

BUSINESS INTELLIGENCE

Strategies and Trends for the Successful Business

REPORT

September 2008

IDEAwatch

Tips for Growing Your Business

■ **Increase sales by offering “social proof.”** In his book *Influence: Science and Practice*, Dr. Robert Cialdini says “95% of people are imitators and only 5% are initiators, so people are persuaded more by the actions of others than any proof we can offer.” When you want to make a claim about the value of your product or service, giving examples of the experiences, or better yet, the exact words of others, carries tremendous weight. This is the thinking behind Amazon.com’s feature “Customers Who Bought This Item Also Bought.” You can offer social proof through testimonials and with selling statements like “I’d like to run something past you that others in your situation have taken advantage of with us.”

Source: www.businessbyphone.com

■ **Journalists need your help.** A free online service called “Help a Reporter Out” connects journalists with credible sources to interview. Reporters complete an online form and their request gets added to a distribution list that is emailed to members three times a day. As a member, if you see a request on the list that you feel you could honestly contribute to, simply reply to the query.

Source: www.helpareporter.com

■ **Are your employees underpaid or “overtitled”?** Nearly 50% of people believe they are underpaid in their current jobs, according to a Salary.com survey. But an analysis of those jobs and wages reveals that less than 22% actually were paid below the fair market value. So why do so many people wrongly believe they are underpaid? The analysis also showed that 30% of the respondents may have an overly inflated job title. Therefore, be careful when creating job titles. You may think you’re being nice when creating a fancy job title, but it can backfire if the employee ends up feeling underpaid for his or her position.

Source: www.thehrspecialist.com

MARKETING

Make the Competition Irrelevant

IS THERE AN easy way to make the competition irrelevant? With so much access to information, bombarded by advertisements and commercials, is it possible to keep the attention of your customers? How can you expedite a decision to buy?

There is a secret formula that works for e-commerce, retail, bids and proposals. It is a simple formula that has worked since the days of bartering beads, beans and burrows.

1. Create Differentiation. Create differentiation within your own products or services. If you have an assortment of products or services, you may have identified your differentiation already. Examples of differentiated products are size, speed, color, combinations or accessories. Examples of differentiated services are speed, performance, quality, responsiveness, availability or ease. You might differentiate by levels of shipping speed or delivery. If you are in the unique position of having only one product or service to offer, consider accessories, partners or other options to create variety.

2. Focus on the Moment of Truth. This is the place or position that products or services will be offered to the customer. In a retail environment this may be the end-cap, a wall display, shelf space or counter display. On the Internet this may be an online store, auction site or website. It may be a catalog, brochure or an email communication. The moment of truth may be a bid or proposal. The moment of truth is the point at which the customer has an option to make a purchasing decision. This is the moment that you need to put your good, better and best foot forward.

3. Good, Better and Best. Give your customer three options. Show your customer something good, something better and show them your best. It is a simple formula that takes a little creativity in crafting your message. The three offers should be based on the foundation of a consistent theme that represents your core values.

The “good” offer should be the lowest cost option that demonstrates your inherent value and differentiation from the competition. Clearly define your basic value. This is the minimum price to buy, and it should have good value.

Provide a variety of options and your customers won’t need to even consider the competition.

Using the foundation established with your “good” offer, offer an upgrade for a slightly higher price. The added value should be easily distinguished and highlighted as more significant than the slightly increased price. Make a clear comparison to the “good” product or service. The “better” alternative is more expensive and worth it. Some examples of upgrade offers are “additional 10 GB memory,” “includes six months of satellite radio,” “includes 50 free songs,” “150% faster” and similar comparisons.

The third option should be the best that you have to offer, the cream of the crop. This is the most expensive option, and only for the most discerning customers. It should have something in common with the original “good” offer and the “better” alternative, but the best option comes with a price that may be significantly higher. Demonstrating a significant leap to a higher price point for the “best” option helps to differentiate the comparative value of your other offers. Do not expect a large volume of sales for your best offer. Rather, use this to highlight the value of your lower cost offers in comparison to your premier capabilities.

If you have more than three products, select three as your good, better and best offers. In the decision process, human beings can easily compare and contrast three options. The mind can juggle three prices and three sets of features. Once you add a fourth element, customers are more likely to become confused by a deeper level of analytical comparison. With too many options, the customer spends too

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■ **Generate a 220% response lift in your next email campaign** by employing an old direct mail trick. A Johnson Box is a box commonly found at the top of direct mail letters, containing the key message of the letter. The purpose of it is to draw the reader's attention to this key message first, enticing them to read the rest of the letter. Marketing consultant Jeanne Jennings tested this technique with email marketing and discovered that the Johnson Box generated more than three times as many leads as the control version, resulting in a 220% response lift. When creating a Johnson Box, make sure it appears at the top of the message, has more than one line but doesn't take up the entire width of the email, and is around 20 words in length. The copy should consist of the product's key benefit and the incentive.

Source: www.clickz.com

■ **Do you stretch out payments to suppliers** in order to improve your cash flow? While this may sound like a shrewd business move, it can hurt a valuable asset in today's economy — your relationship with your suppliers. Vendors may assume that your slow payments are signs that you're going out of business. They could tighten credit policies or hold back shipments. A better strategy is to pay your suppliers on time. If they learn to trust you they may give you the benefit of the doubt if there's ever a real problem.

Source: www.bizjournals.com

■ **Are your salespeople crying the blues about the economy?** How can you hang on to your best salespeople in times of strife? First, encourage competition. Salespeople are naturally competitive, so harness those instincts with a sales contest. Next, be open and honest. Sometimes you can't do anything about a tough situation. In that case, sales reps may just need a little encouragement to hang in there. Let them know that working as a team and trying new things are paths to improvement. Finally, give feedback. Without objective feedback, reps can lose focus and start wondering if anyone appreciates their efforts. Let reps know where they stand and balance constructive criticism with praise.

Source: *Selling Power*, P.O. Box 5467, Fredericksburg, VA 22403

The new American way of life: frugality

For more than four decades, our shopaholic nation has shown an insatiable desire to spend until our credit cards melt. Yet today, America finds itself at a once- or twice-a-century economic tipping point. A sharp slowdown, record-high gas prices, high consumer debt levels, a plunging real estate market and the growing green movement are combining to transform the economy and the American way of life for years to come. "The process of bringing our wants and our needs into realignment," says Merrill Lynch economist David Rosenberg, "is going to involve years of savings and frugality."

Many consumers don't have much choice but to scale back. On the other hand, this new frugality might actually be OK with many of us. Consumers were "so gluttoned on everything that they had acquired and all the time that was robbed from them...that they almost saw this [downturn] as a great opportunity to stop," says Faith Popcorn, chief executive

of BrainReserve. In a recent survey, she found that 90% of respondents said they were considering options for "the simpler life," and 84% said they were inclined to buy "less stuff."

Today, people rank being in control of their finances and living a green lifestyle more highly as signs of success than having money or a luxury car, and view having a paid-off mortgage as more of a status symbol than having a beautiful home, according to a survey by communications firm Manning Selvage & Lee.

New spending patterns are forcing companies to change the kinds of products they sell and tweak their marketing to woo these new, economy-minded consumers. For example, in April, Starbucks began offering new rewards on its stored-value cards, including free refills on hot and iced brewed coffee and complimentary syrup and soy milk.

Sources: *U.S. News & World Report*, August 8, 2008; *Chicago Tribune*, July 20, 2008

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much time considering alternatives. While weighing too many options, the customer may start to consider competitive offers as well. Limit your presentation to three options. Avoid introducing too many new variables unless requested.

4. The Value Proposition. For each option that you present, provide a value proposition. Your value proposition should be conveyed in three to five bullet points or sentences. You should be precise and succinct. Present the value proposition from the customer point of view. For example, rather than say "We ship in three to five days," say "The product will arrive at your door in three to five days." Rather than say "We are fast," say "You get fast results."

A value proposition typically contains the essential elements of Feature, Advantage, Benefit, Image and Offer. Focus on a specific important feature of your offer, the advantage compared to the competition and the benefit to the customer. The Image is an important element of your value proposition, as people generally remember an image more readily than words. Images convey feeling and often depict a lifestyle or emotion. The offer is a call to action. Give your customer an offer to buy, and let them know specifically how to conduct the purchase.

5. Plan, Do, Measure and Adjust. Carefully plan your three offers and the

value proposition for each. Measure the success of each option and corresponding sales. As a benchmark, "good" offers typically earn 25% of sales. The "best" offers typically earn 15% of sales. Some customers want the lowest price, and some demand the best. The middle of the road "better" offer customarily earns the lion's share with 60% of overall sales. The majority of customers pay a little more for quality, speed or convenience associated with the "better" offer if presented properly, even if they do not want to pay the high price of the "best" option. Customers typically have more confidence in the "better" alternative, while feeling that they saved money by spending less than the most expensive "best" offer.

If you do not experience the desired result in your mix of sales, it may be necessary to adjust your plan or value propositions. In any case, as long as customers continue to make a selection between your options, the competition is irrelevant. Your customers can get what they desire, and they remain your customers.

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■ **When trying to identify new customers**, an often-overlooked source of marketing research information is your accounting and billing records. Plugging the details into a basic spreadsheet program can give you an accurate customer profile in no time. By looking at ZIP code information, neighborhood trends, income levels or other information that you collect, you can shed valuable light on just who your ideal customer is — and the kinds of customers you've lost. You can then use this information as a sound foundation for a marketing plan that will keep loyal customers and attract new ones.

Source: *Target Marketing*, 401 N. Broad St., Philadelphia, PA 19108

■ **Do you have employees on active military service duty?** Small business owners with fewer than 50 employees are now eligible for a tax break if they continue to pay employees called to active duty in the U.S. military. Employers may claim a tax credit of 20% of wage differential payments as long as they continue to pay reservists some or all of their former compensation and the payments do not exceed \$20,000. The credit applies to payments made after June 17, 2008, and before Jan. 1, 2010.

Source: www.nfib.com

■ **Dramatically increase your website's effectiveness** by cutting your copy in half. Online visitors are skimmers and won't read dense paragraphs and convoluted text. For example, cut the long welcome paragraphs and company histories down to a few sentences, and use bullet points when possible. One study shows that making copy more concise can improve conversions and stickiness by 58%. Worried that you might hurt your search rankings? Don't be. Search engines look at the ratio of keywords to copy to judge page relevance. A page that is light on copy, with keywords in the right places, often appears higher in search results.

Source: *Internet Marketing Report*, 370 Technology Dr., Malvern, PA 19355

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Who owns your loan?

Do you have a good relationship with your banker? Well, if you're late with your loan payments, it might not matter. Banks looking to spruce up their balance sheets are selling off problem loans, particularly if payments are overdue or borrowers are in violation of bank covenants.

As of Mar. 31, 2008, problem business loans — those more than 30 days past due — are up 45% over the same period last year. Banks wanting to sell off these loans are finding ready buyers in hedge funds, private equity firms and finance companies. And while a bank may look the other way if a company is briefly in violation of a loan covenant, the new creditor won't necessarily do the same. And if a company is struggling, the busi-

ness owner is often expected to agree to a lower salary, to live more frugally and give up certain perks.

While some creditors will be willing to work out a deal for companies that seem healthy, others are likely to move quickly to foreclose if a company seems vulnerable. The third option is "loan to own," in which the loan holder typically agrees to some concessions in return for a sizable chunk of equity.

Entrepreneurs should move quickly to work out a deal with their new creditor. Typically, that means a forbearance agreement, in which the business owner makes a concession — perhaps by pledging additional collateral—in exchange for lenience on the part of the lender.

Source: *BusinessWeek*, August 11, 2008

Online ad rates drop like a rock

The banner ad is becoming cheaper every day thanks to increased use in "ad networks." Ad network usage surged from 5% of total ad impressions sold in 2006 to 30% in 2007, according to a study from Bain & Company. An ad network is a company that connects websites that want to host advertisements with advertisers who want to run advertisements.

Online publishers typically restrict ad networks to remnant ad inventory. However, as these publishers experienced growth rates of 20% to 30% in ad revenue, the race to create advertising opportunities has left publishers with excess inventory that they are selling via

ad networks at up to 90% discounts versus direct sales rates. That trend is particularly foreboding for branded online publishers, which traditionally earn \$10-\$20 per thousand ad impressions and therefore risk severe price erosion.

"Online publishers are producing more inventory than the market demands and risk devaluing the premium nature of their brands, particularly in light of ad networks' growth and their dramatically lower pricing," said John Frelinghuysen, a partner in Bain's Global Media Practice and study author.

Source: *MarketingCharts.com*, August 11, 2008

Online sellers facing new IRS rules

If you sell items on websites like eBay or receive payments through transaction processors like PayPal or Google Checkout, be aware that the Internal Revenue Service has modified their rules to make sure taxes are reported on private Internet transactions. As part of the housing rescue package, online payment processors will be mandated to report annual gross receipts to the IRS for almost all Internet sellers.

Under the merchant-reporting requirement, any organization that accepts

credit or debit cards or third-party network transactions must report to the IRS the total number of credit and debit card transactions for each merchant that has more than \$20,000 in transactions and more than 200 transactions per year.

The new rules, which will not go into effect until 2011, are outlined in the new American Housing Rescue and Foreclosure Prevention Act of 2008. The Government hopes to raise \$9.5 billion over the next decade in tax revenue.

Source: *Internet Retailer*, August 7, 2008