
Copywriter and marketing guru Joe Vitale's web site. Free articles, online courses, e-books, and more.

www.newentrepreneur.com
Roger C. Parker's web site covering design as an element of marketing.

www.PRProfits.com
Paul Hartunian's publicity web site.

www.rayjutkins.com
Web site of direct marketing expert Ray Jutkins. Lots of useful articles and a free e-zine.

www.simonyoung.co.nz
Web site of e-mail marketing expert Simon Young.

www.wdfm.com
Larry Chase's popular Web marketing e-zine.

www.wilsonweb.com
Ralph Wilson shares his insights on what's working in e-commerce.

www.worldprofit.com
Online malls and Web marketing resources from author Dr. Jeffrey Lant.

www.wordbiz.com
Debbie Weil's web site on Internet copywriting and marketing, with a special emphasis on e-zines.

www.yudkin.com
Marketing consultant Marcia Yudkin's web site. Free articles, online courses, e-books, and more.

ABOUT THE AUTHOR

Bob Bly is an independent copywriter and consultant specializing in business-to-business and direct marketing. He has over 20 years of experience writing direct mail packages, sales letters, e-mail marketing campaigns, web sites, brochures, ads, and catalogs for such clients as Associated Air Freight, Philadelphia National Bank, Value Rent-A-Car, Timeplex, Grumman, AT&T, IBM, Lucent Technologies, and EBI Medical Systems.

Mr. Bly is the author of more than 50 books including *The Complete Idiot's Guide to Direct Marketing* (Alpha Books), *The Copywriter's Handbook* (Henry Holt), and *Internet Direct Mail: The Complete Guide to Successful e-Mail Marketing Campaigns* (NTC Business Books).

His articles have appeared in such publications as *Cosmopolitan*, *Chemical Engineering*, *Computer Decisions*, *Business Marketing*, *New Jersey Monthly*, *The Parent Paper*, *Writer's Digest*, *City Paper*, *Amtrak Express*, *Successful Meetings*, and *Direct Marketing*.

Bob Bly has taught copywriting at New York University and has presented sales and marketing seminars to numerous corporations, associations, and groups including the American Marketing Association, Direct Marketing Creative Guild, Women's Direct Response Group, American Chemical Society, Publicity Club of New York, and the International Tile Exposition. He has been a guest on dozens of radio and TV shows, including CNBC and CBS's *Hard Copy*, and has been featured in periodicals ranging from *Nation's Business* to the *Los Angeles Times*.

Bob is a member of the Business Marketing Association, Newsletter and Electronic Publishers Association, and the American Institute of Chemical Engineers. He owns and operates several popular web sites, including www.evendorsonline.com, a free web site that helps businesses find vendors who can provide cost-effective e-business solutions, software, and services.

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INDEX