
Unlocking Hidden Profit Potential
REVENUE
REVOLUTION
BEST
SELLER!
SETH TILLOTSON

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FOREWORD

Has your dream of being the owner of a successful business turned into a bit of a nightmare? You probably started your business with the same dream that all entrepreneurs have. To gain financial and time freedom that you could never get as an employee working a job. You may have envisioned being able to go on extended vacations while the business ran successfully without you. You may have imagined being able to break away from work to see your kids' soccer games, being home for dinner with your family most nights, and escaping to a beach house or mountain getaway whenever you wanted.

If you're like most business owners, none of that has come true. You're working harder than you ever have, working more hours than ever before, and your stress level is dangerously high. Your dream has morphed into the realization that you are the hardest-working, lowest-paid employee in your own company. Sometimes, all you feel you have accomplished is being able to pay your employees, who seem to have more time, financial freedom, and less stress than you have.

But there is hope. This book will show you the solution and a clear pathway to success. A clear pathway to profit that, when followed, will allow you to achieve a life of personal fulfillment and financial freedom, bringing you closer to your original dream.

Why is finding this pathway so important? Well, according to the famous philosopher, Yogi Berra:

"If you don't know where you're going, you'll end up somewhere else."

~ Yogi Berra

The road to success is not a path you stumble upon. Rather, it is one you must seek out and follow step-by-step. This is the quickest, most efficient, surefire way to get to your destination: GREATER PROFIT. Think of Google Maps. Maps show you the fastest route to get you to your desired destination. This is also true when it comes to business success. There is a proven pathway that ensures you arrive at YOUR chosen destination. No trial and error! No guesswork! A path to predictable and consistent results; to the outcomes that you desire. But you must take action. Borrowing a phrase from Tony Robbins: It requires you to take MASSIVE, DETERMINED ACTION.

"The path to success is to take massive, determined action."

~ Tony Robbins

The purpose of this book is to help you take that massive, determined action by introducing you to a proven process designed to increase your profitability. It is called the PATHWAY TO PROFIT. It includes the foundational elements and specific strategic focus areas that systematically, predictably, and consistently increase revenue and profit. Here's the interesting part: all of these strategies can be implemented without spending an additional dollar on advertising or marketing.

This book will unpack strategies within each of these specific areas that have been proven to generate increased revenue and profit for any small business. They are industry agnostic. That means they work for virtually any business in any industry, spanning from professional services and contractors to e-commerce, retail, manufacturing, hospitality, and health. You get the idea. Some business owners may find the names and descriptions of these strategies somewhat basic, but rest assured that the implementation of these strategies is different, creating much more predictable and efficient results than anything you've seen before.

The goal is that you can learn these strategies but more importantly, that you can see the potential if you implement them in your business and be inspired to start today. That is the mission of this book. Big businesses have enough advantages over small businesses (especially when it comes to human resources and budgets). But sound strategic thinking and support should not be advantages reserved for big business. This book is a step towards leveling the playing field for small businesses.

Small business is the lifeblood of our economy. According to the U.S. Small Business Association (SBA), small businesses make up 99.9% of all U.S. businesses and 99.7% of companies with paid employees. Of the new jobs created between 1995 and 2020, small businesses accounted for 62%. That's 12.7 million new jobs coming from small companies compared to 7.9 million from large enterprises.

A 2019 SBA report found that small businesses accounted for 44% of U.S. economic activity. Without small businesses, the American economy and workforce would be much smaller. But today small businesses are increasingly becoming an endangered species. Small business owners are fighting for their very existence. Even if they could compete more effectively, they can't find staff. The People Chapter will show you how to address that. However, this is not the only factor limiting growth. Profit margins are being squeezed, making money tight. Most business owners do not have additional revenue sources they can access to invest in growth. And even if they did, their current marketing efforts are not resulting in a positive return on investment. In fact, for many small business owners, their marketing isn't working at all. This is making their financial situation even more precarious.

In other words, it is understandable that you need proven and tested ways to get money into your bank account now. Not a year from now. NOW! That is what this book will deliver. Come along on the Pathway to Profit and take advantage of these powerful business growth strategies that include some of the most efficient revenue-generating strategies ever created.

If you're having trouble generating more leads, converting more of your leads into clients/customers/patients for your business, and you need to find immediate ways to dramatically increase your business' revenue and profit, then this book was meant for you.

Are you ready to take massive action and discover this predictable Pathway to Profit? Are you ready to get started? Then turn the page and let the discovery begin!

INTRODUCTION

"All you need is the plan, the roadmap, and the courage to press on to your destination."

~ Earl Nightingale

When I discovered the Pathway to Profit, I was stunned by how simple, focused, and clear it was. But don't let the simplicity fool you. There is power in simplicity. It means that anyone, including you, can follow the Pathway to Profit successfully. There is power in simple concepts executed brilliantly. My goal is to help you understand these concepts so you can implement them in ways that others in your industry do not.

I often hear from business owners that they already know some of the strategies I teach in this book. But as we get deeper into the specific strategies, business owners eventually have that "aha moment" when they realize they are not implementing the strategies the way I teach, advise, and coach my clients to implement them.

At its most basic, the Pathway to Profit is composed of three mile markers:

- PEOPLE
- PROCESSES
- PROFIT

In the following chapters, I will go into further detail on each and give you strategies for successfully following the Pathway to Profit. But for now, I just want you to develop a basic understanding of the path and how it creates positive results.

The first mile marker is your **People**. Whether you have a staff of 1, 10, 100, or 1000, how well you can hire, train, and utilize your staff will go a long way in determining your level of success. Employees are critical to carrying out your mission and implementing the Pathway to Profit.

The second mile marker is your **Processes**, which also includes your Policies and Standard Operating Procedures (SOPs). Without documented, standardized processes for the implementation of various strategies, there is little to no chance that they will be consistently implemented. It should also be mentioned that having SOPs is an important criterion for future potential buyers of your business. If you have the goal of eventually selling your business (which you should), then documenting your SOPs should be high on your list of priorities.

Let's now turn our attention to the 7 strategic areas that make up the Pathway to Profit strategic areas, with **Profit** being your third mile marker:

- Lead Generation Improvement
- Higher Conversions to a Meeting, Presentation, or Proposal
- Closing Rate Improvement
- Retention of Existing Client/Customers
- Average Dollars per Sale Increase
- Frequency of Sales Increase

- Fixed and Variable Cost Reduction

While it should be obvious why these 7 strategic areas are so vital to running a successful business, what isn't so obvious is the ways these strategies build upon and compound each other. See the illustration following:

Notice that your People and Processes form the foundation for the Pathway to Profit. You can compare them to the foundation for a new home. Without the proper foundation, the entire home would collapse. The same is true for your business and the Pathway to Profit strategies. You do not need your People and Processes in place before starting your Pathway to Profit, but it is important to begin working on them as you simultaneously learn, develop, and implement each of the strategies within the 7 profit growth areas. So, with this in mind, let's continue up the pathway.

Let's look at how these 7 profit growth levels provide you with a clear, consistent, predictable Pathway to Profit. It all starts with leads. Leads are the lifeblood of the Pathway to Profit system. Without leads there are no conversions, no new customers/clients, and no growth. Yes, of course, you could grow by simply maximizing your existing customer base, but that is not sustainable.

First, notice how Leads multiplied by your **Conversion Rate** (the percent of your leads that go to the next step of a meeting, presentation, proposal, or e-commerce shopping cart) result in your total number of new Meetings, Presentations, Proposals or Online Carts on your site.

Now multiply this number by your **Closing Rate** (the percent of your meetings, presentations, proposals, or cart checkouts that result in a new client or customer), and you get your total new business, or in other words, the number of your New Clients, Customers or Sales.

But that is not your total Number of Clients, Customers, or Sales. To get that figure, we must add back your **Retention of your Existing Clients or Customers**. That will now give you your total number of clients, customers, or sales.

We are not done yet. Now let's turn our attention to maximizing the value of the Total Client or Customer base. We do this by impacting/increasing both the **Average Dollars per Sale** (that is the average amount that people pay you when they do purchase your product or service) and the **Frequency of Sales** (that is how often they make a purchase on average over a year). This will give you your Total Revenue for the year.

Finally, we want to keep as much of that revenue as profit. To do that, we must look for proven ways to reduce both our **Fixed** and **Variable Costs**.

To demonstrate how this all works together to create a Pathway to Profit, I'll use a tool called a Pathway to Profit Calculator. I know, no one told you that there would be math involved. But rest assured, the math is simple and easy to understand.

> I'll start by plugging in numbers for a "made-up business", which started with 1,200 **Leads** in the past year (or you can break that down to just 100 leads per month, 23 per week, or 4.65 per day).
>
> The Average **Conversion** Rate to a meeting, presentation, or proposal is 20%. That means that this business would do 240 meetings, presentations, or proposals or have 240 e-commerce shopping carts on its site over a year (1200 leads times .2 or 20%). Are you following me so far? Good. I told you this would be simple and easy.
>
> Let's say that 25% (or one out of every four) of those meetings, presentations, or proposals "**Close**" or turn into clients, customers, or patients (depending on the type of business). For the sake of simplicity, we'll just use the word customer(s) to represent this group. This means that over the year this business would obtain 60 new customers.
>
> But that is not their total customer count. To get that, we must add back the business's current customer count (the **customer retention**). Make sense? In this case, the business started the year with 500 customers. That gives us a total of 560 (500 existing customers and 60 new ones).
>
> When each customer makes a purchase from this business, they spend an average of $200 each time (or 200 **Average Dollars per Sale**).
>
> They do that at an **Average Frequency.**of four times a year (or once a quarter/90 days).
>
> To get this business's Total Revenue for the year, all we need to do is multiply its Total Customer Count by the Average Dollars per Sale and multiply that by the Average Frequency. In this example, that results in a total revenue for this business of $448,000. A micro-business for some, but a fortune for others.

But...

"Revenue is Vanity, Profit
is Sanity."
~ Alan Miltz

So, we now need to turn our attention to Profit. To calculate the Profit for this business, we must subtract its Fixed Costs and its Variable Costs. Let's define these costs.

Fixed Costs are expenses that do not change when you have an increase or decrease in the amount of goods or services produced or sold. Examples of fixed costs are *rent and lease costs, salaries, utility bills, insurance,* and *loan repayments.* Some kinds of *taxes,* like *business licenses,* are also fixed costs. Since you must pay fixed costs regardless of how much you sell, you should be careful about adding fixed costs to your small business.

Variable Costs are costs that change as the volume of your goods and services produced or sold changes. Examples of variable costs are *raw materials, piece-rate labor, production supplies, commissions, delivery costs, packaging supplies, and credit card fees.* In some accounting statements, the Variable costs of production are called the "Cost of Goods Sold."

A cost can be fixed in some businesses, but variable in other types of businesses. For example, for a food truck, fuel is probably a fixed cost (it takes the same amount of fuel to move the food truck regardless of how much food the business sells) but fuel would be a variable cost for a delivery service like UPS (more packages delivered means more fuel).

> In my made-up example, this business has $75,000 in Fixed Costs and $125,000 in Variable Costs (28% of Revenue), so when you subtract these amounts from its Revenue, the business earned a Gross Profit of $248,000.

Now that we have a basic understanding of the Pathway to Profit, let us look at what happens when you focus your efforts on increasing each of the 8 areas by just 10%. I will give you a hint. Revenue and Profit increase in a highly predictable fashion.

"Of course, you want more
revenue and profit, but what
good is it if it isn't predictable?"
~ Aaron Ross

Take a look at the **Pathway to Profit Calculator** below. The first column represents the Pathway to Profit Pyramid I shared with you earlier. The second column represents the current results of the made-up business that I just took you through.

Pathway To Profit Calculator

	Current	10% Increase	40% Increase
Leads	1,200	1,320	1,680
x			
Conversion Rate	20%	22%	28%
=			
Meetings, Presentation, Proposals	240	290	470
x			
Closing Rate	25%	27.50%	35%
=			
New Clients, Customers or Sales	60	80	165
+			
Retention of Exist Clients/ Customers	500	550	700
=			
Total Clients/ Customers	560	630	865
x			
Average Dollars per Sale	$200	$220	$280
x			
Frequency of Sales	4	4.4	5.6
=			
Total Revenue	$448,000	$609,840	$1,356,320
-			
Fixed Costs	$75,000	$68,182 (-10%)	$78,750 (+5%)
-			
Variable Costs (28%)	$125,000	$155,232 (25.45%)	$316,429 (23.33%)
=			
Profit	**$247,560**	**$386,426**	**$961,141**

+ 56%

+288%

The 10% Increase column shows what will happen to a business that increases the six Revenue driving levers (Leads, Conversion Rate, Closing Rate, Retentions, Average Dollars per Sale, and Frequency of Sales) and decreases the two Margin or Profit driving levers (Fixed and Variable Costs). Note that when you decrease your Fixed Cost by 10%, you are decreasing the dollar amount by that percentage, but when you are decreasing the Variable Cost by 10%, you are decreasing the percent by 10%, not the dollar amount.

Look at the impact of doing this on Revenue. When this business owner focuses their efforts on these drivers and improves each by just 10%, Revenue increases to $609,840, a 36% increase!

And when this business decreases its fixed and variable costs by just 10%, its gross profit increases by 56% to $386,426. Not bad, huh?

Many businesses would gladly take this improvement. But not me. I think a 10% improvement can be made in your sleep. I've discovered a way that makes a 40% improvement in the Revenue and the

Variable Cost easy, while only increasing your Fixed Cost by 5% over the baseline or current fixed costs and reducing your Variable Costs by another 10% (due to further economies of scale/reduced unit costs). This would result in a total of 20% reduction in Variable Cost percentage versus the baseline of 28% bringing the variable cost percent down to 23.33%

Take a look at the last column that shows what focusing on the implementation of strategies to improve each of these areas by 40% can do for a business's top and bottom line.

In this example, Revenue increased to almost $1 million, a 206% improvement. And Profit increased to $961,141 a 288% improvement! Think about what this business owner could do with that Profit. Wouldn't it go a long way towards achieving the financial and time freedom my entrepreneurs wished for when they first started their businesses?

But let's think about it a bit further. Wouldn't this be the type of business another aspiring entrepreneur would want to purchase? Wouldn't this be an attractive acquisition target for another company to buy? With this sort of revenue and profit, there are truly endless possibilities.

So, there you have it. Eight profit growth areas with levers that can be strategically pushed and pulled with predictable and consistent success. This is the power of the Pathway to Profit system and platform. Yes, it takes effort. Yes, it takes focus. Yes, it takes discipline. But the path is clear and what you will see throughout this book are strategies that predictably and consistently get these sorts of results.

Now that you have the background, it's time for me to share specific strategies to start you on your pathway. In the next chapter focusing on PEOPLE, I'll share my first strategy on How to Attract and Retain Top Staff. Curious to learn these strategies? Let's continue.

Chapter 1:

Position of Market Dominance to Attract and Retain Top Talent

In addition to carrying out your mission, your employees are the lifeblood of your organization. All levels of your company are run by your employees. If you do not value them, ultimately, they will not value you or your company and will leave.

While this is obvious, it is important to highlight it here. Your employees drive your revenue and profit. When employees are provided with the necessary resources and support, they are better equipped to perform their jobs effectively. This not only leads to cost savings but also contributes to an increase in sales and revenue. Proper treatment, training, and guidance along with the right tools and equipment can empower employees to excel in their roles, resulting in benefits for both the employees and the company. Your employees also have a great influence on your customers and their experience. No matter what type of business you have, your customers are likely to value the views and opinions of your employees over all else. As a result, when there is a high level of employee dissatisfaction, it can lead to negative customer perception of the company. This is because unhappy employees can negatively impact the customer experience and ultimately affect the reputation of the company.

So how do you attract and retain the type of top talent that will help you grow and scale your business?

There are several potential strategies you can implement to do so. In this book, I'll focus on creating a Position of Market Dominance for the attraction and retention of top talent. What is a Position of Market Dominance (PMD) you ask? It is a carefully crafted message that differentiates your business in the eyes of current and potential employees in a way that makes you the logical and unequivocal "Employer of Choice" in your industry in your geographic area.

What is an employer of choice? When you're an employer of choice, you're a business that prospective employees have a strong desire to work for, and current staff have no reason to leave. Your business is sought-after by employees in the marketplace. Maybe you're even the "best place to work" according to the media or an industry group.

One of the keys to building your reputation as an employer of choice is consistently keeping the needs of your employees at the forefront, even (and especially) during challenging seasons in your business.

Today, work-life balance is one of the most important, salient issues for employees. It is a cultural shift in the U.S. workforce. For a company that is positioning itself as an employer of choice, perks that support work-life balance can significantly enhance the value of traditional benefits offered. Increasingly, these extras are becoming a make-or-break piece of the benefits package that is needed to distinguish your business from your competitors. By offering a combination of competitive compensation and benefits, a supportive work culture, and a wide range of employee perks, a company can set itself apart from the competition and attract top talent.

Benefits like these show that you prioritize employees' emotional needs as individuals:

- PTO and paid holidays
- Remote working arrangements
- Flexible schedules
- On-site childcare
- Adoption assistance
- Shorter work weeks
- Career development training
- PTO for volunteering
- Wellness Initiatives
- Implement innovative ideas suggested by the team

And when life demands more of your workforce, employers of choice get ahead of the known employee stress factors and find ways to augment their support.

The benefits of becoming and then being able to communicate how you are THE employer of choice in your industry are many:

- Lower recruiting costs.
- Easier to hire top talent.
- Enhanced diversity and inclusion efforts.
- Increased employee referrals.

Once created and tested, this Position of Market Dominance message can be used in job postings, advertising open positions, your website, company brochures, etc. to attract not just another body, but the top talent available in your market and the best fit for your business.

Take the time to put yourself in employees' shoes, whether this is done through focus groups, surveys, meetings, staff conferences, or a series of informal conversations with individual staff members or candidates. By going through this process, you will find that narratives and themes begin to become apparent, and these can be shaped into a creative, coherent, and authentic employer Position of Market Dominance.

Grounding your employer's Position of Market Dominance in the ideas and stories provided by your existing workforce and candidates will give it unimpeachable authenticity. It will not be based on what you think candidates want to hear – it will be real. In the long run, this will prove to be the most powerful way of attracting the right candidate to your business.

Start by focusing on understanding the frustrations, needs, desires, and demands of today's employees. You have to enter into the conversation they're already having with themselves about their current job conditions, frustrations, and annoyances, as well as their wants, wish lists, and demands.

Your Position of Market Dominance has a specific structure to it. A one-two punch:

1. It must address the most pressing issue or concern prospective employees have with your industry and other employers in your industry.

2. Then it must also offer a clear and compelling solution to that issue or concern; thereby becoming the employer of choice.

A business must often innovate to offer a clear and compelling solution that makes it the employer of choice. In other words, if the business was already doing this, it would not have any issue attracting and retaining top talent, because it would already be the employer of choice. Prospective employees would already be banging down the door to work for such a business. Today, many employees (especially younger ones) are looking for a company that respects their desire to have a life outside of work. For example, an accounting firm recognized the biggest barrier to hiring and retaining top accounting talent was the long hours and stressful work.

What if an accounting firm recognized this opportunity to distinguish itself as a caring and contemporary firm and created this Position of Market Dominance to retain and attract top talent like this:

Can't Face the Long Hours and High Stress of Yet Another Tax Season?
At Acme Accounting, Work from Home, Get Half-Day Fridays…
Not Only During Tax Season But All Year Long!

Imagine how this message would be received by accountants at other firms who are expected and required to work 70+ hour weeks during tax season. Some are required to commute and work in an office. The reaction would be immediate and immensely positive.

This Position of Market Dominance could be shortened to be used in some situations where a longer one would not be possible.

Ditch the Long Hours. Have a Life.
Work Half-Day Fridays During Tax Season AND All Year Long!

As we mentioned, you may need to innovate to develop a clear and compelling solution to a particular issue or concern that is frustrating prospective employees and current staff, to become the employer of choice.

Once created and rolled out, encourage your employees to share their views on what makes you their employer of choice. Encouraging your existing employees to share relevant content with their LinkedIn or other social media networks is one of the strongest ways to communicate your employer Position of Market Dominance. Word-of-mouth promotion from a current employee can be incredibly valuable for your company, as it is seen as more trustworthy and credible. Positive online reviews and testimonials from current employees can help create the right buzz and attract potential hires to your company. When your brand is shared like this amongst your own employee network, the message becomes more authentic and personal, leading to strong organizational identification which, in turn, attracts the interest of people who can see themselves potentially working successfully on your team.

A strong and clearly defined employer brand is also critical in your efforts to retain your existing talent. Internally, your employer Position of Market Dominance can serve to motivate and engage your employees to have pride in their workplace and give it their all.

Ultimately, today's jobseekers and employees want to feel that sense of synergy between what they stand for and what your business represents. Developing a clear employer Position of Market Dominance is central to that process.

Chapter 2:

Your Business Structure

When starting a small business, one of the first decisions you have to make as an entrepreneur is to decide which legal structure to adopt. The choice of legal structure can have a significant impact on the operation and management of your business, as well as your liability. One of the biggest implications when making this decision is taxes. In this chapter, we will discuss the different legal structures that small businesses can choose and look at the advantages and disadvantages of each.

First, you must understand the difference between each business structure and unlimited vs. limited liability. Let's look at the definition of each.

Unlimited Liability Entities: Business organizations that don't offer protection from personal liability.

- Sole Proprietorship: A business that is owned by a single person, making no legal distinction between the company and the individual.

- General Partnership: A business that is owned by two or more individuals who are directly responsible for the liabilities of their partnership.

- Limited Partnerships: A business that's run by a single general partner and a group of limited partners. The general partner has more management rights than the limited partners.

Limited Liability Entities: Business organizations that restrict the owner's liability to their investment in the company.

- Corporation: A business that is largely controlled by state regulations, which limits the flexibility of how it can be set up and operated.

- Limited Liability Company: A business with the restrictions of a corporation and the flexibility of a general partnership. This type of company can be managed by members or managers.

- Limited Liability Limited Partnership: A business that's set up with a limited partnership and where one or more of the general partners have limited liability.

- Limited Liability Partnership: A business where a few or all of the partners have limited liability.

Since you now understand the difference between unlimited liability and limited liability entities, let’s go into more detail on each structure so you can better understand the implications of the business entity you select.

Sole Proprietorship

A sole proprietorship is the simplest and most common form of business structure. It is owned and run by one person, and there is no legal distinction between the owner and the business. Advantages of a sole proprietorship include ease of setup and minimal paperwork, as well as the owner having complete control over the business. However, there are several disadvantages to consider. The main disadvantage is that the owner is personally liable for all debts and obligations of the business, which means that the owner's personal assets are at risk if the business is sued or cannot pay its debts. It can also be harder for a sole proprietorship to raise capital. This is because the owner is the only person responsible for funding the business.

Partnerships

A partnership is a business structure where two or more people share ownership and control of the business. Partnerships are formed when two or more people come together to start a business, with each partner contributing capital, skills, or other resources to the venture. Advantages of a partnership include the ability to pool resources and share the workload, and the potential for increased expertise. However, there are disadvantages to consider. One major disadvantage is that partners can be held liable for the actions of other partners, which means that each partner's personal assets are at risk if the business is sued or cannot pay its debts. Additionally, disagreements between partners can cause problems for the business and make it difficult to make decisions or move the business forward.

Limited Liability Company (LLC)

A limited liability company (LLC) is a hybrid structure that combines elements of both a corporation and a partnership. Owners, known as members, have limited personal liability for the debts of the business, similar to shareholders in a corporation. The management of the business can be conducted by members or managers appointed by the members. LLCs offer the best of both worlds from partnership and corporation, offering personal asset protection like corporations but more flexibility and pass-through taxation like partnerships. However, an LLC requires more formalities and compliance requirements than sole proprietorships and general partnerships.

Corporation

A corporation is a separate legal entity that is owned by shareholders. Shareholders elect a board of directors to make decisions on behalf of the company, and the management of the business is conducted by officers appointed by the board. In a corporation, an individual may have more than one role. For example, they may be a shareholder or a shareholder and an employee of the corporation. Ownership is based on ownership of stock; that is, being a shareholder. Employees may or may not be shareholders. The main advantage of a corporation is that shareholders have limited personal liability for the debts of the business. Legally, a corporation is viewed as a “legal person”, which means that the personal assets of shareholders are not at risk if the business is sued or cannot pay its debts. Additionally, corporations can raise capital by selling stock, which can be a major advantage for businesses that need to raise money. However, corporations are subject to more government regulations than other types of business structures, and they can be more complex and expensive to set up and run.

Cooperative

A cooperative is a business that is owned and controlled by the people who use its services or products. Cooperatives are formed when a group of people come together to start a business, with each member contributing capital, skills, or other resources to the venture. The main advantage of a cooperative is that members have democratic control over the business and share in the financial benefits of the business. However, it can be difficult to raise capital and attract outside investment in a cooperative.

As you can see, choosing the right legal structure for your small business is an important decision that can have a significant impact on the operation and management of the business. It has major tax and personal liability implications for the owners. Each structure has its own set of advantages and disadvantages, so it is important to carefully consider the unique needs and goals of your business before making a decision. Factors to consider may include:

- the level of personal liability you are comfortable with,
- the amount of control you want over the business, and
- the ability to raise capital.

Consult with a lawyer, accountant, or other professional to make certain you choose the right business structure for your business.

Chapter 3:

Creating and Documenting Standard Operating Procedures

Let's start by answering the following questions:

1. Does your business lack organization around basic tasks?
2. Are your employees not clear on how to implement certain strategies and tasks that they should know by now?
3. Would you describe any of your employees as needing a lot of hand-holding or does it seem that your business would benefit from employees being more independent?
4. Are you wondering what you can do to improve the efficiency of your business as you grow?

If you answered yes to any of these questions, implementing standard operating procedures (SOPs) may be what you need to solve problems in your business. SOPs can help bring much-needed organization to your business.

What Are Standard Operating Procedures?

A standard operating procedure is a set of written instructions that can describe how to perform a task or activity. They're in-depth rules that can be followed by anyone and should leave very little ambiguity around what needs to be done and how it should be done.

A SOP is efficient, to the point, and can be used to organize nearly any work task. People use them to help their businesses in the areas of operations, marketing, business development, sales, finance, legal affairs, and more.

The Benefits of Developing Standard Operating Procedures

Now that you know what SOPs are, let us focus on the benefits of having SOPs. Businesses in any industry benefit from using SOPs, but some business owners are hesitant to invest the time and effort in creating them. Once you see the benefits of creating SOPs in your business, you'll wonder how you've gone so long without them. The main benefits of developing SOPs are:

1. Promotes Positive Change

Do some of your employees complain that they are confused about what they need to do? Have managers mentioned that they'd like more structure around the proper execution of certain tasks? Do you want to ensure that things are being done well? Are there things that only you or a key employee know, and your business would suffer if the keeper of this information was not available?

The right SOPs can help promote the change people want to see. They're meant to improve the way things are done at work, and they can evolve and be easily revised when it's appropriate to do so. When you document an SOP, you're giving people the efficiency, reliability, and predictability they need to succeed. When there are fewer questions about how and why things are done, people can start performing the way they've always wanted to.

2. Produces More Reliable, Consistent Results

Consistency is the key to running a successful business. Businesses may sell different products, but overall, they rely on the consistency of the products, services, and work they produce to assure customer satisfaction.

When you document SOPs, all of your employees follow a standardized procedure to produce positive proven results. It leaves little room for error and is designed to produce consistent results. If there aren't procedures in place, it's easy for employees to forget key steps, make mistakes, and slowly lower the quality of the product or service your business produces. When you have SOPs, you're setting yourself up for success. You make sure you're providing the best end results for your customers.

3. Improves Employee Training, Management, and Hiring

When you have standard operating procedures, you make hiring and retaining employees a lot easier. New employees can use SOPs to learn important things about your business. They'll be able to understand how frequently processes need to be done, what it takes to complete a process properly from beginning to end, and how everyone else plays a part in the process. This can be a tool that helps them get up to speed fast on their own and take the responsibility off of you. You'll be able to spend fewer hours training and managing the process and be more focused on assessing the quality of the output.

Overall, SOPs act as a guide that can help everyone on your staff improve their work and ensure that everything is running correctly and efficiently. You can remove the ambiguity from tasks and make the desired outcomes of tasks clear. Employees will be able to be more productive, saving money on overtime for extra work and product returns by reducing the possibility of errors in the work produced.

4. Finds Gaps or even Errors in the Processes

You'd be surprised at how many business problems you can solve when you carefully document your procedures. When you take the time to document the way people do things, it gets a lot easier to see where you have gaps, inefficiencies, and errors in your processes. You may find that you're missing an important step in the billing process that could improve your records, reduce accounts receivables, and improve cash flow. It's possible that documenting steps in your customer onboarding would avoid misunderstandings and conflicts resulting in improved retention. Documenting steps in your employee onboarding process could show that you're leaving out important information about operating procedures and other information that new employees need to get up to speed as quickly as possible and to feel that they are successful.

Many things may change about the way you operate once you take the time to examine how you do things. You never know what you can find when you take the time to document everything.

5. Improves Efficiency

Consider how much a simple missing step can delay a business decision. Think of the potential cost of such a delay. A contract may not get signed because someone isn't sure who has the final say. You could lose out on hiring talented employees because someone doesn't know who can approve the salaries, titles, and benefits for new hires.

SOPs can eliminate a lot of questions that can slow down important business decisions. But SOPs can also greatly improve the efficiency of the production of your products or services. When you have an SOP for each of your most important tasks, you make it easier for your employees to follow directions and get things done right the first time.

6. Standardizes Customer Service

If someone were to have a complaint about a product or your service, do you know exactly how it would be resolved? Companies that don't have SOPs may find that their customer service is disjointed, lacking, and causing customers to lose confidence when they need to solve a problem.

An upset customer may not get contacted because there are no procedures for proper follow-ups. Service requests could be lost because there are no procedures in place to let people know about new customer service inquiries.

This ties into what we said about reliability. It doesn't just produce the right results for customers, it also helps ensure that employees are doing the right thing for your customers.

7. Increases SafetyEmployee safety is important for every business. Regardless of what industry you're in. You want to make sure that you're doing whatever you can to make the workplace safe for your employees. An unsafe environment can not only cause injury to employees. Equipment or merchandise could be damaged, or in some cases, customers and clients could get hurt. When employees follow an SOP, they follow procedures that are proven to be safe and efficient.

Documenting an SOP can also help you with compliance. Having the proper SOPs in place helps ensure that it's easy for your employees to follow compliance procedures and keeps you from getting fined.

How to Write Fantastic Standard Operating Procedures

When you write a good SOP, you can improve hiring, increase profitability, keep your customers happy, and better your business overall. Now that you know how your business can benefit from SOPs, let's talk about what it takes to write them.

A good SOP needs to be brief, easy to understand, and contain steps that are simple to follow. You can see just how important SOPs are for running your business. You're going to want to make sure that everything you produce is as helpful as possible. When you're thinking about the first SOPs you want to draft, remember to keep these tips in mind.

Don't Assume

One of the biggest mistakes you can make when you're writing an SOP is to assume that the employee is familiar with a step or concept that isn't explicitly stated in the document. When you're writing an SOP, it's better to inform too much than to provide too little information. When you leave things out, you could be setting a future employee up for mistakes, errors, and creating unnecessary costs.

Glossaries are very helpful when you're creating your SOPs. People can use them to easily learn more information about certain concepts, and it can keep you from making SOPs too long and information-heavy.

Test Before You Officially Document

If you want to write an effective SOP, you will not just focus on recording the current process as is. Take the time to test out your steps before you make them part of an official process that's documented in an SOP.

Walking through the process you create can make it easy for you to see how things are currently working, and if there's anything you can do to improve the process as you go forward. You may find that something you assumed was well-known should be documented in the process. You may make a discovery that shows an entirely different direction you need to go with a process or procedure as you create an SOP.

Involve All the Right People

You are making a big mistake if you only involve managers in the SOP writing process or attempt to do it all yourself. Writing an SOP should be a group effort, and you'll want to make sure that you have the right people involved in this process.

Make sure that you have included someone intimately familiar with the task you're outlining in each of your SOPs. They'll understand exactly what needs to be done to complete a task and could have suggestions on ways to improve it. You'll also want to make sure that you have a skilled writer who's an expert at communicating difficult concepts.

Remember, an SOP is only helpful if people can understand what's written. Someone who understands how to write well and communicate clearly is the best person to handle writing the final SOPs.

Include Numerous Visual Reinforcements

An SOP should not be a long, wordy document. You want an SOP to be informative, clear, and succinct. Using images, charts, and drawings can help you create effective SOPs. Videos, photographs of objects or processes, and infographics can help easily communicate difficult concepts. They can support the words and make the content of your document more powerful. Using images can also help make your SOPs more accessible to people. Some people are visual learners, they process information better from visual aids than from written material.

Set Time for Periodic Review and Revisions

Change is a natural part of the business world. Procedures that you rely on today will have to change over time to stay current and effective. Writing SOPs is not a one-and-done type of activity. If you want to keep your SOPs effective and ensure that they're reflecting the most important information possible, take time to periodically review and revise them when necessary.

It's good practice to review your SOPs at least once every year to ensure that they're up-to-date. Some businesses may want to make the reviews more frequent and bi-annual or even quarterly reviews of important SOPs are recommended if there's a lot of innovation or change in your business or regulations.

Involving employees in the review process can make it much easier and more effective. Encourage your employees to point out any inconsistencies they see in SOPs and get observant employees involved in the next round of revisions.

Don't wait: Improve Your Business Now

Developing and codifying standard operating procedures can do a lot of good for any business. Anything that can help train new employees, improve important processes, and deliver better customer experiences is something a business should do immediately.

Providing good organization is only one way to help your business succeed. There are plenty of other things you could be doing to help your business grow and improve. Now let's start looking at our Profit strategies.

Chapter 4:

Creating a Consumer Position of Market Dominance

A Position of Market Dominance is not branding. Branding, as most businesses do, does not work for small businesses. Branding as most companies attempt to do is for big corporations, large businesses, and entities that have big budgets; in other words, the money to start and maintain an impression on their customers. You are not Apple, Samsung, or Microsoft. You are not Verizon, AT&T, or T-Mobile. You're not Geico, Progressive, or Allstate. So, stop playing by their rules!

Small businesses do not have the money necessary to bludgeon their way into the minds of their customers. So, you must take a different approach. You must take advantage of the conversation that is already taking place in the minds of your prospects about your product, service, or industry. You need to redefine marketing in a way that you are uniquely positioned in the minds of your ideal clients in a way that completely sets you apart and makes you incomparable to your competition.

Here is another way to think about it. Since you do not have the money to build a bigger hammer, a Position of Market Dominance is the equivalent of you creating a sharper nail; one that can interject your business into the conversation already taking place in the minds of your prospects and penetrate their consciousness. A Position of Market Dominance is going to be inherently provocative and will invoke a strong reaction. It will be disruptive and will demand attention and action.

Your Position of Market Dominance is something that customers perceive as a value-added benefit or a combination of benefits that you offer but that they don't feel your competition offers. Therefore it has to be customer-oriented; not oriented inward about you. In other words, it has to be perceived as having at least one value-added component for the prospect, client, or customer. It must clearly differentiate your business from your competitors. The right Position of Market Dominance amplifies most of the other strategies in this book. In other words, when you have the right Position of Market Dominance, it improves the impact that the other strategies will have on your business.

Differentiating your business from the sea of other choices is critical. This is an outcome of creating a powerful Position of Market Dominance.

When our earliest ancestors asked themselves "What's for breakfast?" The answer was simple. It was whatever unfortunate animal that happened by, that they could run down, kill, and bring back to their cave or campsite. Today, if you walk into any neighborhood supermarket, you will see a myriad of boxed cereal, frozen breakfast foods, and other items that somebody else created, packaged, and shipped so you could merely pluck them from the shelf.

The problem is no longer how to get breakfast. It is trying to figure out what to buy from the hundreds of different options on those shelves. Cold cereal, oatmeal, a frozen breakfast sandwich, yogurt, breakfast shake? The decision dilemma starts here. Next, what type of cereal? Do you buy wheat, oats, barley, sorghum, corn, Quinoa, buckwheat, millet, muesli, flax, or chia? How about non-GMO, organic, or do you just want the cold pizza left over from last night? By the way, you're not done yet. What brand? What flavor? What size? A position of market dominance has differentiation inherently built into it, so it makes the decision of choosing your business, product, or service so much easier for customers.

With the enormous amount of competition today customers have a lot of choices. Markets are driven by choice. The customer has so many alternatives that you pay dearly for your mistakes. If you don't differentiate your products or services from your competition the only thing that the buyer must base their purchase decision on is price. If your competitors get your customers, you may not get them back. Businesses that don't understand this will not survive.

Creating a powerful and effective Position of Market Dominance not only differentiates your business from your competitors but also makes your business the logical and irresistible choice in the minds of your prospects and current customers because a position of market dominance is also about retention not just acquisition. This helps a business keep its current customers because the customers feel so much better about doing business with someone who has not only a value-added benefit but one that is so different from its competitors. Why would they go anywhere else?

By the way, having the lowest price is rarely, if ever, a position of market dominance. First, it is almost impossible to maintain over time and truly own. Second, it is often a quick downward spiral to zero profitability and going out of business. Competing for price is a race to the bottom.

What about the fastest service? Domino's Pizza did an excellent job back in the early eighties of delivering their pizza in 30 minutes or less, or it was free. For their target, hungry college kids, that was a position of market dominance. However, lawsuits relating to delivery drivers getting into serious accidents while speeding to make a delivery within 30 minutes were unintended consequences. They resulted in that strategy and position of market dominance being abandoned.

Tired and meaningless phrases like these do not work:

1. Best customer service
2. High-quality workmanship
3. Family-owned since 1998
4. We specialize in…
5. Highest quality
6. Great selection
7. Fast service
8. Our workers are bonded and insured
9. We get results
10. We specialize in…
11. We are the most professional

Yikes! Hopefully, you're not unprofessional. Highest quality; customers expect quality and know that every one of your competitors makes that same claim. And how do you define the highest quality? All of this is blah, blah, blah. It's one trite, meaningless, overused phrase after another. And these phrases mean absolutely nothing to your prospects and customers. This is the peril of using jargon. Your messages become irrelevant. Stop doing it. Become a jargon-free zone in all your communications.

Let’s look at how to create a Position of Market Dominance for any business. It starts with determining who the ideal target audience is for your business. If you don't know who you are talking to, and who your ideal target audience is, how do you know what message will be most relevant and compelling to them? And it's not just people who have the money to pay you for your product or service. It is more involved than that. It's all about your ideal target. It's not about you. It's not about your ego. It's about the customer.

It requires you to understand them on many levels. One is demographics: age, sex, income, education, and interests. Things like that. But it’s also about their psychographics. What are they about as human beings? What are their interests, attitudes, hobbies, etc.?

Once you know who your ideal target audience is, create an avatar for that group. Your customer avatar (also known as a buyer or marketing persona or customer profile) represents your ideal customer. It represents the exact type of person that you would want to purchase your products or services.

Creating your avatar entails creating a description of one specific person that represents that group so you can truly speak to them. It’s hard to create a message when you think of a group of people. It is much easier when you think of yourself sitting across from Angela; a 45-year-old divorced mother of two girls, who is a partner in an architecture firm. She is moderately conservative in her politics and considers herself religious, although she doesn’t go to church as often as she would like. In her spare time, which she has very little of, she spends at her daughters’ soccer games and tennis matches, reading and working out.

Now that you have your Customer Avatar, it is time to create your Position of Market Dominance (PMD). Remember, this requires that you enter into the conversation that is already taking place in the head of your prospects. But, if you are like a lot of business owners who read this book, you will be saying to yourself, “I’m not a mind reader. How am I supposed to know what conversation is going on in their minds about my product, service, or industry?” Here's the good news, you don’t need to be a mind reader. All you need to know is that the structure of that conversation taking place in the head of your prospects always revolves around two things and your Position of Market Dominance must address these two things:

1. It must address the **most pressing issue or concern** that the prospect has about your product,

service, or industry. It starts with what they don’t want.
2. It must offer a **clear and compelling solution** to that particular issue or concern that the prospect wants but can’t find.

To bring this concept to life, here’s an example that you are very familiar with. Think about the well-known, popular brand M&M. M&M’s main target audience is moms with children 7+ years of age. This mom is frustrated and annoyed that chocolate bars, like Hershey’s, melt in the hot summer weather and the chocolate mess gets all over her kids’ hands, faces, and clothing. In 1954, Mars Incorporated saw an opportunity to market a candy originally designed for the military (interestingly enough, using Hershey’s chocolate) to moms looking for a solution to the messiness of traditional chocolate candies. Their Position of Market Dominance…

“Melts in Your Mouth, Not in Your Hands”

This catapulted the candy to iconic status. And as they say, the rest is history. Today M&M’s is the 4th most popular candy in the U.S.

It is important to note that, most of the time, the issue or concern your prospect has is one that they have with your industry. It is not the customers’ immediate surface issue. Let’s look at house painters as an example. The problem the homeowner has is NOT that they no longer like the color of their house. Any painting company can change the color.

So, let’s brainstorm what some of the issues could be. Could it be that the customer has issues with painters that:

1. Do not have a great technique (sloppy painters)
2. Leave a mess
3. Are careless
4. Use inferior paint
5. Damage property
6. Don’t show up on time or when they say
7. Take longer than originally stated
8. Charge more than estimated
9. Nickel and dime with extra fees
10. Use paint that has a strong odor

What else can you think of?
What could a potential solution be for “takes longer and costs more than originally stated?” that homeowners want but isn’t currently available in their area?
How do you think a painting company would fare if it had this Position of Market Dominance?

“We’ll complete your job on time and budget or it’s free!”

Their business would skyrocket. Even if the business had to make good on its guarantee on occasion, the amount of new business it would generate by having this Position of Market Dominance would more than make up for the occasional loss by having to make good on the guarantee.

Now let’s look at another home service industry: Roofing Companies. Again, any roofing company can add a new roof to one damaged beyond repair. So putting a new roof on a home is not the real issue or concern the homeowner has that they don’t want. In this industry, one of the major concerns of homeowners is that the industry is fraught with “storm chasers” that take homeowners' insurance money and abscond with it. They disappear and never show up to do the work.

Because of this, what homeowners want is for roofing companies to install the new roof and not take payment until the job is completed. Unfortunately, most roofing companies cannot take the cash flow hit by fronting the cost of the entire job. However, one roofing company did this and their business quadrupled.

The company's offer was that they would not take any money until they delivered the materials to the roof. At that point, they collected only half the cost of the job and accepted the remaining half upon completion. Their Position of Market Dominance became:

"We won't take a cent of your insurance money until we deliver your roofing materials"

To reiterate, the structure for creating an effective Position of Market Dominance starts with addressing prospects' most pressing issue or concern that they have with your product, service, or industry. The thing that they don't want, and then offering a clear and compelling solution to the particular issue or concern that the prospect wants but can't find elsewhere.

This structure works for big corporations (that don't rely on mere branding) and small businesses that need a more compelling, competitive message. To prove this point, another example of a great Position of Market Dominance is Progressive Insurance.

A few years ago, Progressive offered to:

"Not only provide you with our best rate, we'll provide you with the rates of three other companies even if they are lower than ours!"

This message addressed car insurance customers' frustration with the time it requires to shop for car insurance and the hassle of having to contact individual companies.

This structure also works for real estate agents. What problem do homeowners who wish to sell their homes have with real estate agents? For one, many homeowners believe that real estate agents do NOT earn their hefty commissions and that they all provide the same marketing and other services to sell your home quickly and for the best price. But for some, the main concern or issue they have that they don't want is that they know they should make renovations, updates, and improvements in their home before listing it for sale, but they don't have the cash on hand to make them.

One agent decided to address this issue head-on by innovating and creating a highly distinctive Position of Market Dominance:

"When you list your home with us, we'll front you the money to make the necessary updates to your home, so it sells faster and for more money"

As you can see, a Position of Market Dominance may require that you develop a new and innovative solution to the issue the prospect has with your product, service, or overall industry. In all likelihood, you are not currently offering this exact solution. Those who can think outside the box, be open-minded, and are willing to invest the money and mental energy to develop a creative solution that clearly solves prospects' main concerns or issues will see an immediate and significant increase in their profitability.

A Position of Market Dominance is a critical strategy for achieving your desired revenue and profit growth goals. Not only because of the direct impact this strategy has on increasing leads and sales but because of the way a Position of Market Dominance positively impacts so many of the other strategies in this book.

As you continue reading the next few chapters, keep this in mind and consider how a proven, tested Position of Market Dominance would positively impact the results of that particular strategy.

Chapter 5:

Strategic Alliances & Partnerships: The Right Relationship

Among the many activities that will help you increase the impact of your marketing efforts, Strategic Alliances and Partnerships are highly effective when done properly. By identifying other businesses targeting the same prospects that your business wants as clients and customers you can multiply the impact of both your marketing efforts and those of the other company. When the relationship is mutually beneficial it is much more likely to be successful and long-lasting.br>

Strategic Alliances and Partnerships can increase your marketing reach without you having to spend additional money on marketing or advertising. Strategic Alliances are less formal than Strategic Partnerships, but both are clearly defined relationships. In Strategic Partnership the two businesses form a separate entity for the partnership. That entity establishes the terms of the relationship including the contributions of each party in the partnership, liabilities, and revenue sharing. You may want to consult your legal counsel before entering into an agreement with another company, especially if you are considering contracting with them to form a strategic partnership. This said, both Strategic Alliances and more formal Strategic Partnerships are based on, and require, mutual trust to be effective and to produce results.

Businesses of all sizes use Strategic Alliances and Partnerships to expand the marketing impact and to reach more customers than the parties would have individually, without the benefit of the relationship.

One example of large companies using this approach is seen in many Target stores and other supermarkets. Many of these stores have a Starbucks right in their store. Starbucks formed a strategic partnership with Target in 1999 and has since expanded this strategy into many retail grocery stores.

When shoppers want a Starbucks product or something to fuel their journey through the store, they can stop by the Starbucks counter in their local store and grab whatever they're craving. Starbucks customers get in the habit of going to that Target location and the Target location benefits from having customers and prospective customers visiting their location for something that is a very frequent purchase for many people. With this habit established, the consumer is likely to think of that store when they need groceries or other items that the retailer offers. Both Starbucks and the retailer benefit from the alliance. This example shows how to implement this strategy by identifying other businesses targeting the same potential clients and customers, ultimately increasing the number of customers and transactions for both businesses.

Have you ever used a rideshare service and thought that it would be great if you could control the music being played in the car or have control of the volume? In many cities, if you subscribe to Spotify Premium service and use Uber rideshare services you can do just that. Through a strategic partnership between Uber and Spotify, users of both services can pick the music, and the volume, and even decide if the radio is on or off accessing their Spotify Premium service through their Uber app. The partnership improved the reach and awareness, as well as the profitability of both companies. This is another great example of businesses that identified ways to provide a value-added service to customers increasing the popularity of the services of both of the companies.

There are some things to consider when you are identifying potential strategic alliances or partnerships. As mentioned earlier, you may want to consult your legal counsel before you form relationships with other companies. In addition, evaluating the advantages and disadvantages of any potential partner is an important part of the process. Consider what potential advantage the partner may provide in offering goods or services that complement yours. Evaluate the advantages and disadvantages in terms of costs and risks that might result from the relationship. A good alliance could also create a new competitor if the other business realizes that they can add what you offer as new and additional products or services rather than working with your business to provide these things.

1. Take the information you just learned and start making a hit list.
    a. Make a list of top industries or specific businesses where you see a partnership being beneficial and how.
    b. For each business you identify, list the decision makers by name (if known), job title, service area, etc.
    c. Use public information to get contact information for the people on your list (both phone and email).

An example of this exercise would be a local window washing company that doesn't do pressure washing, although they get frequent requests from their clients. Knowing this, the window washing company would benefit from referring business to a local pressure washer who would, in return, refer window washing business customers. It’s mutually beneficial.

2. Once you have created a list, rank the businesses in order of who you believe is a top priority or provides the best opportunity for mutual success.
3. Continue working through the list and start setting up appointments.
    Note: During this process, effective time management is essential.
    a. Make the conversations authentic and organic. Remember, these are conversations and working agreements between two businesses. When going through this process, you will learn the details and specifics and how to make it work.
    b. Remember that the results of a strategic partnership are forward-looking. For any new opportunities or agreements, make sure to get an idea of volume and conversions – it’s important to understand the potential lifetime value that these agreements will bring so you can add the information to your profit calculator.
        i. If strategic relationship A has a goal of bringing one new customer a month, what is that revenue value?

ii. How often will that customer buy from you in 12 months? That number equates to the "lifetime value" which is very important to remember.

c. How much business are you going to be able to send each month to the partner?
d. As you gather data, you may find that you should add this service as an additional offering in the future if you end up referring more business than you receive.

4. You've now come to think about your business in a whole new way. You'll be searching for referrals, looking to offer new incentives, and thinking critically about new strategic partnership agreements. It's important that you maintain communication with partners and measure the results from each of them. Continue to make notes and adjustments to your profit calculation so that you can see how close you are to reaching goals and increase the yearly revenue goals as you build success.

Chapter 6:

Optimize Conversions with the Conversion Formula

It is interesting to see the results you get when you type common phrases into your browser that many companies use for their marketing and advertising messaging. For example, type in “great reputation”; you will get around 105,000,000 results. “Best prices” will return around 2,020,000,000 results. Maybe those are too general. Let’s consider common phrases used in one industry; for example technology companies. A fair number of tech companies use phrases like “making the world a better place”. That one will return 850,000,000 results. Another popular phrase in tech is, “Changing the world by…”. Now we are down to 390,000,000 results. Change just one word and search “Changing the world through” to get us down to a mere 362,000,000 results.

Why am I listing these phrases and browser results? Simply to call attention to the problem that all businesses, especially small businesses, face when they are trying to get the attention of prospective customers. The goal is to get their attention and convert some of them into actual paying customers. If you are using the same phrases that all of your competitors are using, is there any point in spending money on marketing or advertising? If what you are saying does not get anyone’s attention and just adds to the “noise” that those prospective customers get better and better at tuning out, is it any surprise that you are spending money on marketing and not getting results? If you are marketing and spending money on advertising using vague terms that sound the same as everybody else in your market, just produce ads and messages that say, “THAT’S ME ALSO!”

The other challenge small businesses face is that they attempt to build a brand by copying the strategies that the big companies use. The most obvious problem is that these companies have brands that are already recognized globally and they have billions of dollars to spend to keep it that way. For example, Ford Motor Company’s advertising spending in 2020 was down to a mere $2.8B falling from $4.3B in 2016 but it was back up to $3.1B in 2021. Coca-Cola spends around $4B per year on advertising. Amazon increased its spending from $18.9B in 2019 to $32.6B in 2021. Finally, if I say, “Golden Arches”, or show that symbol to pretty much anybody on Earth what will they say? Of course, “McDonald’s”! As recognizable as they are, they spend around $500B per year on marketing. So, how does a small business with $100,000 to $1,000,000 in annual revenue compete with that? Simple, you don’t!

In Chapter 4, I introduced you to the Position of Market Dominance and the power that it has to attract leads. Now I’ll show you how your Position of Market Dominance plugs into the Conversion Formula. This is a four-step formula that provides your small business with a message that your prospects will notice and remember. It is critical that you use this process in all of your marketing and advertising. The Conversion Formula has these four elements:

Captivate:

This is your headline. This is the attention-getter! It needs to grab and hold the interest and attention of your prospect. It must address the most pressing issue, problem, or concern prospective customers have.

Fascinate:

This is your sub-headline. This statement draws the prospect in. It needs to evoke a specific reaction and cause your prospect to feel that you have something of interest to them. It must offer a clear and compelling solution to the particular issue or concern that you addressed with your headline.

Educate:

Educate your prospects. Give them specific facts and essential information that tells your prospects that what they will gain from you is exactly what they want and that it’s better than what anyone else offers.

Close:

You are cultivating the relationship. You may or may not be closing the client at this point but you will move them along to the next step in your funnel. This is the reward that your prospect will gain by taking you up on your offer or by becoming a customer. This is where you make them an offer so compelling that they would have to be a fool to say no to you.

In each of your prospects’ minds are problems that they don’t want; and you offer a solution they want. Your offer is a reward, a gift, and the solution to their problem. The net result is serious growth for your business.

In each of your prospects’ minds are problems that they don’t want; your offer is a reward, a gift, of the solution to their problem. The net result is serious growth for your business.

Chapter 7:

Optimize Conversions With A Compelling Offer

Would you describe what you offer to your prospective customers as compelling? For an offer to be compelling, it must grab their attention, evoke interest, and be irresistible to your targeted audience. If you answer that your offer is okay or that it is competitive but may not be compelling we've got some work to do. However, it will be worth it!

You will captivate your prospects with a headline that demands attention. Online and print ads will attract attention. Any time your customers refer their friends to a business it will be you that they confidently refer people to. Prospective customers will feel that you are the obvious choice when it's time to purchase what you offer. People will want to do business with you and will feel that you are the smart choice and the only logical decision to make. Can you see that this will make converting prospects to customers and keeping your current customers a lot easier than it is now?

Without a compelling offer, no matter how much money you spend on marketing and ads, you won't see the results that you're paying for. You will be throwing your money away. As we discussed in Chapter 6, there is a four-step Conversion Formula that includes a headline that captivates, a sub-headline that fascinates, a presentation of details that educates, and an offer that is the reward a customer will gain from doing business with you and makes your business irresistible to customers.

Your ad spending is less important than the effective use of the Conversion Formula. The reason you can be very confident in the Pathway to Profit approach is that it works and it works without you having to spend more money on marketing and ads for less lead generation and lower conversion rates.

Do this right and you will have customers lining up at your door and rushing to your website. Get it wrong, and even the prettiest, most expensive ad campaign will fail. A powerful offer must be an irresistible offer. If it's not irresistible, it's not powerful. Make it an offer that makes people go to your e-commerce site or pick up the phone and pull out their credit cards.

Irresistible offers make your potential customers think, "I'd be crazy not to take them up on that!" or "An offer like this doesn't come along very often!" They are offers that stir emotions and instill a sense of desire, and urgency to take action. Make it easy for customers to purchase from you the first time, and then spend your time assuring that they keep coming back. Remember your goal is to get the offer right, and everything else will fall into place. You will find that the crux of your marketing efforts centers on the importance of having a strategy focused around a powerful offer that you present in all of your marketing messages and promotional campaigns. The reason for this is that a powerful offer is the reason a customer will choose to buy from you and not just price shop for the cheapest option. It is how you generate quality leads and convert them into loyal customers. The more dramatic, incredible, and valuable that the offer feels to your target customers, the more dramatic and incredible the response will be. Many smaller companies spend thousands of dollars on social media and television or radio marketing campaigns. They run massive direct mail campaigns regularly, but they don't receive an impressive or massive response. These companies do not understand the simple fact that just providing information about their company and the benefit of their product or service is not enough to get people to act. They are not offering a reason for a customer to take action right now with this approach.

Your powerful, irresistible offer is intended to:

- Increase leads
- Drive traffic to your business or your website
- Convert leads into customers
- Build your customer database
- Even to move old product

What Makes a Powerful Offer?

A powerful offer makes people respond and take action. It motivates people to purchase your products or services. Powerful offers almost always have an element of urgency and scarcity. They give your audience a reason to act immediately, instead of putting their purchase off until later. Creating a sense of urgency can significantly reduce the timeframe to convert a prospect into a customer. The offer is only available until a certain date, during a certain part of the day, or if you act within a few hours of seeing the ad. The customer needs to act now to take advantage of the offer. Amazon Prime Days are a good example.

Scarcity addresses a limit to quantity and instills a fear of missing out in the prospect's mind. The offer provides a limit to the number of customers who will be able to take advantage of the offer. There may be a limited number of spaces, a limited number of products, or simply a limited number of people the business will extend the offer to. This requires customers to act immediately to receive the high value or low cost.

Powerful offers also suggest great value. When done successfully, the customers perceive that the offer has great value. More value than what your competition is offering, more value than a single product or service on its own if you are offering a bundled product, or the special price for the product now rather than at its regular price. The offer must take your audience's needs and wants into consideration. And it must demonstrate that you have what they want that addresses their problem or need. Make sure your offer makes sense to the prospect. These offers need to be simple and easy to understand. Avoid percentages. For example, say "half-off" or "2-for-1" instead of 50% off.

Be sure that there are no catches, requirements, or hoops to jump through, and make sure that there's no fine print. It needs to seem logical. The offer does not come out of thin air. There is a logical reason for making it. It might be a holiday, end of season, anniversary celebration, or new product. People may become suspicious of offers that seem to be too good to be true. Suspicions arise if you have no apparent purpose other than to sell stuff. You want to make the buyer feel good about the purchase and provide them with what they need to convince themselves that it's a logical, smart decision. You might include a premium, or have the offer provide something extra to the customer, like a gift, or free product or service. Make them feel that they are getting something extra for no extra cost. Premiums are perceived to have more value than discounts and may cost you less than discounting.

Remember when your target market sees your offer, they will be asking the following questions:

- What are you offering me?
- What's in it for me?
- Do I believe you?
- How much do I have to pay for it?

The Most Powerful Types of Special Offers

Decide what kind of offer will most effectively achieve your objectives. Are you trying to generate leads, convert customers, build a database, move old products off the shelves, or increase sales? Consider what type of offer feels most valuable to your ideal customers – what offer will make them act quickly?

Free Offer

This type of offer asks customers to act immediately in exchange for something free. This is a good strategy to use to build a customer database or mailing list. Offer a free consultation, free consumer report, or some other item that has a low cost to you but will be of high perceived value to the customer. You can also advertise the value of the free offer item. For example, "Act now and you'll receive a free consultation worth $75." This will dramatically increase your lead generation, and allow you to focus on conversion when the customer comes through the door or visits your website. Another free offer example is for a restaurant to offer free dessert with the purchase of an entrée to drive dinner traffic on a night of the week that is typically slow.

The Value-added Offer

Include additional services or products that cost you very little, and combine them with other items to increase their attractiveness. This increases the value in the prospect's mind, which will justify increasing the price of a product or service without incurring extra hard costs to your business. A common example of this is adding the cost of shipping into the selling price of an item rather than showing a price plus a shipping fee. The “free shipping” is built into the price of the offer.

Package Offer
Package your products or services together in a logical way to increase the perceived value as a whole. Discount the value and price of the package by a small margin, and position it as a “start-up kit” or “special package.” By packaging goods of mixed values, you will be able to close more high-value sales. For example: including a free desk-jet printer with every computer purchase. A razor handle and sample size personal care products, when a new customer signs up for mail-order razor blades, is another great example of a package offer that introduces new customers to additional products that they may add to future orders.

Premium Offer
Offer a bonus product or service with the purchase of another. This strategy will serve your bottom line much better than discounting. These include 2-for-1 offers, offers including gifts, and in-store credit with purchases over a specific dollar amount.

Urgency Offer
As mentioned above, offers including an element of urgency enjoy a better response rate. The offer has a reason for your customers to act immediately. Put a deadline or limit the number of spots available in the offer. This approach will trigger fear of missing out in the prospect’s mind.

Guarantee Offer
Offer to take away the risk of making the purchase from your customers. Guarantee the performance or results of your product or service, and offer to compensate the customer with their money back if they are not satisfied. This will help overcome any fear or reservations about your product, and make it more likely that prospects will become customers. A lot of businesses offer free shipping on in-home trials of larger items. The customer can try out the product for 30, 60, 90 days or whatever you choose, and then they need to pay for it or return it. The catch is they make the customer pay for the return shipping.

Create Your Powerful Offer

Pick a single product or service. Focus on only one product or service, or one type of product or service at a time. This will keep your offer clear, simple, and easy to understand. The offer can be used to spotlight an area of your business you wish to grow, or an old product that you need to move off the shelves.

Decide what you want your customers to do. What is the specific action that you want your offer to get your prospect or customer to do? If it is to generate more leads, then you’ll require that the prospective customer contact you. If it is to quickly sell an old product, you’ll need your customer to come into the store or click on your website and buy it. Do you want them to visit your website so that you can collect their contact information? Offer information and get them to sign up for your newsletter. In Chapter 10 you will learn about squeeze pages and how they often serve your business best when you want to collect contact information.

Consider how long you are giving them to act. Be clear about your call to action, and state it in your offer.

Dream up your biggest, best offer. First, think of the biggest, best things you could offer your customers regardless of cost or your ability to provide it to the customers. Don’t limit yourself to a single type of offer, combine several types of offers to increase value. Offer a premium, plus a guarantee, as a package offer. First, imagine the possibilities and then take a look at what you’ve created and make changes so that it is realistic. Run the numbers. Finally, make sure the offer will leave you with some profit or at least allow you to break even. You don't want to make an outrageous offer that will generate a tremendous number of leads but leave you broke. Remember that each customer has an acquisition cost, as well as a lifetime value. The amount of their first purchase may only allow you to break even, but the value of their subsequent purchases should make you significant profits.

Chapter 8:

How Target Customers Decide To Buy: *The Niche*

How does your target customer decide to spend their money with you? The typical consumer makes purchases based on their emotions. The decision is driven by how the purchase and the product or service make them feel. Once the purchase feels right then they justify and rationalize the purchase from the standpoint of usability, functionality, and perceived value. People buy with their hearts. It is the reason people decide to buy the most expensive vehicle on the lot instead of a cheaper, more practical car.

We all need to face the fact that human beings are irrational creatures who make a lot of irrational purchases. While it may sound crazy, the majority of our purchase decisions are motivated by emotion rather than logic. We use facts to justify the decisions that we make. Facts are only relevant at the very end of the buying process, not the beginning.

Buyers who carefully weigh the pros and cons of a product before making a major purchase are a rare breed. People make decisions to buy based on their feelings and then use facts to convince themselves that the decision was a good one after it has already been made. You can see examples of this in the neighborhoods we choose to live in, the clothes we buy, and even what and where we choose to eat.

Did you know that even though 90% of ads for new products undergo pre-launch testing they still fail to produce the desired results? This is because testing methods like surveys and focus groups primarily rely on logic in this process. But we don't base our purchases on logic. You know that your business needs to be noticed by people. You must offer exceptional and extraordinary value and communicate that in a way that touches customers on an emotional level.

You need to show your ideal client that you provide superior value over the competition and that they will be foolish to consider purchasing elsewhere. Zero in on a specific target customer and cater to their wants and their desires. Finding a specific audience is also known as targeting a niche market.

When you stop trying to appeal to everyone, but instead zero in on a niche audience, you'll be able to attract customers who will feel that you “get them”, and that you will make them feel good, then they will need to see that your level of expertise, quality of product or service, etc. make the purchase feel like a wise decision. Keep in mind that as soon as the competition catches wind of what you're doing, they'll start moving into your newly carved-out niche so be prepared to continue to be innovative and to set yourself apart from the rest of the players in your market.

Keeping ahead of the competition requires you to introduce new and unique products or services that make your customers feel special when they purchase them and do business with you. Have offerings of such high quality and value that customers feel that they would be foolish to shop anywhere else. When your ideal client comes to you seeking relief from whatever problem that they have and have not yet found a solution to, they will immediately feel that you provide an unparalleled solution to that problem.

There are four steps to zero in on what your ideal customers really want. How do you use information to create groundbreaking new products that will set you apart from your competition? Customers buy what they perceive to have value. You will be able to charge more than anyone else in your field if your perceived value is high enough. Let's dive in and find out what your ideal customer wants. Here are the four simple steps to follow:

> **Step One:** Put yourself in the shoes of your ideal customer and see the world as they do. If you're a couple's counselor whose ideal client is a frazzled spouse or partner trying to fix their relationship. They want to stop daily fighting and screaming. Put yourself in that person's shoes. Ask yourself what kind of support would you want if you were this person. What everyday issues am I having? How do I feel in this situation? And what is the solution I want? By stepping into the actual situation of the target customer, you quickly get a feel for the disappointment, resentment, frustration, and pain that they're feeling. Those are the emotions that will drive them to engage you as a counselor.
>
> In order to effectively market your product or service you must understand the emotions that are at play in the minds of your target prospects. These are the motivational forces that will have them actively seeking out your solution and will make them willing to pay you more than they would pay your competition for it.
>
> **Step Two:** Your solution needs to stand out and not sound just like everybody else. If a couple's counselor's target customer wants to stop the fighting in their relationship, then the counselor has to consider if they actually offer the customer what they want, and how quickly they can get to the solution. Typically businesses offer solutions that are identical to their competition. Resist that approach. “Same Here” marketing is a waste of time and money.
>
> **Step Three:** This may be the most important step. Offer exceptional and extraordinary value. If you and your competitor both offer the same thing the consumer will look for the lowest price. The only way around this is to be innovative in your offerings. A couple's counselor may offer a free

one-hour session to share strategies that put an end to the constant fighting and show the couple proof that therapy will work before they fully commit to using this counselor. This counselor has demonstrated great value from the start. This is about innovation. It is about creating new systems, enhancing existing systems, and doing things in a better way. This sets you apart from the competition. Your company should always be on the lookout for ways to improve. For example, the couple's counselor may differentiate their practice from their competition through innovation; by being so certain that their treatments work long-term, that they're willing to guarantee their results for an entire year.

Step Four: Now it's time to increase the value even more. The couple's counselor can make a list of all the benefits their target customer would enjoy as a result of working with them, such as bringing quiet back into the home, reducing anxiety, or restoring trust in the person the client cares about. For the couple to be able to have fun and rediscover the feeling they had when the relationship first started. This example provides the counselor's clients with the feeling that they will get a solution to the problem that they currently have plus bonus solutions to issues they hadn't even realized were problems they had.

Other examples of this are an employment screening firm that may provide personality profile matching in addition to their screening service. They might offer placement guarantees for 6 months if their competitors only provide 90-day guarantees. Or a tutoring company that offers improved grades in two weeks or the customer gets their money back.

Keep the issues, frustrations, fears, and concerns that your ideal customers typically face in mind. When thinking about purchasing your product or service these are the hot buttons that need to be identified. Are you beginning to see the significant competitive advantage you have just by understanding the relevant hot-button issues?

As you continue to consider what issues, frustrations, fears, and concerns your customers face, think of as many of these pressing hot-button issues as you can. What will pique the interest of your target customers, get their attention, and make them loyal customers? Organize the list in descending order of importance or impact. Now you have a clear understanding of the triggers that must be addressed to capture the attention of your perfect customers. With this done you will be able to speak about the things that most appeal to them.

Next, examine whether or not any of the products or services you currently provide address the hot-button issues of your ideal client. A comparison of the customer's pain points with your services is necessary to ensure that you are meeting the customers' needs. This exercise is to answer the question, "What solutions do we or could we provide to our target market?" Be sure to write down the answers.

When thinking about what your ideal client wants, you must consider whether or not the services that you currently offer solve the problems, frustrations, fears, and concerns that they have. By the way, you could always just ask them. If you're just getting started and don't have any customers yet you could ask the people who look like your ideal target client what their problems are and what they would like but do not get from your competition. Think about who might be interested in buying your product or service but aren't quite ready to take the plunge yet. Remember you want to reach people who are prospective buyers even if they're not ready to do business right now. Consider conducting a survey of people you know who have used a product similar to yours if you don't have any current customers.

Given that the vast majority of business owners never bother with this type of in-depth research, the time spent doing so is time well spent. With this one simple task, you can set your company apart from the competition.

Look at what you have written. If you see that the solutions you've outlined are fairly standard and are likely being used by the competition, that's a red flag. If you see this, make an adjustment, and consider how you can innovate. Think about how you can set yourself apart by setting the bar so high that your prospects feel that you provide such exceptional value and service that they would be foolish to go anywhere else.

Immediate action on any of these solutions is premature until you've given serious consideration to each one. You need to determine if it provides your customers with the feeling that you are delivering exceptional value and something that they will feel very good about purchasing.

Sometimes the most outlandish ideas are the ones that lead to the best results for a company. If you want to succeed as a small business, you need to understand the perspective of your ideal customers. Imagine for a moment that you are the client. What feelings are you having? How would you feel if you were in a certain situation?

It is essential that you have a firm grasp of these feelings and communicate that you understand what the prospect is feeling. Use these feelings as inspiration for marketing messages instead of listing features that won’t set you apart from your competition or invoke the feelings of your clients. Never forget the old adage that an undisturbed prospect will never buy.

Identify the most unfavorable feelings for your potential customers and provide them with a remedy. With this idea in mind consider all the options available. You won't know if you can capture their hearts and minds and offer cutting-edge solutions until you commit your ideas to paper and start to create strategies to use them in your marketing.

Keep in mind that there is no such thing as a bad idea. For example, you can advertise this new feature as something all customers receive automatically. One simple improvement will allow you to charge more than your competition charges. One radical concept can completely alter the course of your company.

These simple exercises can result in innovations worth millions. Most small businesses compete solely on the basis of price. Implementing what is outlined in this chapter will transform your business and result in your business having marketing and advertising that gets results.

It's crucial to start with a firm grasp of who your target customer is. Then consider the customer's thought process as they explore whether or not to buy your product. Identify the challenges typically faced by your ideal customer. What is the problem that they want to eliminate from their lives? Make sure that you are offering a solution that is both effective and up-to-date for your ideal customer. Keep your eyes open for cutting-edge ideas that could significantly benefit your target customer.

Communicate the positive outcomes that could occur. Let them know that you understand their problem and you know how to solve it quickly. Make it nearly impossible for your target customers to not do business with you by coming up with as many innovative solutions as possible. Your solutions need to be based on the specific things that they want. Put the prospect in a position where they will tell themselves they would be an absolute fool to buy from anyone else.

Chapter 9:

The Buyer's Journey - The Pathway To Purchase

Your customers are going to make purchases when they are ready to buy. They are constantly being influenced by the information that they are presented with through marketing and advertising efforts. This impacts their purchase decisions when they are ready to buy something. Figuring out how to connect with them and leading them to your business at the time when they are ready to make a purchase is what we will explore next as we talk about the buyer's journey.

More and more business is being done online so companies need to focus on their digital presence more than ever. In Chapter 4, we unpacked why branding the way large companies and global brands do doesn't work for small businesses. That said, over 65% of the buyer's journey is now done digitally. Research also indicates that online searches are the first step taken by executives as they work out buying decisions. Therefore, even a business that is a B2B player needs to consider this important factor as they create their marketing strategies. Taking that journey with your prospective customers is vital.

There are a lot of misconceptions that distract business owners from focusing on the buyer's journey:

> *It's a waste of time for salespeople to be involved with prospective customers until they're ready to make a purchase.* Part of this misconception stems from the fact that there is so much online activity that prospects engage in before buying. Your prospects have high standards for what they expect from your sales team. They want to feel that the salesperson is adding value to the process and not just pressuring them to make a purchase. Sales reps often have relationships with customers that make it possible for them to provide information that speaks to the customer and reinforces your Position of Market Dominance (see Chapter 4). When a relationship exists, regular communication with customers feels natural and valuable to them. If you do this right, your customers will feel that you really care about them and that sets you apart from your competition that is always pitching and chasing a sale.

> *Since people don't want to be sold, it's best to wait and let them come to you when they're ready to buy.* There are a lot of tools that you can use to help you identify buying patterns and to prompt

prospects and customers to make a purchase decision; to reveal their need before they realize that they had that need. This makes you the most likely solution to the need since you were so in tune with them that you “get them” and offer them just what they need right when they need it. As mentioned, much of the buyer’s journey happens online. This can work in your favor. There are a lot of tools that you can use to uncover the secret to discovering what the buyers need before they go shopping (perhaps to your competition). Account profiling, segmentation, targeting, and propensity-to-buy modeling along with search behavior patterns and online activity are all ways that you can better understand your prospects and customers so that you do “get them”.

It’s common for small businesses to assume that *inbound marketing is just a way for customers to find you when they are ready to buy.* Your inbound marketing is vital to your success in serving your prospects and repeat customers during the buyer’s journey. Early in their journey they are looking for education. Later in their journey, they are seeking validation. The education helps them to feel that they really have a need and that you are the best choice when they are ready to make a purchase. As they get closer to making a purchase they want validation that they need whatever you are offering and that you are the best source of the product or service.

Equipped with an understanding of what’s going on in the minds of your prospects as they travel from one purchase decision to the next will enable you to guide them to your business as the only option when they are ready to make a purchase.

In Chapter 7, we looked at the importance and impact of having a compelling offer. You will use your Position of Market Dominance (Chapter 4), and your Compelling Offer (Chapter 7) to capture your target market, and once you understand The Buyer’s Journey, you will be able to determine which strategies you will use to collect prospects contact information, position yourself as the solution to the problem that they have, and to be the only choice when they feel the need to make a purchase. As we have discussed, if you do this right, you will be able to help them realize that they have a problem or need that you are the right solution for. You will not be left waiting and hoping that they will realize their need and choose to do business with you when they get around to making a purchase decision.

The Buyer’s Journey takes your customers or prospective customers from feeling okay without whatever you are selling to feeling that they want it now.

The journey starts with your prospects asking themselves, “What’s out there?” They feel that they may have a mild interest in a product or service that they may want at some point in the future.

Next, they ask themselves, “Why should I buy this?” At this point, they are mentally test-driving or trying it on. They are asking themselves if the product or service feels good or right for them.

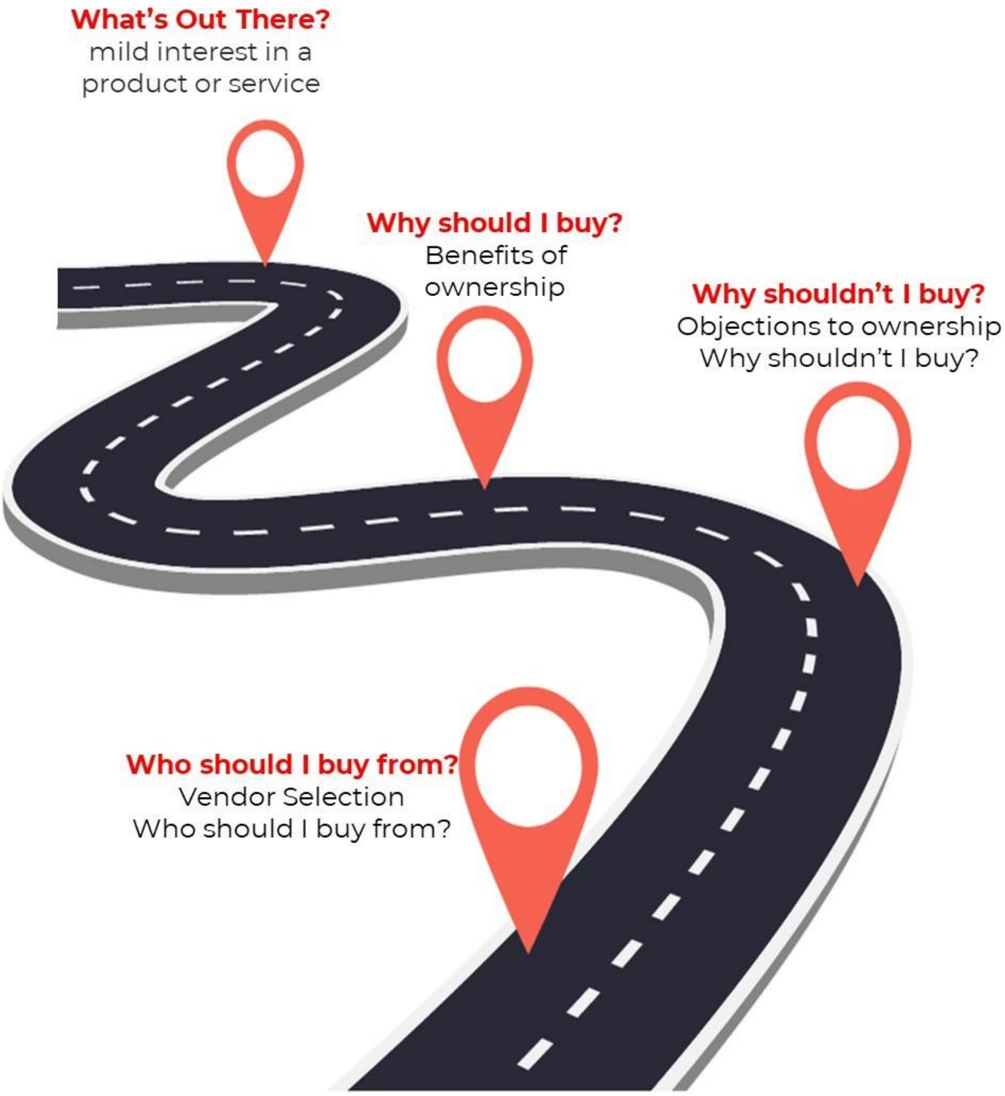
Once they’ve given this initial consideration to the product or service they ask themselves, “Why should I wait or avoid this purchase?” They are wondering if they “really need” it or if they should spend the money on it. Finally, they feel that they do have a problem and that this product or service will solve that problem. Now they are ready to buy.

The only question remaining is, “Who am I going to buy from?” If you have been with them on their buyer’s journey the answer is from you!

Only 1% to 3% of prospects are “right-now” buyers ready to make a purchase at this moment. That means 97% - 99% are on the Buyer's Journey.

Now that's a marketing opportunity!

The Buyer’s Journey



Chapter 10:

Squeeze Pages

In addition to your company website, understanding how to use squeeze pages is an important element of your marketing strategy. Squeeze pages are an essential tool for you to use in conjunction with your Position of Market Dominance and to connect with prospective customers as you guide them on the Buyer's Journey.

You are probably familiar with landing pages. A squeeze page looks much like a landing page, but it serves a different purpose, so it has a different design. Landing pages provide details to visitors about products or services. Think of them as a simplified webpage. They are intended to encourage prospects to buy something. Landing pages work well for "right-now" buyers, that is the 1% to 3% of buyers who are ready to buy something right at this moment. If someone is not ready to make a purchase immediately, the landing page, just like the website, gives a lot of information to continue educating the prospect on their buyers' journey but isn't likely to keep the prospect's attention or keep them on the page.

A squeeze page serves a different purpose. Its one purpose is to capture information from a prospect. Generally, the squeeze page only asks the visitor to provide their name and email address. Effective squeeze pages use the Conversion Formula that we talked about in Chapter 6. Your squeeze page will Captivate, Fascinate, Educate, and Close your ideal prospects and convert them to customers when you lead them on the Buyer's Journey, so you will be the one that they feel good about buying from when they feel that the time is right to buy. Each squeeze page that you create is designed for your ideal target customers for the specific solution offered on the squeeze page.

Case Study: HVAC Service

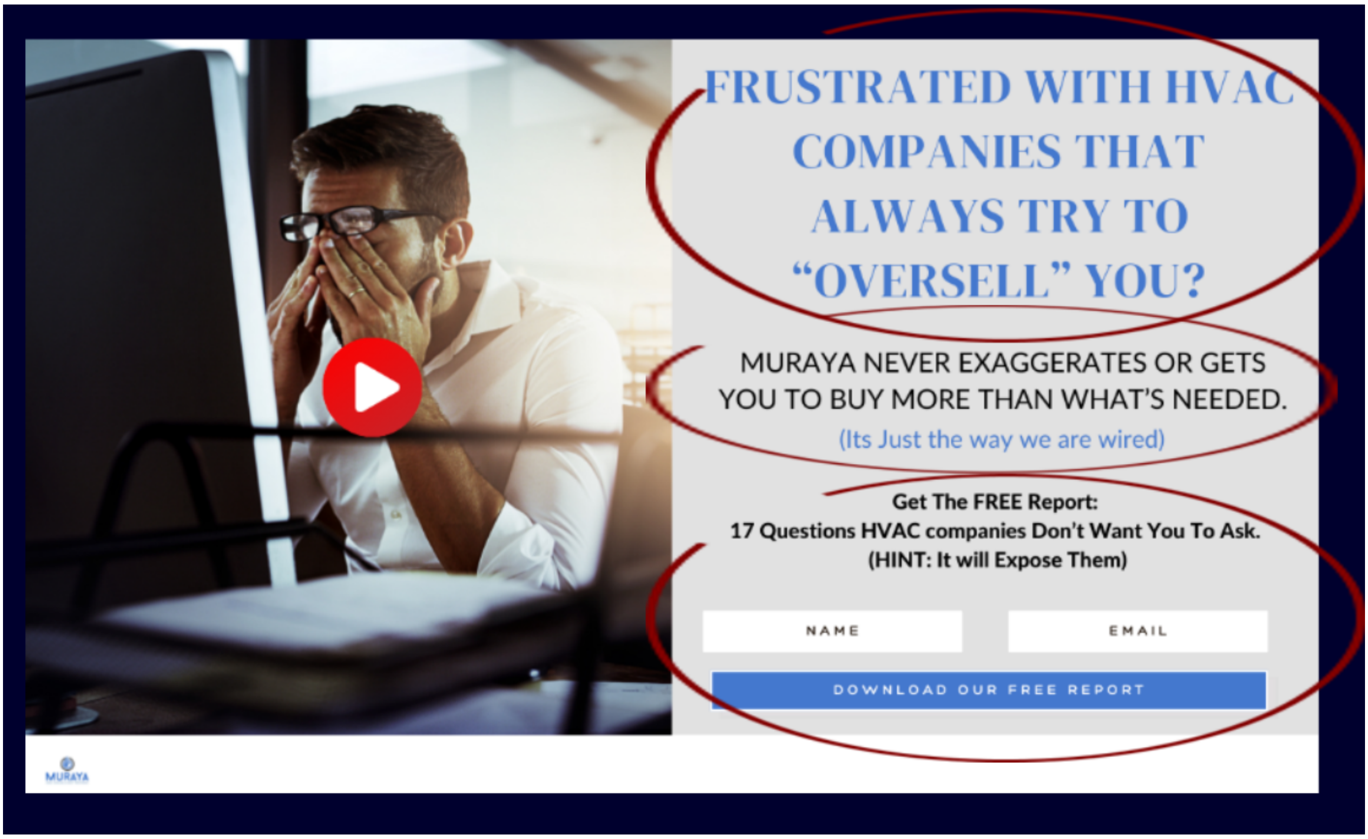
What's the offer?

Before:

- 2 leads/month running Facebook PPC
- His conversion rate was ZERO
- He had NO compelling offer

After:

- Sent them to a "squeeze" page
- NOT his website
- Used the Conversion Formula
- At this early stage, prospects want "information"



Result: Generated 21 leads per month

950% LEAD INCREASE!

Chapter 11:

Drip Campaign Mastery

Use the Conversion Formula presented in Chapter 6 to create powerful drip campaigns that will convert prospects into customers and keep customers coming back. You can create campaigns that will significantly increase your business's income and profitability. Keep in mind that just 1 to 3% of your leads will actually become customers the first time you communicate with them. The remaining 97 to 99% have the potential to become customers, but only if you maintain regular communication with them so you are the one that they think of when they are ready to buy.

In Chapter 9, we looked at The Buyer's Journey and discussed how only 1% to 3% of prospects are "now-buyer" ready to make a purchase at any moment in time. Drip campaigns enable you to keep your Position of Market Dominance and Compelling Offer in front of prospects from the moment you first connect with them until they feel that the time is right to make a purchase. Using drip campaigns also allows you to keep in touch with your existing customers to ensure they become repeat customers. Remember, a customer who does not come back for more is no longer a customer.

These are reasons why well-planned drip campaigns are so important. A drip campaign is an automated marketing strategy where a piece of content is sent to a list of customers or potential consumers at a set interval. Simply put, you're constantly providing them with messages that keep their focus on you. If your company is not staying in front of prospects, someone else will get their attention and future sales will go to your rivals.

This is why every company should develop targeted drip campaigns. Your marketing strategy and the preferences of your prospects will determine the best method of contact. Some business owners only use email because it costs them nothing to set up an email drip campaign, some prefer direct mail, while others use a mix of methods like direct phone calls, email, voicemails, and text messages.

The goal is to focus on potential buyers who would otherwise be written off as not interested because they were not "now-buyers". The messages in your planned drip sequence should not directly try to make a sale. People want to buy, but they hate being hit up with a sales pitch. Consumers today are savvy shoppers who want to feel good about the company that they are doing business with, and want to feel that they are getting the best possible value before deciding who they want to do business with.

Everyone wants to feel that they are getting a good deal, but keep in mind that the cheapest price is not necessarily the best value. If you implement the strategies in the earlier chapters of this book your customers will feel that they are getting great value and will not focus on the cheapest price. Many business owners incorrectly assume that customers only care about what something costs.

When you and your competitors offer roughly the same value to customers, they have no choice but to base their buying decision on price. When you and your competitors only offer low prices to customers you are short changing your customers because they deserve more than commodity offers and low prices.

Offer them value and differentiate yourself from your competition. The alternative is the race to the bottom that is created when you and your competitors undercut one another, eliminate your profit margins, and end up struggling to stay in business when a big business player comes in and is able to offer cheaper prices than any of the small businesses in the market.

Finding new and creative ways to boost the value of your product or service and communicate it in your marketing is the smartest thing you can do as a business owner. Some ideas of ways to do this include free step-by-step guides, a template to make something simple, a free demo, etc. The auto industry is finally starting to understand this. Some have started to provide free-of-charge lifetime roadside assistance, a loaner vehicle while yours is in the shop (some savvy dealerships have done this for years), and even extended warranties that are built into the offer rather than as an upsell.

All of these values make the car feel like a better deal, and in many instances, this will allow the dealer to set a higher price than what you'll typically see in the market. You need to figure out what your customers value that won't significantly impact your profits (there will be a cost, but you can identify the return on investment to ensure that you end up making more money in the long run). Every business owner needs to be innovative to produce as much added value as possible and then set up a system of automated communications to constantly remind potential customers of that value. It is especially important to communicate the value that you provide that others in your market cannot match.

To reiterate, your Drip campaign should never try to sell to your prospects, even though consumers enjoy making purchases, they do not like feeling that they're being pitched or pressured. Remember too, people purchase value when they see that there’s something more than a low price to consider. This is why you may be able to charge more than your competitors do. Conveying all the benefits you bring to potential customers can be a time-consuming and expensive process, but this is where drip campaigns come in. Once you’ve done the work to know what you are communicating with your Conversion Formula statement, your drip campaigns do the work.

Now, if you don't make it too obvious that you're trying to sell something, this can be a great way to upsell your current customers additional offerings that are complementary to what they already purchased from you. Whether those offerings are your own or those of an affiliate, you can also use informative campaigns and ask for referrals or conduct surveys to ask both your customers and your prospects how you can add more value to them.

Constantly communicating with all of your customers through well-thought-out drip campaigns is key to guaranteeing the long-term success of your business and exploding your income and profits.

Example:

A squeeze page generates 72 prospects. By using a Drip Campaign to nurture leads, let's say it produces 3 additional clients.

Here are the results over the course of one year:

Month 1

72
72 + 69
72 + 69 + 66
72 + 69 + 66 + 63
72 + 69 + 66 + 63 + 60
72 + 69 + 66 + 63 + 60 + 57
72 + 69 + 66 + 63 + 60 + 57 + 54
72 + 69 + 66 + 63 + 60 + 57 + 54 + 51
72 + 69 + 66 + 63 + 60 + 57 + 54 + 51 + 48
72 + 69 + 66 + 63 + 60 + 57 + 54 + 51 + 48 45
72 + 69 + 66 + 63 + 60 + 57 + 54 + 51 + 48 45 + 42
72 + 69 + 66 + 63 + 60 + 57 + 54 + 51 + 48 45 + 42 + 39

At the end of the first year, the squeeze page generated an additional 96 clients in 12 months.

The drip campaign produced 198 NEW clients that would have NEVER converted without it, generating six figures in additional revenue.

Chapter 12:

Risk Reversal

Have you ever heard of the phrase "risk reversal" as it relates to business? Here's a good definition:

Risk Reversal is a strategy that transfers some (or all) of the risk of a transaction from the buyer to the seller. The seller agrees to make things right in advance if the purchaser isn't satisfied.

Risk Reversal is a great way to eliminate barriers to purchase. This strategy can help close more sales and increase revenue and profit.

All business transactions contain some level of risk. It is widely understood that in every transaction the purchaser is taking on some risk. If you ask a prospect to take on all the risk in a transaction their first inclination is likely to be to walk away and not buy. What if something goes wrong? What if the product or service doesn't live up to expectations? What if it doesn't work, doesn't last, or doesn't perform as promised? What happens if I just don't like it? What if purchasing from you is a waste of money?

These questions are always in the back of your prospects' minds as they're considering purchasing from your business. If you don't address them, they'll likely kill the sale.

Customers generally feel that they will be the ones who lose every time. But take away all the risk for your prospect and you've eliminated the primary barrier to buying. Instead of a reason to say "Nope, I'll pass", they only have reasons to say "Yes." That's what makes risk reversal such a powerful strategy: it makes it so your prospect has nothing to lose because if they are ever dissatisfied, you will do whatever it takes to demonstrate your complete commitment to their satisfaction.

This could mean giving them their money back or re-doing the job at no charge. Maybe your business currently offers some form of risk reversal to your customers, but do your ideal customers know about it? Chances are you don't have risk reversal at the core of your selling message.

This strategy may feel uncomfortable to you as a seller because no one wants to lose. The difference is that you as a seller can spread that risk among many customers. Your customer cannot.

People don't like to lose. They don't like to feel stupid, make bad decisions, or waste money. They hate to take risks. When it comes to closing sales, remember that you are that risk.

Remember Risk Reversal is a strategy that transfers some (or all) of the risk of a transaction from the buyer to the seller. Instead of making the purchaser shoulder the risk of a bad transaction, you as the seller agree in advance to make things right if, for whatever reason, things don't turn out as the purchaser expected.

Take the bedding industry, for example. Look around, and you will see a lot of over-the-top risk reversal offers including 12-month, 100% money-back guarantees, no-questions-asked! A customer could buy the bed, sleep on it for a whole year, decide they don't like it for whatever reason, and return it for a full refund. Sounds crazy, doesn't it?

It's not crazy at all: this strategy eliminates the purchaser's perception of risk, which is a significant barrier to purchase. If a customer makes a purchase and it doesn't work out, they don't have to feel stupid about wasting their money and don't have to feel angry at the business or themselves for making a bad decision. All they need to do is take advantage of the guarantee and return it. This makes it easy for the customer to go through with the transaction because there's no downside.

This approach is sometimes referred to as the "take the artwork home" strategy. If you're undecided, the gallery or artist will tell you to take the artwork home. "If it doesn't look right or feel right, you can always bring it back."
The artwork seldom comes back, of course. Without making this promise though, the artwork might never go home in the first place.

Adopting a Risk Reversal strategy is uncomfortable because sellers don't like to lose any more than customers fear losing. No one wants to feel used or taken advantage of, and it's often easy to feel that way if a customer gets obvious value from the offer and asks for a refund anyway.

There is a big difference in the risk levels. The difference is that the purchaser is purchasing from one seller, but you as the seller sell to many purchasers. Your customers experience this risk with every purchase they make, and to them it's a big deal. You're serving many customers, so you can spread the risk of a return among many customers.

Let's be clear. Yes, you'll lose money on the occasional customer that is blatantly taking advantage of your offer, and that never feels good or right. You may even feel like you are being wronged and may want to argue your case. DON'T! You have two choices: you can be right, or you can be successful. You can only pick one.

By eliminating the risk that the purchaser feels, you will close more sales and come out ahead in terms of total revenue and profit. When your business takes on all the risk, you're showing customers just how strongly you believe in your product or service. It's no wonder prospects will want to see why you're so confident!

As you create your own Risk Reversal strategy, keep these best practices in mind:

1. Always make promises/guarantees you can keep.

   First, make a list of all the different ways you can 100% guarantee or better-than-risk-free guarantee your customer's purchase. If you can't offer a complete refund, what value can you add to offset your customer's potential risk? Risk reversal is a method of cementing customer confidence, so make sure you only promise what your business can actually deliver and always will deliver.

2. Make the guarantee as concrete and detailed as possible.

   Don't be vague or broad. Instead of "satisfaction guaranteed," provide an "unconditional performance guaranteed for 30 days"? This provides a clear idea of what the customer can expect, but it should be even more specific. What if a carpet cleaner promised "a 100% money-back guarantee if you can't honestly state your carpet looks almost new with more vibrant color and shape? If you don't see results this good or better with us, we don't deserve to keep your money. You have every right to ask for a full, no-questions-asked, on-the-spot 100% refund." See how the details underscore what we can expect from this business's service?

3. Paint a crystal-clear picture of what customer satisfaction actually looks like.

   Don't assume what the customer should perceive as their satisfaction. Define and explain exactly what satisfaction looks like for your customer. Details about performance or specific results create the belief in your customer's mind that there is a greater risk of not buying your product or service. Remember that clients are not just buying a product or service; they are looking to acquire the advantages your product or service will produce for them. So help them focus and appreciate exactly what that result should be. The more specifically you tell people what "satisfaction" looks like, the more compelled they are to act to receive that benefit for themselves.

4. Understand your customers' issues and frustrations.

   As you create your business's risk reversal strategy, start by making a complete list of every barrier to your clients choosing you over your competition. Once you have this list, break these obstacles into these categories:

   a. Financial obstacles: These can include the initial costs of doing business with you or financial loss if the transaction doesn't work out.
   b. Emotional obstacles: How bad would your client feel if the purchase or commitment with you failed to perform?
   c. Measurability: Is it possible to tangibly measure the impact your offering can have on the client's life or business? What metrics of measurement and evaluation will your clients use to judge their satisfaction level?
5. Extend the time to evaluate satisfaction.

   Some businesses offer basic 30-, 60-, 90-day money-back guarantees. The more time you give people, the more likely they are to buy.

6. Continuously test your way to the best guarantee.

   When looking to leverage the best risk reversal offer, test which guarantees are the most attractive to your customers. Testing can yield rich information and results you may not have expected. Try it out with a few prospects first. Or ask one salesperson to try it for a day or week to see how much better customers respond before you roll it out to the entire business. Only use the best and eliminate the rest. Only accept the risk for the things that have a positive impact on your ability to attract and retain your ideal customers.

7. Avoid creating significant barriers to customers taking advantage of the guarantee.

   Many businesses offer pseudo-risk reversal policies that still keep the risk squarely on the client. If your guarantee has high barriers to entry, you're likely to turn clients off instead of keeping them coming back. Take an energy bar maker who guaranteed satisfaction with their product but required customers to mail in the uneaten portion along with their complaint. The cost of mailing the product was more than the original cost of the energy bar. How infuriating would that be?

Will a risk reversal strategy cost you money?

If you're worried that employing an aggressive risk reversal will cost you a lot of refunds, there is no reason to worry. Unless your product or service is flawed – or just plain bad – the number of customers who will take you up on a refund guarantee is quite small. The increase in customers following through and making the initial purchase will more than make up for it. Businesses who employ a risk reversal have seen sales double and even triple, while only adding 0.5% - 3% in additional costs.

But remember to test first. By testing, you can quickly, safely, and definitively determine the difference risk reversal can and will make before putting your own business at risk.

When there's no risk in doing something, more people will give it a try. Once they try it out, if your product or service performs as you say, most people will continue buying again and again. So, if you provide and deliver true quality and value that can be appreciated, perceived, and understood, don't be afraid to offer risk reversal and see your business boom.

Chapter 13:

Retention - Continuously Improving Your Products and Services

Customer retention refers to the ability of a business to keep its customers coming back for more products or services. It is an important aspect of any business since retaining customers is almost always more profitable than acquiring new ones.

According to Invesp, it can cost five times more to acquire a new customer than to keep an existing one. Many businesses spend most of their marketing dollars on finding new customers instead of nurturing the ones they already have. It is like filling a bucket with a hole in the bottom. Your acquisition process has to work harder because your business is losing customers.

Loyal customers are more valuable. Loyal customers tend to spend more money over time, and they are also more likely to try new products or services offered by the company. This can lead to increased revenue and profitability for the business. Studies have indicated that repeat customers spend upwards of 67% more per purchase and can account for 50% or more of total sales. Make sure your sales goals include a focus on your Customer Retention Rate (CRR). This may require adjusting advertising budgets and focusing on tactics that engage with and reward loyal customers.

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How do you measure customer retention?

To calculate your customer retention rate (CRR) you use this simple formula:

Begin with the customers you have at the start (S) and at the end (E) of a specific period of time and customers acquired during the period you're measuring (N).

It looks like this: CRR = ((E-N)/S) x 100. Here’s a simpler way to look at it:

Customer Retention Rate Calculator

Customer Retention Rate=

# of customers current quarter or year/
# of customers previous quarter or year
x 100

Many businesses have lost focus on the customer experience and this has caused today's customers to go into their buying experience with lowered expectations when it comes to customer service and customer experience in general. If you expect an exceptional product or service experience as a customer there's a good chance that you'll be disappointed. For example, when traveling, the experience with hotels and rental car companies is that most of these companies offer sub-par products and services. Many customers have come to expect that rental car agencies will make you wait in line while an uncaring agent takes their sweet time waiting on customers until it's your turn, then endure their constant upsells as they try to get you to buy their insurance, prepaid fuel, premium vehicles, etc. You may have found this to be true for virtually all top-name car rental companies.

However, imagine if this was your experience. When you exited the rental car shuttle, you were greeted by a well-dressed representative who opened the door for you and welcomed you with a warm smile and greeting. Although it was very busy, another agent approached you with a nice cold bottle of water, commenting that you must be thirsty after your flight, and even gave you a small bottle of hand sanitizer. Then to your surprise, the rental car company had enough agents staffing their computer terminals for the line to move quickly and after only a few minutes it was your turn. Again, to your surprise, your reservation was quickly located. So quickly that you barely had enough time to open and sip your water!

If you're like most rental car customers, you immediately go into a defensive "no" mode of saying no to everything the agent tries to offer you. No to their expensive, unnecessary insurance; no to their prepaid gas; no to their every other add-on or extra. But imagine if this time it were different. They didn't try to frighten you into buying their insurance. In fact, the only thing they did offer you was to provide you with a free upgrade to a sporty convertible. Your whole demeanor and attitude would likely change, making you far more receptive to hearing them out. So, when the agent proposed that you likely wouldn't want to deal with the hassle of trying to find an affordable gas station near the airport or might be rushing to make your flight and not want to take the time to stop to refill the gas tank when you could relax and let them handle it by prepaying, you said "yes". Since you've been treated so well to that point, you found yourself unexpectedly and naturally saying “yes”. Instead of stopping to pay tolls every other mile, it was explained that you could cruise right past them if you purchased their easy pass unit. Another yes!

In the end, you paid some extra money but came away feeling good about the rental car company, the entire experience, and yourself. They crafted an experience for you that eliminated your defenses and allowed you to be more receptive to the options offered. It would feel like good service instead of hard selling. It’s likely that you wanted some of these additional items but didn't want to be pressured into buying. Would this experience be different from what you have experienced in the past? Would they earn your future business? Is it likely you would become a loyal customer if the company maintained and delivered a continuously exceptional experience?

And what did it cost them to deliver this exceptional experience to you? Let's add it up:

And what did it cost them to deliver this exceptional experience to you? Let's add it up:

1. Employees who are friendly and smiling: $0.00
2. A bottle of water: $0.95
3. A small bottle of hand sanitizer: $0.95
4. Efficiently handling the reservation: $0.00

So here is the question: What will it take to impress your customers with an exceptional customer experience or product? Ask yourself these questions:

1. What are my customers feeling during your sales process?
2. What are their pains, fears, uncertainties, or doubts?
3. What are they experiencing from your competitors?
4. What are their expectations? (Minimums)
5. What are their hopes? (Pleasant surprises)
6. How can you demonstrate a desire to go above and beyond those expectations? (Deliver pleasant surprises)
7. How can you create an overall experience that makes people loyal to your business?

Customer retention refers to the ability of a company to keep its customers coming back over an extended period. A high customer retention rate can have a significant impact on the overall lifetime value (LTV) of a customer, as it indicates that the customer is likely to make repeat purchases and may also refer the company to other potential customers.

In general, a high customer retention rate can help to increase the LTV of a customer, as it allows a company to build a long-term relationship with its customers and potentially sell more products or services to them over time. Here is a way for you to calculate the current lifetime value of your customers.

LIFETIME VALUE CALCULATION

		Segment 1	**Segment 2**	**Segment 3**	**Segment 4**
Average $ Per Sale	X				
Average Frequency of Sales Per Year	X				
Average # of Years as a Customer	X				
Total Lifetime Revenue Value of a Customer	=				

There are several strategies you can use to increase your customer retention. One of these is to continuously improve your products and services. While this strategy may start with improving the products and services you sell to your customers it also includes improving the customer experience post-sale.

Continuously Improve Your Products and Services

One of the quickest ways to lose customers is to allow competitors to surpass you in providing a uniquely superior product or service. Here are some strategies that your business can use to continuously improve its products or services:

Solicit feedback from customers

1. One of the best ways to identify areas for improvement is to ask your customers directly. Consider sending surveys, conducting focus groups, or asking for feedback through social media or email.
2. Continuously review and respond to Yelp and Google reviews
    - Just because you don't enjoy reading negative feedback, doesn't mean you can simply ignore it. The most successful companies use this feedback to improve their products and services.

Analyze data and metrics

1. Look at data and metrics such as sales figures, customer satisfaction scores, and usage patterns to identify trends and areas for improvement.

Stay up to date with industry trends

1. Make sure you are informed about what's happening in your industry, including new technologies, best practices, and customer needs and preferences.

Collaborate with team members and stakeholders

1. Involve your team members and other stakeholders in the process of improving your products or services. Encourage idea generation and open communication to get a diverse range of perspectives.

Consider the entire customer experience

1. Think about every touchpoint that a customer has with your company, from when they first hear about you at the beginning of their buyer's journey to the initial purchase and on to post-sale support. Identify areas where the experience could be improved and make changes accordingly.

Ask the questions you are scared to ask.

Business is about relationships and value. If you are not delivering value and you don't have a strong relationship, customers might express their dissatisfaction bluntly, or they might feel that communicating their displeasure isn't worth the effort and just leave. If the relationship is strong but the value is no longer there your customer may not tell you, but they will stop doing business with you.

As humans, we don't enjoy confrontation which is one reason customers just go away rather than letting you know what's wrong. Negative feedback is another thing that we tend to avoid so we tend to not ask our customers the risky questions. But if you want to keep your customers longer you need to encourage your customers to critique you and your work so that you can continue to build the relationship and deliver value that they feel is important.

Become Your Clients' Partner Instead of Their Supplier

When you think of your business as your customers' partner, instead of a vendor or supplier, you will see that it is your primary role to provide the best, most up-to-date product or service you can. Customers are far less likely to leave a "business partner" than a simple vendor or supplier. Don't allow yourself to be viewed as a supplier or vendor. Continuously ask your customers what it would take for you to be a true or better business partner.

Communicate, Communicate, Communicate

As a business owner, there are many aspects of your business that are not within your control. However, the one variable that your business can and should control is communication with customers. Nobody likes surprises. When you think about your customer interactions; who is the one who initiates the dialogue; is it you or your customer? If it is your customer, it is likely that you will quickly become defensive, reacting, and trying to reassure them that they will be satisfied. However, if you are the one to initiate the communication and are proactive with initiating updates before your customer asks, your customer's confidence that you care about them and are working for them will be significantly higher. This is critical when you have delivery, quality, or service issues.

Proactive dialogue (telephone discussions or face-to-face is much better than email) concerning problems and what you are doing to solve those problems may not make your customer happy. However, your proactive communication can be a catalyst to increase their trust in your ability to deliver. Think about your buying habits. What do you prefer; getting updates without asking or having to chase after answers from a business to find out what is happening?

Offer Outstanding Post-Sale Customer Service

For you to retain customers it is imperative that you offer excellent customer service. Customers are more likely to return to a business that treats them well and resolves any issues they may encounter in a timely and satisfactory manner. Consider investing in training for your frontline staff and customer service team to ensure they can handle any issues that may arise.

Customer retention is all about the customer experience. If you want raving fans that stay with you, and refer others to you, it is essential that you add value. Go back to the questions from earlier in this chapter:

1. What are their expectations? (Minimums)
2. What are their hopes? (Pleasant surprises)

Being outstanding and creating raving fans requires you to always exceed the customers' minimum expectations and deliver pleasant surprises that they hope for.

If your customer has an issue, acknowledge it, deal with it proactively, and make sure they are happy at the end. Additionally, make everything you can think of easier for your customers. Customers leave businesses that make what they consider to be simple things hard. For example, make it easy for your customers to find information on your website. Don't bury it and expect your customers to work to find it. They won't. Also, do not forget the personal touch, a phone call, email, or even a handwritten note if and when appropriate.

Consider providing special support and a dedicated contact methodology to customers. This eliminates frustration by giving your best customers a way to skip the line. Delta Airlines does this very well, offering its SkyMiles members a dedicated phone number with a callback option.

Secret Shop Your Experience

According to a worldwide survey conducted by The Economist, the top three elements of ideal customer service are:

1. Fast response to inquiries or complaints
2. Simple purchasing processes
3. Ability to track orders in real-time

The truth is, you may be losing loyalty every time a customer transacts with you if you do not have these three areas buttoned up tight in your business. Ask unbiased friends or colleagues to secretly shop your business, go through the customer experience, and report back to you.

If response time to inquiries or complaints is your number one issue, some simple improvements could be:

1. Educate your team on how to deal with the most common complaints and standardize scripts for these inquiries.
2. Look at your average response time when addressing questions and complaints.
3. After you make some improvements and your customer experience is frictionless, ask your original secret shoppers to audit your new processes and give you additional feedback. Auditing and reviewing your customer experience should be a regular occurrence in your business. This will keep old and new customers happy and loyal for longer.
4. If your business does online sales, take a close look at the user experience on any online shopping carts and consider adding a chat button on your e-commerce site.

Continuously improving your products and services is critical to you staying ahead of your customers' expectations, reducing churn, and increasing retention. Don't get lulled into a false sense of security just because at one time you were the best choice in town. The market does not stay constant. New competitors enter your market. Current competitors improve their offerings. Customers' expectations change. You must stay ahead of the curve and not get complacent.

Improving customer service is an effective way to increase retention because it helps build trust and establish a positive relationship with customers. This leads to increased satisfaction and loyalty, which translates into increased retention and profitability for your business.

Chapter 14:

Upsell and Cross Sell - The Art of Offering More

Upselling and Cross-Selling are the art of offering the customer more at the point of purchase. Make it something they need or want but did not think about purchasing until you made the offer. This could be something of higher quality or it might just be a larger quantity of what they just purchased.

These are examples of upselling. Another option is to offer an additional product or service that is related to what they are purchasing. This is an example of cross-selling. Once a customer has decided to purchase something they are predisposed to buying additional things; they're in a purchasing frame of mind. Oftentimes they will buy almost anything that's related to their primary purchase if it is offered at the time they are making a purchase from you.

These are examples of upselling:

1. "Would you like to supersize your order?"
2. A clothing store offers a large discount when your purchase is over a specific dollar amount or when you buy multiple items such as "Buy one suit at regular price and get the second one for half-off".
3. Your local car wash may recommend a full auto detail when you stop to have your car washed. If you decline the full detail, the car wash attendant might suggest that you add the tire cleaner and wax upgrade from the basic wash.
4. An HVAC business might offer duct cleaning at the time they are installing a new furnace or air conditioning unit.

A couple of examples of cross-selling are "Would you like fries with that?" or “Would you like to add an apple pie to your meal?” McDonald’s and other fast-food restaurants make millions using cross-selling. Another cross-sell example is a hair salon that sells you shampoo and conditioner to take home after your haircut or coloring. When you buy an extended warranty from an online retailer or at the time of check-out you are accepting a cross-sell offer.

In Chapter 15, we will talk about Bundling. A “Premium Package” that includes tire cleaner, wax, interior vacuum, and window cleaning is an example of bundling. As you can see these strategies work together. Your bundle may be an offering that you create as you identify upsell and cross-sell strategies.

Use these questions to find upsell and cross-sell opportunities:

1. Do you currently have any upsell or cross-sell strategies in place?
    - What are they?
    - What are you doing to promote them to your customers?
2. What products or services could you use to create or expand your upsell and cross-sell activity?
    - What can you use to make upsell offers?
    - What can you use to make cross-sell offers?
3. Do you currently package products, services, or options (bundling) that are complementary to each other as a way to increase your average purchase?
    - If you have them-
        - What are they?
        - What are you doing to promote them to your customers?
    - If you don’t have them-
        - What could you offer in a bundle?
        - Once you create bundles how will you promote them to your customers?

Brainstorm other ways to maximize your upsell and cross-sell opportunities. This is time well spent because around 34% of customers will buy additional products or services at the time of their original purchase if they're asked to do so. Not only that, companies that employ upsell and cross-sell strategies will typically see a 10% to 30% increase in their revenues. What would be the impact on your business if you initiated several upsell and cross-sell strategies to maximize the amount of money each of your customers spends with you every time they do business with you? Identify that as a percentage and dollar amount and add this to your KPIs (key performance indicators).

Now let's look at ways for you to implement your upsell and cross-sell strategies. These offers can be used to attract customers away from your competition and bring them to your business. Think back to when you were a kid. Remember ripping open a fresh box of cereal and spilling the cereal everywhere to get to the hidden prize? If you are a parent (or if you've ever seen a family ordering at McDonald's) how many times have the kids held up the line until they were assured that they were getting the 25-cent plastic toy that comes with a McDonald's Happy Meal?

Have you ever paid attention to infomercials and been struck by the uniformity of the techniques used to get you to act right away? They inform you that the retail price is $49.95. However, if you act right now you can get everything they're selling for just $19.95 during this limited-time TV promotion. What's more, if you place your purchase in the next 10 minutes, they will increase it by 100% and you will get the additional item free. You'll only have to fork over some extra cash for shipping and processing. Wow. A hundred-dollar value for nineteen dollars and ninety-five cents sounds like a steal. This is why these companies gain millions of dollars a year using these discounts and special offers. People get caught up in this and rush to make the purchase all the time. However, think about it, the business making this offer is selling its wares at a profit. This offer feels like a great deal and makes people feel that they would be fools not to take advantage of this "special one-time limited offer!"

Apple introduced the iPad in 2010 for $499. In the same year, Amazon introduced the Kindle Fire for $199. The Kindle Fire caught fire and quickly cornered almost 20% of the global tablet market. However, it wasn't widely known at the time that Amazon lost money on sales at the $199 mark.

This brings up a good question. Why did they decide to lose money on such a grand scale? The reason is simple; customer value over time is also known as the lifetime value of a customer. However, bad news for Amazon, in spite of their shrewd calculations, they realized too late that the Kindle Fire would never recover the loss that it produced for the company. The good news for Amazon is they made up for the lost money with profits from things like movies, online applications, games, and book sales. It is a tried-and-true method. The classic example is giving away the razor to gain a customer for replacement blades.

How can you make deals as alluring as these for your own company? In other words, how can you use attractive incentives to drive your prospects and customers to action, leaving your competitors in the dust as you take over the market?

You might see fast and profitable benefits from:

1. Offering enticing incentives such as a free trial, a free initial appointment, or a discount on a purchase.
2. Offering first-time buyer specials (cellular phone providers do this a lot to win business away from their completion).
3. Offering customer loyalty deals that are only available to current customers (auto manufacturers have used this for returning lessees or other customers).

Your ability to target the right customers with pinpoint accuracy will determine the sort of enticing reward that will work best for your company.

To succeed in today's competitive market, you need to set yourself apart from the other players in your market. After that, you need to be able to get your message in front of your target audience. You should always be thinking about why a prospect should buy from you rather than your competitors. One way to set a business apart from the competition is with a compelling offer as discussed in Chapter 7. To make this simple and easy for you to apply immediately, let’s zero in on powerful, appealing incentive categories like free trials and value-added extras.

Start with some free stuff. When you're confident in the worth and utility of your product or service, convincing a prospect to let you prove it to them is the most effective type of marketing you can do. If this describes your company, a free trial is an excellent convincing incentive. Have you ever gone car shopping and been offered the opportunity to take the vehicle home with you and use it for the weekend? High-dollar personal injury lawyers advertise free consultations on TV every day because they know that if they can get in front of a qualified prospect, they will be able to convince them that they are the best choice to defend their case. Each of them is a no-risk offer.

If your product or service has a high shipping cost, you may want to consider offering a deeper discount than the competition. Be careful to track your real profit and conversion rates while testing such offers in small amounts. The market for fitness equipment is extremely saturated. That's why the best equipment makers offer a full month to test out their hardware, whereas most of the rest of the industry only gives you ten days. Due to the high cost of transporting this type of equipment a prolonged trial time and great quality become the attractive inducement for the high-end producer.

However, shipping and handling fees are often not covered by the company's return policy. Customers may feel that the cost and hassle of returning the gear is not worth the trouble. Manufacturers who are confident that their customers will be pleased with their purchases and know that the percentage of returns is very low may cover return shipping as well. This can be a wise decision as long as you track return costs to ensure that they don’t eat up your profit margins.

Customers typically disregard delivery costs while making a purchase. Here are some situations where offering free trials can be an effective sales strategy:

1. When you need to encourage potential customers to give your product or service a try so they can see and feel the benefits for themselves.
2. If your company's offering is consumable or has a high value to its customers over time, they may be more likely to buy from you again.

Offering a free trial is a great idea if you're trying to attract new consumers or expose existing ones to a new product or service, both of which you can do more effectively by highlighting how you stand out from the competition and how your benefits stack up against those of your competitors.

How frequently do you find yourself being offered a sample of a product at the supermarket that you wouldn't ordinarily buy? If you tried it, have you ever bought it? Free trials can be used to present any product or service to targeted prospects to convince them to become regular customers. In fact, a few years ago, consumer products giant Procter & Gamble stopped using coupons in most key countries in favor of free samples.

You may be more aggressive with free trials if your potential customers fit a specific profile. That is the belief of some attorneys who practice personal injury law. If it means getting in front of a potentially large settlement prospect, they are willing to shift other priorities. The potential client is vetted before the meeting to ensure they satisfy all of their requirements then that case becomes top priority.

A salon may offer a complimentary manicure with the purchase of tinting and a haircut. An accountant, CPA, or financial advisor may prepare personal tax returns for their business clients at no cost. As an incentive to close a deal on a large landscaping project, a landscaper could provide one year of free landscape care. A dentist, chiropractor, or doctor might provide the first visit or treatment for free. A free trial visit or introductory time, say 30 days, might be offered by health clubs, fitness facilities, or weight reduction clinics. Perhaps a personal trainer will work with you for two hours providing a value-add and potential upsell opportunity.

A restaurant might give out free food (for example free appetizer or dessert with entrée), or a photographer could give a free photo shoot to a single member of the family to position a potential family group session. These free trials don't cost a lot, yet they often result in lifelong clients. Keep this in mind whenever you have downtime throughout your usual workday. These offers might only be available during otherwise slow times. A landscape contractor could propose designing a whole plot for annuals. Since these plants need to be renewed annually, this free trial has a good chance of convincing the buyer to get the free design and then hire the contractor to plant and care for their landscaping. This is one way to introduce the business to their prospective customers.

Several years ago, groups of teenagers and young adults went door-to-door throughout entire communities to market a magical cleaning product. They would ask homeowners if they wanted the ugly oil stain cleaned from their driveways for free. The interested homeowner naturally agreed that they would, but they doubted that the young person would have much luck with only one square of this potent cleanser and a swipe of a towel because they had attempted to remove it themselves using every means imaginable. The stains were removed, and the sale was finalized.

How many vacuum cleaners have been sold this way since free in-home demonstration was the main sales strategy for years? Because of the persuasive power of demonstrations, the sale was sealed as soon as the customer observed the vacuum clean up their toughest mess.

Free trials may help boost sales when your company caters to a prospective person who has a specific need but is unaware that they can find a solution to that need through your services. Offering a free evaluation is effective for two reasons if it turns out that your product or service is the one your prospect needs. First, it generates new clients out of thin air, since those people would never have bought from you or anybody else had you not shown them that a solution existed for a problem they had. Second, you become the clear choice for the purchase when you provide them with a means of solving their problem.

Chapter 15:

Bundling

Increasing your prices is one of the fastest ways to increase profits. Have you asked yourself how much you might make if you increase your prices? Are you afraid of losing customers if you do? That's understandable. It's a complex and sensitive topic that can have a devastating impact on a business if not done with a strategic approach and care. If you do it wrong, it could put you out of business.

How can you raise your prices and charge what you are worth without losing customers? Keep in mind that customers want value and settle for price shopping only when businesses fail to demonstrate value. When you increase the value of your products or services you can increase your prices. You will enjoy improved profit margins and an increase in sales.

How much more money could you make if you increase your prices? Most business owners think about this, but then the alarm bells of fear, uncertainty, and doubt start to ring. They often think that if they raise prices, they will have to say goodbye to many (or even all) of their current consumers. They may also fear that they will not be competitive in the market. That thinking is prevalent and it explains why so many companies compete solely on price. What if there was a foolproof strategy that would make it possible for you to significantly increase your prices without driving away your customers?

There are some common mistakes that business owners often make if they are not familiar with pricing or product strategies. So first let’s look at some pricing fundamentals. Your most price-conscious customers generally consume most of your time. When you compete on price you attract price shoppers. If you give them the chance, they will drain your resources and destroy your business. Customers who come to you solely based on a low price will leave you for lower prices at one of your competitors. The 80/20 rule states that 80% of a business’s revenue comes from 20% of its customers. The 80/20 rule also holds when it comes to the customers who take up your time and will leave as soon as someone offers them a lower price. Think about your customers. Do you see that 20% of them take up 80% of your time? Are those customers the 20% that produce 80% of your revenue?

If you are spending 80% of your time and resources serving the top 20% of your customers, it is good for you! If not, ask yourself if you're spending 80% of your time dealing with your least profitable customers. Why do you spend so much time with them? Are they always the ones complaining about something? Those who buy at low prices are generally the loudest and most demanding. And if they don't think they're getting what they deserve, they'll go out of their way to make sure you know about it. They are the ones who complain most and demand that they get what they want with a hundred percent happiness at the cheapest possible price.

There is a better strategy. A significant number of entrepreneurs feel that the opposite approach is the right one and they act accordingly. These business owners think that those who spend the most are entitled to the best treatment, and that's exactly what they get. This strategy attracts customers who want value. These are customers who are happy to pay higher prices because they feel that they are appreciated and are receiving significant value from the businesses they purchase from.

So how do you raise prices comfortably without losing customers? One way is through bundling. This is grouping together products or services into packages to be sold to clients or customers. What this does is it removes your price from the conversation of what you offer versus what your competition offers because you create an apples-to-oranges comparison. It's important to remember that customers shop for what they feel is offering them value. They shop price when businesses offer them nothing but price to consider.

When you don't have a strong value proposition, price becomes the only proposition. The key is to offer more value than the competition. Did you know that some businesses that offer a mere 10% discount will have to sell 50% more just to break even? So what should you do instead of discounting? You should be innovative in setting your business apart from the competition so you can offer more value than the competition as you raise your prices.

The perceived value goes up, so the prospect buys more. For example, when you go to McDonald's, you don't buy a burger, fries, drink, or toy individually. You buy a Happy Meal. Insurance companies provide home and auto insurance as one offering. Many call it bundling or a bundle and advertise as though they invented the idea. The hospitality and tourism industry often bundle their services together. When booking a flight, the airline usually sends offers for hotel and rental cars. This is an example of bundling and Joint Ventures being done together. To get started, test a small increase of something like 5% on your total price for a bundled strategy and observe your customers' reaction. It is likely that they won't even notice, and you'll enjoy a hefty increase in profits.

Before you implement strategies to increase prices it's important to know your current customer retention numbers. This is important data to track as part of your key performance indicators (KPI) even if you're not increasing prices. Refer to the Customer Retention Rate Calculator in Chapter 13 – Retention for more on how to determine your retention numbers.

Chapter 16:

Leveraging your existing customer database

There are several ways a business can use an existing customer database to increase its frequency of sales.

Personalized marketing

By analyzing customer data, a business can create personalized marketing campaigns targeted at individual customers or groups of customers. This can help increase the relevance and effectiveness of marketing efforts, which can in turn increase sales frequency.

Personalized marketing campaigns that are targeted to individual customers or groups of customers can increase sales frequency by enhancing the relevance and effectiveness of marketing efforts. When customers feel that a business understands their needs and preferences, they are more likely to make a purchase.

Here are some specific ways that personalized marketing campaigns can increase sales frequency:

Targeted messaging

Personalized marketing campaigns can use targeted messaging that speaks directly to the needs and interests of individual customers or groups of customers. This is more effective than generic marketing messages, which may not resonate with all of your customers.

Personalized recommendations

By analyzing customer data, you can make personalized product recommendations to individual customers. These recommendations are more relevant and appealing to the customer and can increase the likelihood of a purchase. An example of this strategy is to do a “since you bought this, you might also like that” recommendation.

Customized offers

Personalized marketing campaigns can also include customized offers tailored to the needs and interests of individual customers. For example, a business might offer a discount on a product that a customer has shown interest in.

Improved customer experience

Personalized marketing campaigns can improve the overall customer experience, which increases customer satisfaction and loyalty. This will lead to more repeat purchases from customers.

Overall, personalized marketing campaigns targeted to individual customers or groups of customers can be a powerful tool for increasing sales frequency. Creating a more personalized and relevant customer experience will make your customers want to come back again and again.

Customer loyalty programs

Customer data can be used to create and manage loyalty programs, which can help encourage customers to make repeat purchases.

Personalization

By analyzing customer data, businesses can create personalized loyalty programs tailored to individual customers' preferences, needs, and behaviors. This can help make the loyalty program more relevant and appealing to customers and encourage them to continue participating.

Segmentation

Customer data can be used to segment customers into different groups based on factors such as their purchasing habits, preferences, and demographics. This allows you to create targeted loyalty programs tailored to the specific needs and interests of each customer segment.

Rewards

By analyzing customer data, you can identify the rewards that are most likely to be valued by customers and create loyalty programs that offer those rewards. This can help to refine and increase the appeal of the loyalty program and encourage even more purchases.

Marketing Campaigns

Customer data can be used to create targeted marketing campaigns that are focused on encouraging participation in the loyalty program and promoting repeat purchases. For example, businesses can use customer data to send personalized emails or targeted advertisements that highlight the benefits of the loyalty program and encourage customers to take advantage of it.

Cross-sell of Additional Products and Services

Too often a small business's customer database is an under-utilized resource. If the business does not take full advantage of the data it contains, they are leaving a lot of important information, potential sales, and additional revenue on the table. It is important to keep this information current. If the database is not regularly updated and maintained it may not be accurate or complete, which will limit its usefulness. If you are not segmenting customers or creating targeted marketing campaigns, you may be missing out on opportunities to reach the right customers with the right message and increase the effectiveness of your marketing efforts.

By not analyzing the data in your database you may be missing out on opportunities to identify trends and patterns in customer behavior. Keeping an eye on this can help inform business decisions and improve products, services, and marketing strategies.
By not using the database to personalize the customer experience or improve customer service you may be missing out on opportunities to improve the overall customer experience and increase customer loyalty.

Your business's customer database is extremely important. It can provide insights into customer preferences, behaviors, and purchasing habits, which can be used to improve the customer experience, drive sales, and increase customer loyalty. By fully utilizing your customer databases, you can gain valuable insights into your customers and use that information to increase your customers' frequency of sales.

Chapter 17:

Reducing Your Fixed Costs - Things You Can Do

The success of a small business relies on its ability to adjust and adapt to changing economic conditions. The current economic climate has tested small businesses of every kind, forcing business owners to find creative solutions to the problems of staffing, sales declines, remote work, and more. Improving profit margins and cash flow by reducing costs is a strategy that requires constant vigilance, review, and execution of strategies.

What are fixed costs?

Fixed costs are the regular, expected expenses each month to keep your business running regardless of your sales. Fixed costs are predictable and usually set to the same total each month. However, just because they're fixed doesn't mean they are permanent, unchanging, or untouchable. It is likely that you have some high fixed costs. Potentially, these costs can be adjusted, re-negotiated, or even eliminated.

Examples of fixed costs include:

1. Rent or Mortgage
2. Payroll/Labor Costs
    - Benefits – These are fixed, especially if they are part of a union collective bargaining agreement or if they are part of employment agreements.
    - Labor is also a variable cost (See Chapter 18).

3. Insurance
    - Typically insurance premiums are fixed. However, some business insurance is subject to annual audits where actual sales or other elements outlined in the policy might result in an adjustment to the actual premium.
4. Property taxes
5. Interest
6. Advertising
7. Standing orders
8. Licenses, permits, and membership fees
9. Equipment and vehicles
10. Maintenance
11. Website and e-commerce fees
12. Utilities
    - Generally, utilities are consistent fixed costs although they might vary depending on energy consumption for increases in production or other variable considerations.

How to analyze cost

Once you realize the need to adjust your monthly costs, the first step is to ruthlessly analyze each cost in your budget and identify where you have seen “creep” in overall total or unnecessary expenditures. Fixed costs tend to unnecessarily increase as revenue increases. This can be compared to the size of the dinner plate increasing as the family’s food budget increases. This phenomenon is one you must fight and resist.

Total fixed cost

Determine your total fixed cost by adding up each recurring, expected expense for the month. Check bank statements, credit card statements, invoices, and any other expense report records to itemize each expense, and then separate variable expenses (changing, unpredictable) from fixed.

Average fixed cost

For long-term budgeting purposes, your average fixed cost might be a good indicator. Calculating your total fixed cost for each month and then averaging for a season, quarter, or year can help you and your accountant notice trends or problems with cash flow.

Review quantity

Note the quantity or selection of each fixed-cost item. Do you need that exact quantity? Could you save by ordering a greater quantity with less frequency? Often your suppliers are willing to provide a discount if you order a greater quantity less frequently, so your overall annual expenses do not increase. This strategy will be addressed again in Chapter 18 in considering its impact on variable costs.

Examine pricing

Fixed cost “creep” is common for small businesses. This happens when the price of a fixed cost slowly increases over time. It could come in the form of small upgrades or additional shipping fees, or it could just be an increase in the price schedule due to inflation or demand. Carefully monitor the price of your fixed costs over time. Periodically checking on other sources and suppliers is a wise practice. You can take your findings back to your current providers to see if they will match the market.

Determine the source

Along with each price, take inventory of your vendors and their locations. How much do they charge for things like packaging, shipping, delivery, etc.? Do you have a pre-negotiated contract? When looking at cutting fixed costs, sourcing will be a key part of your strategy, so be thorough.

Strategies for reducing fixed costs

There are several ways small business owners can reduce their fixed costs. When it comes time to make the cuts that affect your fixed costs, it's important to move strategically. Instead of slashing your budget indiscriminately, consider where the strategies can have the greatest impact on your business.

Note usage and cut waste

Unfortunately, every company deals with waste. Assess how you are using or wasting each of your line items, such as inventory or office supplies. For each purchase or cost ask yourself "Knowing what I know right now about the price, delivery, quality, and usage of this product or service, would I buy again?" If the answer is no, you can flag these for extra scrutiny.

Communicate with your employees what is and is not available for them to take home and how those items are to be used. Many small businesses experience a spike in office supply replacement orders right after kids go back to school.

A great way to determine what costs can be reduced or eliminated is to ask yourself these three questions as they relate to each expense. Does this particular cost help:

1. Obtain a new customer?
2. Retain a current customer?
3. Increase the lifetime value of a customer?

If the answer is "No" then the cost should likely be reduced or eliminated.

Reducing labor costs

Payroll is a significant portion of your fixed cost, and if you're in danger of insolvency it might be an unavoidable target of budget cuts. There are a few ways to do this:

1. Hire entry-level employees or interns
2. Cut salaries
3. Move to a 4-day workweek
4. Layoffs

When you are facing a financial crisis, it's easy to see layoffs as a quick cost reduction to a significant line item in your business budget. However, letting employees go impacts more than just the people collecting their severance checks. Layoffs can also increase "survivor" stress levels, decrease morale, cause an exodus, and cause mistrust among your employee base. Of course, this is not always the case. But layoffs should still be considered a last resort.

Reducing rent or mortgage

Rent or mortgage payments are significant overhead for your business, and may not even be necessary. Check your lease for clauses that can release you from the contract, or see if you can negotiate a more favorable rent payment with your landlord. Look for space in a more affordable area, or consider subleasing parts of your underused space.

Consider allowing your employees to work from home to reduce your office space and utilities costs. In addition to cost savings, telecommuting can also improve employee morale and retention.

Today, many companies have transitioned to a fully remote workforce. While the switch to full-time work from home had some false starts and challenges, nearly 43% of full-time employees want to continue to work remotely now that they've experienced it.

Making it easy for employees to work remotely has tons of cost-saving benefits especially related to your overhead. If you haven't already taken the time to get employees set up with remote workspaces that optimize efficiency it could be worth the investment.

Reducing insurance, fees, and vendor purchases

From vendors to office spaces, you should always be aware of the market rates. Fixed cost "creep" can also mean that your vendor prices stay the same, but the market rates for those goods have dropped.

You can effectively reduce fixed costs just by making a few phone calls. Insurance is a good example of this: get quotes from multiple insurance providers and make a switch to save more money each month or find a really good commercial insurance broker who is willing to shop your policies at renewal.

Reducing subscriptions

Another critical area to inspect is your subscription services. Many paid SaaS subscriptions can charge you monthly for services you don't use. Look for free alternatives to paid subscriptions or options for consolidating multiple services into one platform.

Reducing through refinancing

If you're like most entrepreneurs, you started your business on a shoestring budget or heavy usage of your credit. The initial loans and debts of your businesses could be eating away at your bottom line with interest and principal payments that are difficult for you to handle. Refinancing a mortgage or loan can significantly reduce monthly payments and the interest you pay over time. You should also consider debt consolidation if you are making payments on multiple debts each month. Credit card interest tends to be higher than the interest on other loans. If you've established your business credit and can move from higher credit card interest to lower interest on a line of credit or other lending option it can be very beneficial to do so.

Constantly review and negotiate contracts

Just because a contract was a good deal initially, doesn't make it one now. Constantly review all of your contracts, including leases, insurance policies, and service agreements to negotiate better terms. For example, you can try to negotiate a lower rent for your office space or a better rate for your insurance coverage.

Here are some tips for negotiating better terms on leases, insurance policies, and service agreements:

1. Research the market: Research the market to find out what other companies are paying for similar leases, insurance policies, or service agreements. This can give you a benchmark to use when negotiating.
2. Understand your leverage: Consider your leverage when negotiating. For example, if you have a long history with a supplier or service provider you may have leverage to negotiate better terms. On the other hand, if you are a new customer, you may have less leverage.
3. Be prepared to walk away: If you are unable to negotiate terms that are acceptable to you, be prepared to walk away. This can help you show the other party that you are serious about getting the best deal possible.
4. Consider alternative providers: Consider looking at alternative providers. If you have multiple

options, you may have more leverage to negotiate better terms.
5. Use your negotiation skills: Use your negotiation skills to get the best deal possible. Be clear and concise in your communication, listen to the other party's needs and concerns, and be willing to compromise.
6. Get it in writing: Make sure that any agreements you reach are put in writing. This can help prevent misunderstandings and ensure that both parties are held to the agreed-upon terms.

Cut or reduce other unnecessary expenses

Review your expenses and see if any unnecessary costs can be cut. For example, if you are paying for a subscription service that you no longer use, cancel it.

Use cloud-based software

Consider using cloud-based software to reduce your IT costs. Cloud-based software is typically less expensive than on-premise solutions, and you only pay for what you use.

Outsource non-core tasks

Outsource tasks that are not core to your business to save on labor costs. For example, you can outsource bookkeeping, payroll, or marketing tasks to a third party.

Use freelancers or contractors

Consider hiring freelancers or contractors instead of full-time employees to save on labor costs. Freelancers and contractors are typically paid on a project basis and do not receive benefits, which can help you reduce your expenses.

Automate tasks

Use technology to automate tasks like invoicing, billing, and payroll. Automating these tasks can help you save on labor costs and improve efficiency.

Rent or lease instead of buying

Consider renting or leasing equipment or office space instead of buying. This can help you save on upfront costs and reduce your overall expenses. Rental and lease agreements might also provide you with no-cost or low-cost upgrades that will allow you to keep your equipment up-to-date rather than having to hang on to it until it’s fully depreciated.

Implement energy-efficient practices

Implementing energy-efficient practices can help you reduce your utility costs. For example, you can switch to LED lighting, use power strips to turn off electronics when not in use, and invest in energy-efficient appliances. Some of these items may even be discounted or offered free of charge from your utility or a government entity. Some electric utilities offer free LED light kits that will reduce your out-of-pocket cost to make the change.

Optimize your debt

Consider refinancing your debt to get a lower interest rate. This can help you save on interest payments and reduce your overall expenses.

Reducing your fixed costs is not a one-time event, but rather a habit of constantly analyzing all your fixed costs and determining which costs are no longer necessary at the current level or no longer necessary at all. Do not allow your fear of the unknown to get in the way of taking the steps to reduce your fixed costs. You will find it well worth the time and the discomfort. Just follow the strategies above and you'll be well on your path to running a more profitable business.

Chapter 18:

Reducing Your Variable Costs - Where Does All the Money Go?

The old saying, “It takes money to make money” traces back to Aristotle. The goal of this chapter and Chapter 17 is to point out that as a business owner, you can and must manage the money that cuts into your profits and makes you less competitive at the same time. Of course, we are still talking about costs. There are two types of costs for every business: fixed and variable. In this chapter let’s look at variable costs and how you can manage and potentially reduce both fixed and variable costs. Before we talk about ways to reduce variable costs let’s look at what variable costs are and how you can calculate your variable costs.

Variable costs are the costs incurred by your business when you produce a product or provide a service. In contrast to fixed costs which are ongoing even if you do not produce anything. Another name for variable costs is unit-level costs since they vary based on the number of units of something you produce.

Here is how to figure your variable costs per unit:

In this example, a company turns wooden bowls. The variable cost increases with each bowl produced because both the amount of wood used and the labor to produce the bowls increase with each additional unit (bowl) being produced. In this simple example, the wood and labor need to be calculated to determine the per unit variable cost as well as to calculate the total variable cost. The equipment and the facility are not part of this calculation because they are costs to the business if zero bowls are made and are costs that don’t change as the number of bowls produced increases (these are fixed costs).

	0 bowls	1 bowl	2 bowls	3 bowls
Wood (Direct Materials)	0 cubic ft.	1 cubic ft.	2 cubic ft.	3 cubic ft.
Labor (Direct Labor)	0-hrs	2.5-hrs	5-hrs	7.5-hrs
Equipment	1 lathe	1 lathe	1 lathe	1 lathe
Facility (overhead)	1 room	1 room	1 room	1 room

Material and labor are variable costs as are sales commissions, packaging, shipping, and anything else that is a cost incurred only when a product or service is produced.

As you set prices it is important to understand that you need to cover your total costs; both fixed and variable costs since you have to cover the fixed and variable costs that are apportioned to each unit produced. As you are planning your marketing budgets it is important to know your fixed and variable costs and understand the cost impact of your variable costs. Consider both when forecasting the earnings you expect based on increases in unit sales, to verify what the financial impact of a proposed marketing campaign should be.

Here's how to figure your total costs:

To reduce your variable costs, look at the cost of direct materials, also known as raw materials:

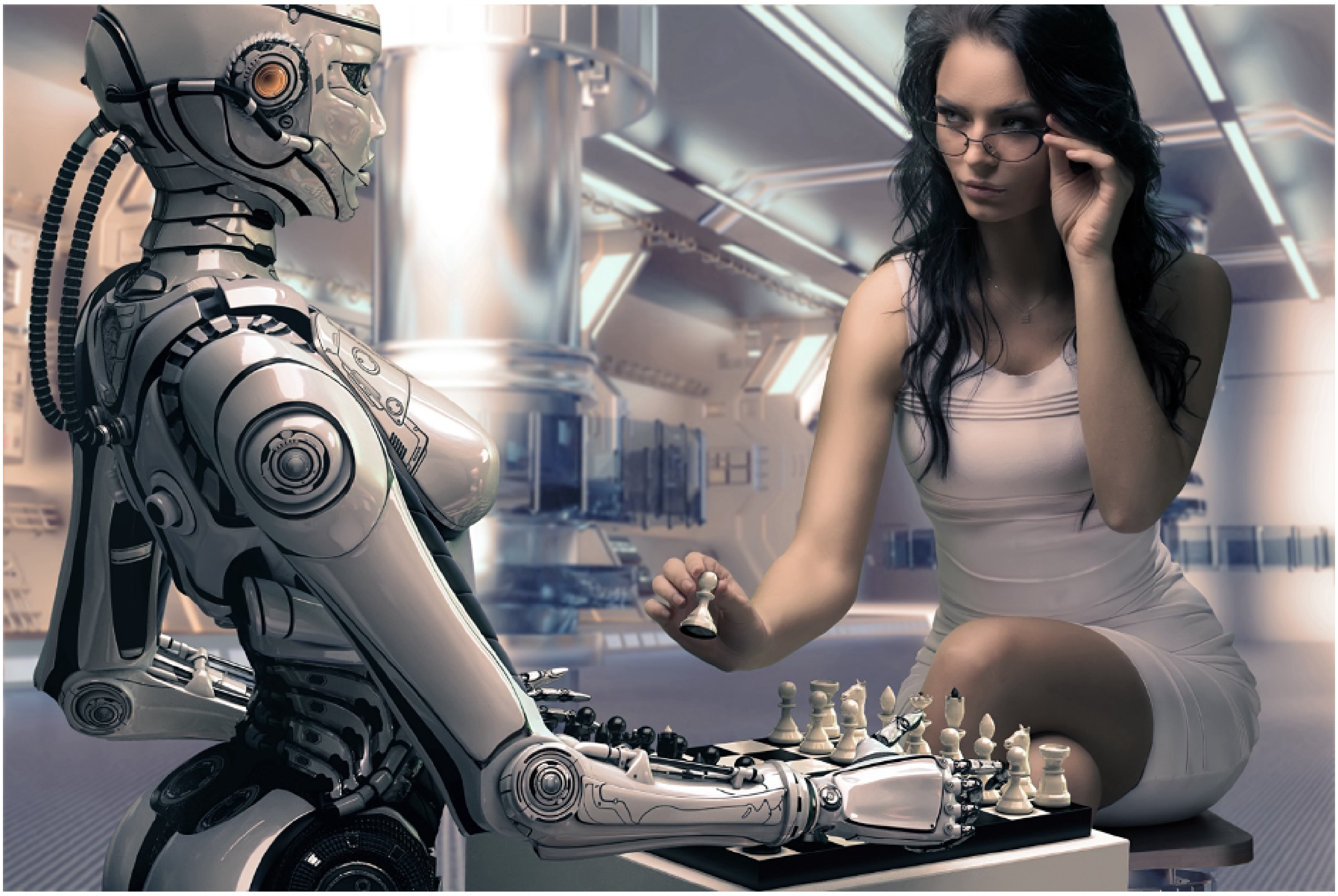
1. Can you get significant discounts by purchasing larger quantities of materials?
    - What is the carrying cost involved in purchasing larger quantities of materials and will those costs use up the savings?
    - Carrying costs might include taxes, insurance, employee costs, depreciation, the cost of having items in storage, the cost of replacing perishable items, and opportunity costs.
2. Are there other sources of materials that are cheaper?
3. Are there alternative materials that might be good options at a lower cost?

Also, look at your labor costs:

1. Are you using sub-contract labor?
    - If so, are you getting the most competitive rates?
    - If not, should you consider using subcontractors or outsourcing labor?
2. Are you paying more in overtime wages than the cost of adding more workers?
3. Are your staffing levels too high and it would reduce your labor cost to pay some overtime when you need additional production capacity?

Chapter 19:

Transforming Your Pathway to Profit Using Artificial Intelligence (AI)



If you do not embrace Artificial intelligence (AI) in your business, you will become irrelevant. Yes, I said it. And it's true. Those who embrace it can now create a true Position of Market Dominance, which can give them an unfair competitive advantage.

AI isn't new. It's been around for years. You've been interacting with it and unknowingly have accepted it as a part of your everyday life. Yelling at Siri, saying, "Hey Google," and getting frustrated as you talk to Alexa is now normal. AI has emerged at the forefront of innovation, leading small businesses toward unprecedented growth and efficiency. As you journey through the modern business landscape, you'll see AI's transformative power on the core aspects of your business: People, Process, and Profit.

This chapter will demystify AI and show how it will help your small business thrive in a fast-paced, unpredictable, and ever-changing business climate. It will show you how to transform your Pathway to Profit.

"I believe AI is going to change
the world more than anything
in the history of humanity.
More than electricity."

~ Kai-Fu Lee, AI Expert

The AI Revolution in Small Business

You may not realize it, but AI isn't just for large companies with big budgets. It's for you as a small business owner, too. As of the writing of this book, the AI ecosystem boasts over thirteen thousand (13,000) tools, a number that grows daily. This expansive arsenal includes tools and systems capable of tasks traditionally requiring human intelligence, such as understanding natural language, performing advanced mathematical calculations, crafting marketing and sales copy, and recognizing patterns in vast data sets. The applications are as unlimited as they are groundbreaking.

This proliferation of AI tools is not just a boost to technological innovation but a ray of hope for you as you seek to create a Position of Market Dominance in a very competitive market. The narrative that AI is an out-of-reach technology reserved for tech giants is simply untrue. Today, AI is open to you if you are willing to embrace it, offering you, the small business owner, opportunities once thought to be beyond your grasp.

As a small business owner, your journey into AI doesn't just promise a toe-to-toe stance against larger competitors; it opens a new era of operational efficiency, market insight, and customer engagement. The biggest key to unlocking these benefits is understanding.

It's not enough for you to just understand what AI can do, but how it can be tailored to the specific needs and challenges of your small business.

AI tools can automate mundane tasks in your small business, freeing up valuable time to focus on strategic growth areas. Leveraging this can also free you up to spend more time with loved ones and create lasting memories while doing things you love other than working. From scheduling and inventory management to financial forecasting, AI can streamline your operations in a way that was previously only available to companies with the budget to afford large, specialized teams.

Moreover, AI's ability to sift through and analyze large data sets can provide you with insights that were once the domain of corporations with dedicated research departments. Understanding customer behaviors, market trends, and operational inefficiencies has become not just possible but a reality now.

The application of AI extends beyond operations and into the very heart of your business, meaning your customers. These tools can help you understand and predict customer needs and preferences, buying habits, and buying patterns. This allows you to personalize your engagement and scale beyond what you thought was possible before. Whether through AI-driven recommendation engines, sales chatbots, your AI clone speaking in multiple languages, or chatbots that provide 24/7 customer service, you can now offer a level of customer interaction and satisfaction that stands up to anyone.

As AI continues to evolve, you have unprecedented opportunities to leverage this technology to compete, thrive, and even outpace larger businesses. The key to this empowerment lies in your willingness to not merely dabble but embrace AI, not as a distant or unattainable technology but as a critical, accessible tool in your arsenal. With the right understanding and application of AI, you can not only level the playing field but can also redefine the game, turning challenges into opportunities for growth and innovation.

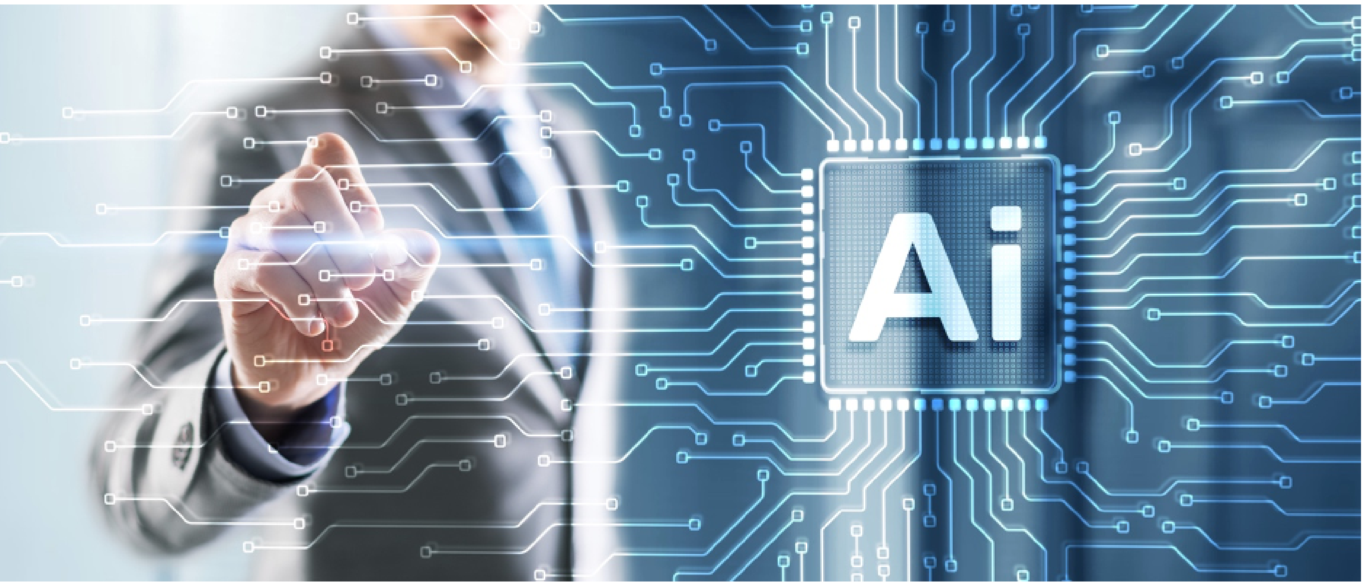
By leveraging the vast array of AI tools available today, you can enhance your Position of Market Dominance, operational efficiency, and customer engagement, paving the way for a future where the size of your budget is no longer the determining factor of your success. AI isn't just a tool for the future; it's the key to unlocking potential in the present, making it an essential component of your strategy to thrive in the modern market. Combining the Pathway to Profit Strategies with AI gives you an unfair advantage over those who choose to do things the old way.

Enhancing People Strategies with AI

AI has revolutionized HR operations and is continuing to do so. It enables targeted efforts to attract specific candidates and retain only the right team members. Automation for repetitive tasks allows you to operate with a smaller team. It also allows your team to pursue strategic, long-term initiatives while allowing technology to handle other tasks. AI-powered platforms quickly learn from an employee's responses and interactions to tailor their training program to meet needs and desires, building a more engaged and productive workforce. Additionally, predictive analytics can forecast your future staffing needs, so you're never caught flat-footed.

Operational efficiency is the backbone of your business. Your processes, from process management to your Position of Market Dominance, are part of the "special sauce" that differentiates you from the competition and attracts your customers to you. AI can make them more efficient and effective by cutting out excess or unnecessary elements. AI-driven analytics can run through your processes to reveal inefficiencies and guide your actions allowing you to do more with less. Additionally, AI tools and systems can remove the need for standard operating procedures to be conducted in the same way every time by the same person. This means you can make sure to maximize customer outcomes and free up your invaluable time to think strategically and create more points of differentiation for your business.

Success ultimately comes down to profitability. AI is incredibly useful for identifying cost-saving opportunities and optimizing pricing strategies through detailed analytics—but that's just the beginning. It also predicts market trends and customer behavior so you can make informed decisions that make big bucks. Even small businesses can scale down costs and increase their profit margins through more precise targeting without increasing marketing spend.



Starting Your AI Journey

So, where do you start? Implementing AI into your business may sound overwhelming, but just like eating an elephant: Start small and eat one bite at a time.

Identify the areas of your business that would most benefit from automation and efficiency that you can handle, such as chatbots for customer service or basic data analysis platforms.

As you become more comfortable and AI becomes more integral to your organization through your enterprise resource planning system, you can move on to more advanced applications: think predictive analytics for market trends and customer preferences.

That's not to say revolutionizing your business isn't challenging. Initially, it may require capital costs, which you might balk at, and a bit of a learning curve, but the long-term Return on Investment far outweighs the initial costs.

Remember, the goal is not to incorporate AI as a means of replacing human workers but of making the workers you love — the ones you've been forced to underutilize in a world of inefficiency — even better. This allows them to spend their time doing what they were hired to do — provide unmistakable high-value creativity in the workplace.

Real-World Success Stories

Still not thrilled at the idea of "taking the leap"? Here's an example of AI in action.

> Take the retail smoothie store in your neighborhood: Through an AI-powered inventory management system, it was able to not only predict stock levels down to a tee so stockouts and overstocks were eliminated, but it was also able to predict customer purchasing trends like never before, thereby tailor their inventory to perfection based on those customer needs. Sales went through the roof, in no small part because of that killer new line of apoptogenic smoothies the store put out…a trend no one ever saw coming other than AI.
>
> For instance, consider a local café implementing a simple AI-powered recommendation system on its website and mobile app, which suggests personalized menu items to customers based on past orders. This not only enhances the customer experience but also boosts average order value — a testament to just how much AI can do without significant investment behind it.

The bottom line is that AI is not just for next-generation solutions. In many ways, it's the anchor for exploring the effectiveness of no and low-cost strategies, powering profitability in business without the need for you to increase your out-of-pocket investment. By strategically and intelligently incorporating AI into your operations, you can drive better efficiency, customer satisfaction, and strategic insight at every stage of growth, all while staying true to a cost-conscious mindset.

Below, I highlight real-world examples of the power of AI systems installed in your business. Pay close attention to the applications and use cases in these examples. They should allow your creative juices to start flowing and unlock some of the massive benefits for your business.

AI in Lead Generation and Conversion

AI tools can significantly improve lead generation and conversion by automating, personalizing, and speeding up the communication process with prospective customers. For instance, an AI chatbot can engage with visitors on your website, answering questions and guiding them through the buyer's journey 24/7/365. This ensures you never miss an opportunity to turn a lead into a conversion. This kind of tool can easily double or triple your conversion rate at a fraction of the cost of hiring full-time staff to perform an equal role.

Real-World Example: A small online bookstore implemented an AI chatbot to recommend books based on a visitor's preference and browsing history, leading to a 25% increase in conversion rates.

AI-Driven Customer Retention

The principle behind AI-driven customer retention is simple — retaining an existing customer is much more cost-effective than acquiring a new one. When AI is constantly analyzing the behavior of your customers to predict churn, enabling you to automatically re-engage them with a personalized offer or reminder at exactly the right time, you'll quickly see why it's such a powerful retentive force for your brand.

Real-World Example: A fitness app leveraged AI to monitor user engagement, automatically messaging motivating phrases and suggested workouts when a user's activity levels waned. The result? Churn rate plummeting by 30%.

Cost Reduction via Operational Streamlining

AI is adept at identifying inefficiencies within your operations that, once addressed, can generate substantial cost savings. AI-powered inventory management systems, for example, are highly precise in predicting stock needs, reducing waste and the resulting storage costs.

Real-World Example: A small manufacturing business implemented an AI-driven system to overhaul its supply chain. By more accurately predicting demand, they trimmed excess inventory by 40%, significantly decreasing storage expenses and increasing cash flow.

Strengthening Strategic Alliances

AI also plays a pivotal role in identifying and nurturing Strategic Alliances and JV Partnerships. By analyzing industry data, AI tools can uncover potential partners that share your customer base but provide complementary products or services.

Real-World Example:Two small e-commerce businesses—one sells gourmet coffee, while the other sells handmade coffee mugs—used AI to cross-analyze their customer overlap. The result? They discovered they shared quite a significant audience and promptly established a cross-promotion partnership that boosted both sales and customer acquisition rates.

"Artificial intelligence, deep learning, machine learning—whatever you're doing if you don't understand it—learn it. Because otherwise, you're going to be a dinosaur within three years."

~ Mark Cuban

AI as a Catalyst for Profitable Growth

If you turn away from the advice within these pages, you're not just missing an opportunity; you're stepping towards the brink of irrelevance and possible extinction in an unforgiving business world. But, if you decide to follow this pathway I've laid out, you're not merely choosing a new direction for your business; you're opening the door to a realm of possibilities that could transform both your professional and personal life.

Artificial Intelligence (AI) isn't a distant dream or a piece of tomorrow's world. It’s here today, reshaping the way we think about business, driving efficiencies, enhancing profitability, and ensuring you remain a contender in a constantly evolving world. Integrating AI into all areas of your business can improve efficiency, increase profitability, and remain competitive in the continually shifting business landscape. The journey to full-scale AI adoption may require a bit of time and investment, but the path AI creates is huge. Embracing AI fully might seem like a monumental task, requiring both patience and investment, but trust me, the journey is worth every step.

The potential of AI to leverage both no-cost and low-cost strategies and transform them into profit-generating powerhouses is nothing short of extraordinary. By concentrating on critical areas such as lead generation, customer retention, operational efficiency, strategic partnerships, and the many other strategies we’ve shared, you have the chance to propel your business to new levels without significant financial outlay. In fact, some of the strategies might not cost you a dime. The stories and examples I've shared throughout this book show that massive success lies in taking small, deliberate steps, setting clear goals, and embracing innovation. As your business grows, your ability to leverage AI will also expand, opening up even more opportunities.

And remember, on those days when the path ahead seems filled with clouds of uncertainty when every ounce of your creativity seems spent, close your eyes for a moment… breathe, and then step forward. I want you to lean into your own Pathway to Profit with this book and AI as your guide. AI isn't just a tool; it's your partner in this dance, leading you step by step to the rhythm of success and profitability. The future for small businesses like yours, with AI by your side, is not only automated—it's optimized, personalized, and, most importantly, rich with profit.

CONCLUSION

Always keep in mind that the goal of this book is to help you grow your company. You've always wanted to have a business that allows you and your family to live the life of your dreams.

The reality of owning a business is rarely like you imagined. You started the business with the dream of having both the financial and time freedom that no regular job could truly offer. However, the dream can become a nightmare. The reality of owning a small business is that the owner is often the lowest paid, hardest working employee in their own business. Many small business owners feel they spend all their time, effort, and money just to pay their employees so they can enjoy what seems like a better, more carefree life.

Most business owners assume that hard work and long hours are what is needed to be successful and are the only path to success and profit. The problem is that all that hard work leaves you no time or energy to work smarter.

Think about it, as a business owner you only have four resources: your time, your team's time, your energy, and your money. But here's the entrepreneurial conundrum: you can spend all your time working on things that add little to no value to the business, or you can take a different path. You can follow the Pathway laid out in this book that focuses on People, Processes, and Profit.

You have a choice. You can stay off the hamster wheel, continue to operate in trial-and-error mode or you can get off the hamster wheel. The Pathway to Profit outlined in this book is your path to financial and time freedom. Imagine earning an extra $100k, $250k, $500k or $1,000,000+. Think about how much money you are leaving on the table by doing the same old thing. Imagine how different your life could be.

Would you be able to hire your second in command, so you could leave work when you wanted and know your business would operate well without you? Would you be able to get home to eat dinner with your family most nights? Would you be able to get to your kids' games? Would you be able to take your spouse/partner on a great vacation (one where you don't spend most of the time on your phone or checking emails)? Would you be able to add significantly to your kids' college fund? And would you be on pace to sell your business and retire early (if that's what you choose to do)?

We started the book with this quote:

"All you need is the plan, the roadmap, and the courage to press on to your destination."

~ Earl Nightingale

This book gives you that plan, that roadmap, and that Pathway to Profit. The only question is if you have the courage to press on, to take massive action by implementing the strategies in this book.

If you're interested in exploring this Pathway to Profit, I am here to help and provide you with my guidance, mentorship, training, support, and accountability.

Asking for help is a sign of strength, not weakness. It is an indication that you are willing to admit that you need assistance to achieve your goals. It also demonstrates that you are resourceful and that you are willing to seek out the resources you need to achieve your goals more efficiently. Finally, asking for help can be a way to build relationships and connections with others, as it allows you to collaborate and work together towards a common goal.

So, I am going to model this behavior by asking for your help. I am currently doing research for the next edition of this book. I am looking to interview experienced, seasoned business owners like you. I want to prove the strategies in this book will continue to work in today's economic environment for businesses in your industry. During this interview (which will be conducted online and take 60 minutes), I promise to teach you more about these strategies so you can implement them more effectively. I am simply looking for your take, your thoughts, and possibly a good quote or two for the book.

If you are willing to help me out with this project, contact me to schedule an appointment for an interview. Thank you in advance for considering my request. To success on your Pathway to Profit!

Message from the Author

Seth Tillotson, Your Business Consultation
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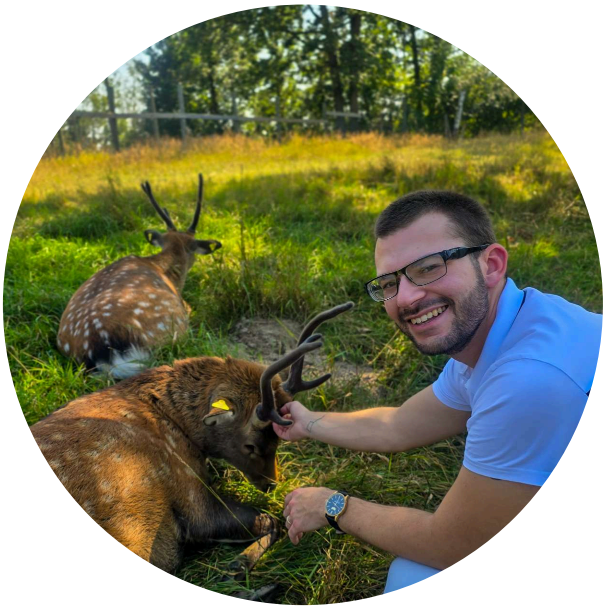
YOUR BUSINESS CONSULTATION



Hi, I'm Seth Tillotson, a Certified Business Consultant passionate about helping aspiring entrepreneurs reclaim their financial and time freedom. With a background in entrepreneurship, aviation, property management and business management, I bring a wealth of knowledge and experience to my clients. I founded Your Business Consultation to provide expert guidance, motivational support, and practical tools.

My approach is rooted in honesty, accountability, integrity, and responsibility. I believe in fostering entrepreneurship through motivational presentations and personalized coaching, ensuring my clients have the confidence and tools to succeed. My mission is to help individuals turn their business dreams into reality.

In addition to Your Business Consultation, I own several successful ventures, including Kut-N-Style and House Commodities. My achievements have been recognized in Marquis Who's Who and the Bemidji Pioneer newspaper. In addition, I have been featured on the cover of Passion Vista Magazine as a 2023 Global Icon, interviewed live on radio by host Jim Masters, and named Top Business Consultant and Entrepreneur 2024 by the International Association of Top Professionals. I'm deeply committed to my clients' success and am here to support you every step of the way on your entrepreneurial journey. Let's build your future together!