Pump Up Your Business!

Smart Strategies for Taking Your Business to the Next Level

From

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Where Do You Want to Take Your Business?

"If you don't know where you're going, you'll probably end up someplace else," Yogi Berra said. A goal is a way to make sure you don't wind up someplace other than where you want to be.

At its simplest, a goal is just something you aim for. But goals are powerful contributors to successful business growth in several ways. To begin with, the process of setting goals forces you to think through what you want from your business and how growth may—or may not—provide that. This process helps suggest directions for pursuing that growth, which can greatly improve your chances of achieving your goals in the first place.

Goals also give you a framework within which to work. This tends to focus your efforts by helping you rule out actions that won't contribute to achieving the goals you've set. A very important part of that framework is a timetable. Any good goal has a timetable, and that timetable will influence your actions profoundly. For instance, if your goal is to retire by age 50, you'll know that any growth plan with a payoff that won't occur by your 51st birthday is not one you should consider, no matter how attractive it might otherwise seem.

Evaluating Goals

But it's not enough just to have goals. They need to be the *right* goals and ones that are appropriate to your ambitions and abilities. When entrepreneurs talk about their goals, whether they're for the past year—or for a lifetime—the most frequent issue is whether those goals were the best ones to have.

If your goals appear to be holding you back or directing your efforts into unproductive areas, then there's definitely something you can do about it. In fact, setting new goals for yourself and your business is both easy and essential if you're going to grow. When looking at new goals, make sure they have the following qualities:

- **Specificity**. You stand a better chance of achieving a goal if it's specific. "Raising capital" isn't a specific goal; "raising $10,000 by July 1" is.

- **Optimism**. Goals should be positive and uplifting. "Being able to pay the bills" is not exactly an inspirational goal. "Achieving financial security" phrases your goal in a more positive manner, thus firing up your energy to attain it.

- **Realism**. If you set a goal to earn $100,000 per month when you've never earned that much in a year, that goal is unrealistic. Begin with small steps, such as increasing your monthly income by 25 percent. Once your first goal is met, you can reach for larger ones more easily.

- **Thinking short- and long-term**. Short-term goals are attainable in a period of weeks to a year. Long-term goals can be achieved five, 10 or even 20 years from now; they should be substantially greater than short-term goals but should still be realistic.

- **Income**. Many entrepreneurs want growth to provide financial security. Consider how much money you want to make each year when planning your growth.

- **Lifestyle**. This includes areas such as travel, hours of work, investment of personal assets and geographic location. Are you willing to travel extensively or move if that's what it takes? How many hours are you willing to work? Which assets are you willing to risk?

- **Ego gratification**. Face it—many people want to grow their business to satisfy their egos. Owning a bigger business can be very ego-gratifying. You need to decide how important ego gratification is to you and what size business best fills that need.

- **Honesty**. The most important rule of goal-setting is honesty. Building a business with your eyes wide open about your strengths and weaknesses, your likes and dislikes, and your ultimate goals allows you to confront dilemmas with greater confidence and a greater chance of success.

Creating a Road Map for the Future

The difference between a dream and a plan is that the first simply expresses a desire to be someone or to achieve something, while the second expresses a method for accomplishing the first. If you really want to achieve your dreams, you need a growth plan or a map that's going to show you how to get from here to there. A good road map for future growth needs to have the characteristics of specificity and realism, just like a good goal. It should also contain benchmarks to measure your progress and tools to measure how well you're doing.

Setting Benefits

An important part of any growth plan is establishing a way to tell when you've reached important points in the process. These mile markers can be composed of any number of benchmarks. Overall sales revenue is a common one. Many companies recognize the first year they topped $1 million, $5 million and $10 million in sales. Sales is an obvious, important, easily grasped benchmark. You can look at sales growth rates and overall sales volume as valuable benchmarks.

Sales, however, are not the only benchmark. You can also look at benchmarks for such critical variables as number of stores, number of customers and transaction volume. Many industries have benchmarks unique to them. For instance, air carriers think in terms of percentage of seats filled and revenue generated per mile flown. E-commerce businesses measure Web page views and time spent on each page. Your business may be concerned with even more esoteric benchmarks, such as percentage of repeat customers or average sale amount per customer.

Not all benchmarks have to do with growth, however. You can also set benchmarks related to cost savings, error rates, employee turnover and many other aspects of your business. About the only characteristics all benchmarks share are that they should be significant, relevant and measurable.

Revisiting Goals

The value of a goal lies in the way it provides you with a relatively steady, unblinking light toward which to steer in the fog of everyday business life. But that doesn't mean a goal should be as immovable as a lighthouse. You should periodically take a fresh look at your goals to see if they need to be changed or, perhaps, dumped.

Changes in your personal situation, such as a desire to spend more time with family, may cause some goals to become irrelevant to your true desires. Of course, the best reason to scrap a goal is because it has been accomplished.

The last thing you need to know about goals is that they are just that—goals. They aren't preordained events that will occur whether or not you work toward them. In other words, just having a goal of reaching $10 million in sales doesn't mean you'll achieve it. Nor should the accomplishment of a goal be considered absolutely necessary to your personal well-being. Some goals are more important than others, but it's not wise to be so committed to a given goal that, if you don't achieve it or it's not all you hoped it would be, you'll be emotionally destroyed. Remember, as that great philosopher Yogi Berra also said, "The future ain't what it used to be."

2. Ways to Grow

If your business isn't growing as fast as you'd like, you may have reached a degree of saturation within your existing target market(s). In order to grow faster, you may be well-advised to look to new markets for growth. The following are five examples of marketing strategies you can implement to create sales for your business within new markets:

- **Expanding your product line or service offerings.** You can identify and access new markets that currently exist within your business's target market(s) by adding new products and/or services. By creating these new products or services, your business can reach members of target markets who were otherwise inaccessible to your business using its existing product/service mix.

- **Using strategic marketing alliances.** These alliances allow your business to sell its products and services through other existing businesses. Your business will be able to access the target markets these alliance partners currently serve, without having to do any additional marketing.

- **Opening a new location.** Once your business is successfully operating in and serving an identifiable target market area, it may be time to consider expanding with one or more branch locations. The key to creating and successfully operating a new location is to be certain that a strong demand already exists within this target market for your business's products and services. It takes considerable time and money to create demand where it doesn't currently exist. Additionally, you must ensure that these potential customers within this new location are in fact new potential customers, not existing customers of your business.

- **Marketing on the Internet.** If your business's products and services can be delivered to potential customers throughout the country and the world, you can gain access to the largest target market anywhere: the collection of potential customers you can reach via the Web. Although it's difficult to rely on potential Internet customers to "find" your business's Web site, using search engines for example, you can promote sales by aligning your business with existing successful Internet businesses. You can arrange for your business's URL to be displayed on a "click through" basis by other Internet businesses. In this manner, you can generate customer leads from people who click through to your business' site.

- **Franchising or licensing your business concept.** Once your business has matured to the point where it's both easily duplicable and doesn't rely on your presence in order to operate successfully, you may want to consider creating franchise opportunities that you can sell to individuals and/or investor groups that wish to own and operate a business similar to yours. A franchise of your business is, in effect, a copy of your business that can be sold as a stand-alone entity. You must be certain that your business can be operated in locations apart from the target markets it's served; otherwise it won't be salable. Alternatively, you can license your business, whereby the right to operate a business like yours is sold to other entrepreneurs, within a set of certain guidelines and operating procedures.

Going Global

The U.S. market for almost everything is huge, but it's not large enough for many entrepreneurs. For these growth-minded business owners, the rest of the world is their oyster. Seeking international growth by going global as an importer-exporter offers opportunity aplenty. Some of the specific advantages presented by successfully growing globally include these:

- You can extend the sales life of existing products and services by finding new markets to sell them in.

- You can reduce your dependence on the markets you have developed in the United States.

- If your business is plagued by destabilizing fluctuations in your markets due to seasonal changes or demand cycles, you can even out your sales by tapping markets with different or even countercyclical fluctuations.

- You can exploit corporate technology and know-how.

- By entering the global marketplace, you'll learn how to compete against foreign companies—and even take the battle to them on their own ground.

The overriding reason to go global, of course, it to improve your potential for expansion and growth. And there are too many international opportunities for us to catalog them all here—or even in a much longer book than this one. The obvious opportunities are the markets in Canada, Mexico, Europe and Japan. But those only scratch the surface. There are many other fast-growing, less-competitive markets.

Like most long journeys, going global can be boiled down to a series of steps. Here are the six basic steps to going global:

1. Start your campaign to grow by international expansion by preparing an international business plan to evaluate your needs and set your goals. It's essential to assess your readiness and commitment to grow internationally before you get started.

2. Conduct foreign market research and identify international markets. The Department of Commerce is an excellent source of information on foreign markets for U.S. goods and services.

3. Evaluate and select methods of distributing your product abroad. You can choose from a variety of means for distributing your product, from opening company-owned foreign subsidiaries to working with agents, representatives and distributors and setting up joint ventures.

4. Learn how to set prices, negotiate deals and navigate the legal morass of exporting. Cultural, social, legal and economic differences make exporting a challenge for business owners who have only operated in the United States.

5. Tap government and private sources of financing—and figure out ways to make sure you're getting paid. Financing is always an issue, but government interest in boosting exporting and centuries of financial innovation have made getting funding and getting paid easier than ever.

6. Move your goods to their international market, making sure you package and label them in accordance with regulations in the market you are selling to. The globalization of transportation systems helps here, but regulations are still different everywhere you go.

Try Online Auctions

Fifty million registered users can't all be wrong. EBay is an empire that was built on a foundation of individual sellers and raised up on the back of collectibles and antiques. But if that's all you think eBay is, you probably haven't visited the site lately.

EBay isn't a cure-all for lagging business sales, and it can be a very involved and time-consuming operation. It's had its share of complaints from small businesses unhappy about fee increases and the site's policies. But eBay is still a valuable tool for many entrepreneurs, offering opportunities that can help your business grow to new heights.

While 50 million registered users is a sea of potential customers, competition for this vast market is intense. Just as you wouldn't open up a comic book store next to an existing comic book store in the real world, you shouldn't place items up for auction if the site is already saturated with similar offerings that aren't selling well. Don't waste your time.

Instead of just throwing items up on eBay to see what sticks, do some research first to evaluate the competition, check pricing and popularity. In the rare case that you can't find your item listed in current or closed auction listings, eBay can still provide a good barometer of customer interest. Try running an auction and see what kind of attention it generates. Adding a visitor counter to your listing will give you an idea of how many people stop by for a look. Where else can you test-market a product for under a buck?

EBay is also a hotspot for shedding excess inventory that's haunted your shelves for too long. Price-conscious auction buyers love to snag overstock or last-generation items at bargain rates. If a customer returns a Zip drive to your store with the box open, you can't restock it as new. Consider putting it on eBay instead.

3.

Financing Your Growth

Is there a good time, vs. a better time, to raise money for a business? When you factor timing into your funding plan, be sure to think of these three issues:

- When do you absolutely need the money to come into your firm's bank account?

- How linked is your company's upcoming sales and profit performance to the current economic climate?

- Where is your firm's best deal-making strength—in waiting and playing possible funding sources against each other, or in closing out a deal as soon as possible?

Time is always a luxury when raising funds—if you have it on your side. But if your business is running out of cash and there are huge payments and deals to finalize this week or next, there's no such thing as "timing" your deal preparation because you have to get funds *now*. However, if you're targeting 30 to 60 days out for one or two specific moves you'd like to make with your company, your timing might allow you to wait on that angel investor who's out of town until the month after next, or postpone that presentation to the bank because the lending officer told you they were very backed up.

And of course, if you're simply strategizing about an intermediate-term investment six to nine months from now, you can back away from deals that aren't right for you, keep a lasting dialogue going with a funding group that has some initial interest, or wait on that great funding contact who told you they'd be interested sometime during the early part of next year.

With regard to how your firm is linked to the economic environment, your timing for pitching a deal might be tied directly to when your cash flow looks its best, or when you land the biggest account you've ever serviced, or when the wholesale buyers in your industry start to pick up the pace on new orders. Certainly you're much better off asking for funds after you sign up two new regional suppliers rather than before those deals are signed. If inventory is turning slower than normal but you expect a solid rebound by the fourth quarter, then timing your funding pitch to incorporate the good economic news coming later is probably better than going after the funds now, while your product cycles don't look as good and cash flow is weak.

Finally, where you locate your firm relative to the funding channels will also affect your timing. This is a function of both when you need the money and how your company stacks up relative to the current business climate. If you have very limited prospects for funding presentations, then your firm can't play two or more funding providers against each other during negotiations. However, if you're in a position where a few firms are all showing interest in your proposed deal, your timing works in your favor, as you can hear from different sources, weigh various terms side-by-side, and see if one of these wants to step up and make the deal happen, knowing there are other prospects.

Remember, you can't allow timing to be an excuse for not getting a funding deal. Are there timing issues? Certainly! But many firms put funding deals together quickly and in tough economic times. And if you don't need the money for six to nine months and your industry is doing well, that still doesn't guarantee that the timing is perfect for closing a deal.

Why You Need a Growth Plan

If you're looking for growth capital, it could be tempting to dust off your yellowing business plan and head right out on the road to find funding. But be forewarned, the document you will need to secure growth financing may not resemble the one you made for your start-up-stage business.

First and foremost, a growth-stage funding plan is different in tone and purpose from a start-up business plan, says Jim Horan, author of *The One Page Business Plan.* "In start-up, we're in a highly chaotic, creative mode," says Horan. "But creativity is overrated in most [later-stage] companies." Instead, the growth plan should emphasize how you will reproduce your previous success.

"As soon as you find out what works, you want to move from creativity to conformity," suggests Horan. Rather than hypothesize about potential new markets or products, a growth-stage entrepreneur needs to think about making his or her operation conform to rigorous financial and operating standards while implementing repeatable policies and procedures.

Where the start-up plan may have a few sections on research and development, a growth plan should focus on your company's rollout and expansion. A fundable growth plan will be heavy on operational details such as staffing, sales, marketing and production.

In the start-up phase, important financial ratios like gross margin are a poor guess at best, and a happy fantasy at worst. A growing business, however, has the advantage of using real operating results to project future growth. Any growth-stage funding plan should reflect actual results whenever possible.

Further, the level of financial detail available to—and expected from—a growing business is beyond anything a start-up could dream. How many prospects turn into customers? How many service staff does it take to support 100 accounts? How much will the phone bill be? Specific answers to these kinds of detailed questions are vital to the credibility of a growth plan, and they should replace the broad assumptions inherent in all start-up plans.

Early-stage investors are famous for playing long odds: An early-stage VC fund may survive on one success from 10 investments. Later-stage investors are unlikely to view risk through such rose-colored lenses, however, so a growth plan must be clear about how the company will minimize risk. Banks are the epitome of risk-averse growth investors. They may settle for a 10 percent return on their money, but they want to be 110 percent sure that they'll get it back.

Nontraditional Options for Nontraditional Businesses

If you've been in business for less than three years or have nothing to offer as collateral, you might find traditional lending institutions unwilling to finance your business. There are options, though—if you know where to look.

If you originally borrowed funds from friends and family, going back to them—but making it a formal loan with a set repayment plan and interest—might be a viable option, if you haven't already gone this route. For instance, an institution like CircleLending—which administers loans between individuals by handling and storing all the documentation, creating a repayment schedule, taking care of payments through debits and direct deposits, and even handling collections if the loans go into default—can make things easier for both you and your loved ones.

What if your need exceeds what you can borrow from friends and family? When Paul Entin founded his first business, Fitnesslink.com, the company grew rapidly, and he knew he needed to seek outside funding to bolster the technology he was using to run the site. Unwilling to give up control of his company to a venture capitalist—he'd been approached several times—he instead got a microloan from an SBA-backed lender. The infusion of funds allowed Entin to beef up the technology in his business, which he subsequently sold.

So when it came time to find funding for his current business—epr, a homebased Washington, New Jersey, marketing and advertising firm specializing in industrial clients—he knew exactly where to look. "We had talked to our bank and investigated other ways, like home equity loans, but this seemed like the most effective way to go. It was a fair interest rate, plus they were able to give us the loan without having a [drawn-out] process upfront," says Entin, who invested the $27,000 from his second loan into office equipment and materials.

If you lack funds on a short-term basis, think about creative forms of financing, such as pre-selling. "We teach [our students] to use a customer as the basis of funding," notes Professor Ken Proudfoot, director of the Larry Friedman International Center for Entrepreneurship at Johnson & Wales University in Providence, Rhode Island. "And the way that works is by pre-selling the product or service—taking a deposit for the delivery of the product or service in advance of actually delivering it," says Proudfoot. You can then use the deposit to purchase the materials you may need to deliver the product at a later date.

Another method of obtaining financing for supplies or materials is to approach vendors of those products about opening a line of credit with them. With flexible terms of payment, you can stock your inventory or buy raw materials for your product without having to put the cash upfront.

Now before you go out and borrow from anyone, make sure you have a bona fide need. Money won't solve problems in your business, warns Proudfoot, and you shouldn't expand your capacity without first ensuring you have the customer base to justify the expansion.

Boost Your Business With the Customers You've Got

With the skyrocketing cost of customer acquisition, it makes sense to focus on retaining and up-selling current customers. It can cost as much as five times more to win a new customer than to keep an old one. Yet many entrepreneurs remain fixated on prospecting—at the expense of programs for existing customers that would build sales more cost - effectively.

Customer loyalty programs (aka reward programs) have become essential in price-sensitive arenas and where there are similar products or services. About half of all Americans belong to at least one. Drugstore chain CVS Corp., for instance, has 32 million "ExtraCare" card members. And Regal Entertainment Group rewards frequent moviegoers with free concession food and discounts.

Loyalty programs make sense for growing businesses, too. Entrepreneurs with successful customer reward programs enjoy increased sales, have lower marketing costs and amass invaluable information. The bulk of the data is gathered when customers sign up. Later, information is collected through surveys and during transactions.

By tracking current customer data, you can discover opportunities, better segment your customer base and identify the needs of different groups. If you're a retailer, you can use this information to accurately stock your store. And once you uncover your best customers' preferences, you can develop marketing campaigns that target prospects who share similar characteristics.

Here are a few things to keep in mind when creating a reward program:

- **Choose the right rewards**. In-kind rewards are less costly and are clearly associated with your business. Say you owned an ice cream shop and wanted to reward customers who had purchased five cones. Providing the sixth cone free would be better than offering a discount on a movie ticket because it would cost less and customers could relate it to your business. It would also convey a real cash value-while the free cone might cost you 25 cents, customers would perceive it as a $2.25 gift.

- **Entice your customers**. Tell customers what to expect. This tempts them to make purchases toward their goals. You can also use your program to encourage customers to try other products and services. Let's say your ice cream shop rewards customers with a double-decker sundae following a dozen purchases. Tasting the reward will introduce customers to higher-priced items, thus encouraging more customers to buy them.

- **Reward your best customers**. Offering graduated awards with increasing cash value is a great way to motivate your best customers. This turns low-value customers into high-value ones, and it avoids the pitfalls of other types of reward programs, which attract less-profitable price switchers.

- **Reward at enrollment**. Programs that provide immediate rewards encourage customers to register. One method is to offer a bonus at enrollment. And some retailers engage customers before they ever leave the store by making an additional offer at checkout or by printing a message on the sales receipt.

- **Measure performance**. Set goals for your program, and continually monitor your results. Measure the increase in use of your products or services, the number of transactions involving loyalty program ID numbers, and the growth of your enrolled customer base. Then you can fine-tune your program and build on what works.

Other Up-Selling Strategies

If your business can effectively reach its existing customer base, you have the advantage of marketing to those who already know and like your business and its products and services. Your business's existing customers are aware that your business can meet their needs and wants, and with prices they accept.

The following are four major ways to up-sell your existing customers. Note: For our example, let's assume you're in the media business.

- **Sell more of what your customers are already buying**. Each of your existing customers has certain buying habits. Ideally you'll have accumulated data that allows you to reference both the specific items they purchase as well as their frequency. With this information, you can offer additional products and services in which the customer has already proved to have an interest. For example, sell other music CDs featuring your customers' favorite recording artists, or send your customers a newsletter announcing new releases.

- **Sell complementary products and services**. Your business may have products and services that can be sold in conjunction with other products and services. These items are often an easy up-sell that can be made at the point of purchase. For example, when a customer buys a music CD, you could offer them a CD carrying case or a storage tower.

- **Introduce noncomplementary products and services**. Your current customers posses a degree of trust in your business, and this can be converted into sales of products and services that are not directly related to the customers' existing purchases. For example, a customer who typically buys music CDs can be introduced to videotapes and DVDs that provide access to the latest in recorded movies.

- **Offer new products and services that your business has added**. As your business adds new products and services, these can be offered to your existing customers. This can be done without your having to convert these customers to your business, as they already like your business and how it operates. For example, if your media business adds media equipment to your product line, such as CD, video and/or DVD players, these can also be offered to existing customers.

Follow Up With Your Best Customers

Another important tool for generating repeat business is following up. Effective follow-up begins immediately after the sale when you call the customer to say "thank you" and find out if he or she is pleased with your product or service. Beyond this, there are several effective ways to follow up that ensure your business is always in the customer's mind.

- **Let customers know what you're doing for them**. This can be in the form of a newsletter mailed to existing customers, or it can be more informal, such as a phone call. Whatever method you use, the key is to dramatically point out to customers the excellent service you are giving them. If you never mention all the things you are doing for them, customers may not notice.

- **Write old customers personal, handwritten notes frequently**. "I was just sitting at my desk and your name popped into my head. Are you still having a great time flying all over the country? Let me know if you need another set of luggage. I can stop by with our latest models any time." Or if you run into an old customer at an event, follow up with a note: "It was great seeing you at the CDC Christmas party. I'll call you early in the New Year to schedule a lunch."

- **Keep it personal**. Voice mail and e-mail make it easy to communicate, but the personal touch is often lost. If you're having trouble getting through to someone whose problem requires that personal touch, leave a voice-mail message that you want to talk to the person directly or will stop by his or her office at a designated time.

- **Remember special occasions**. Send regular customers birthday cards, anniversary cards, holiday cards...you name it. Gifts are excellent follow-up tools, too. You don't have to spend a fortune to show you care; use your creativity to come up with interesting gift ideas that tie into your business, the customer's business or his or her recent purchase.

- **Pass on information**. If you read an article, see a new book, or hear about an organization a customer might be interested in, drop a note or make a quick call to let them know.

- **Consider follow-up calls as business development calls**. When you talk to or visit old clients or customers, you'll often find they have referrals to give you, which can lead to new business.

With all your existing customers can do for you, there's simply no reason not to stay in regular contact with them. Use your imagination, and you'll think of plenty of other ideas that can help you develop a lasting relationship.

Finally, Let Them Work for You!

How many times have friends, family, associates and even customers said "If there's anything I can do to help you, let me know"? How often have you said "Well, now that you mention it, there are a few things you could do"? If you're like most people, you aren't prepared to accept help at the moment it's offered. You let opportunity slip by because you haven't given enough thought to the kinds of help you need. You haven't made the connection between specific items or services you need and the people who can supply them. But when help is offered, it's to your advantage to be prepared and to respond by stating a specific need.

Don't let the next opportunity for others to help slip through your fingers! Being prepared with some simple requests can make a real difference in the success of your business. There are many ways your sources can help you promote yourself and your business:

1. They can provide you with referrals. The kind of support you'd most like to get from your contacts is referrals—the names of specific individuals who need your products and services. They can also give prospects your name and number.

2. They can introduce you to prospects. Your contacts can help you build new relationships faster by introducing you in person to people they think need your products and services. Furthermore, they can provide you with key information about the prospect. They can also tell the prospect a few things about you, your business, how the two of you met, some of the things you and the prospect have in common, and the value of your products and services.

3. They can endorse your products and services. By telling others what they've gained from using your products or services in presentations or informal conversations, your sources can encourage others to use your products or services.

4. They can display your literature and products in their offices and homes. If these items are displayed well—such as on a counter or bulletin board in a waiting room—visitors will ask questions or read the information.

Some may even take your promotional materials and display them in other places, increasing your visibility.

5. They can distribute your information. Your contacts can help you distribute marketing materials. For instance, a dry cleaner might attach a coupon from the hair salon next door to each plastic bag he/she uses to cover customers' clothes. Including your flier in the middle of their newsletter is another idea.

6. They can publish information for you. Your contacts may be able to get information about you and your business printed in publications they subscribe to and in which they have some input or influence. For example, a source who belongs to an association that publishes a newsletter might help you get an article published or persuade the editor to run a story about you.

Keep this list with you and add to it as other needs occur to you. Knowing how to match your needs with the right sources is key to obtaining the type of help you need. But remember—it's a two-way street. These support activities are also things you can do to help your contacts promote their businesses and generate referrals. Helping your sources achieve their goals goes a long way toward building effective and rewarding relationships.

Build Stronger Client Relationships With CRM Tools

Let's take a quick pop quiz. CRM is a) customer relationship management, b) a type of software program, c) a philosophy and way of doing business, or d) all of the above.

If you chose "d," congratulations. Customer relationship management (CRM) isn't just a software package; it's a way of business life. We don't mean to sound like a new age guru, but it really helps to take a holistic approach to CRM if you expect to find success and avoid the pitfalls so many companies have experienced with it. And as the owner of a growing enterprise, what you should be asking yourself is this: Can you afford *not* to have a CRM strategy?

Recent studies indicate that growing businesses are the driving force behind the growth of this type of software in North America. Inspired by this trend, numerous software vendors have set out to develop CRM tools that aim to meet the needs of this segment. In fact, a recent study by Jupiter Media Metrix found that spending on CRM software by small and midsized businesses (SMBs) would reach $651 million by 2006 and make up 19 percent of the entire CRM software market, up from 10 percent in 2001.

According to Jupiter analysts, as the relationships between SMBs and their customers become more complex, and as the number of customer touch-points increases, businesses will increasingly look to software and services to help them manage those relationships.

"Nothing should be simpler than deciding that serving your customers better is important. CRM shouldn't be so damn difficult," says Chris Selland, founder and managing director of technology consulting firm Reservoir Partners. If it hurts that bad, you're probably going about it wrong. Selland says that most of the failures stem from businesses approaching CRM as a software project rather than a business process.

"CRM is not just a technology," explains Joe Outlaw, former research director and small- and midsized-business CRM specialist at Gartner Inc.

"It's a business strategy around interacting with your customers in a way that brings them more value and is more profitable to you." By using software to record customer interactions with sales and customer service personnel, CRM applications can provide a 360-degree view of your business 24/7. The goal is to boost revenue and keep customers happy. Now who can argue with that?

Another reason to think about implementing CRM? "Small companies [with few customers] don't have to have sophisticated systems in place; it's easy to keep track of their customers and what they want," says Outlaw. "But once you have hundreds or thousands of customers, it's important to have technology in place, such as a centralized database with up-to-date customer information, [allowing] everybody in the company to understand what each customer wants and needs. This is really the key to CRM."

Once you decide to search for a CRM solution, where do you start? Your first step is to develop a CRM vision for your business. Some common goals include making your customer service easier to access, gaining a greater understanding of customer needs, reducing sales or support costs, retaining customers longer and getting new customers. Determine where you would like to end up, and then develop a strategy around what it will take to get there. Selland recommends gathering as many high-level people in your business as you can to start a discussion and including your customers as well.

"Put yourself in your customers' shoes," says Outlaw. "What do you need to do to make your company easier to do business with?" Once you know what issues need to be addressed in your company, it's time to lay down the requirements and functional elements for the software application that will address them. Whatever you choose needs to work with your existing setup, whether it's a server, an e-mail program or other software.

Some entrepreneurs go it alone when putting a CRM strategy together. Others look for outside help from consultants or value-added resellers. A reseller you've worked with before can be helpful if he or she is already familiar with your hardware, software and systems. The down-side is, most have ties to only a few CRM options, and they'll try to steer you in that direction. So it might be good to choose a more neutral advisor.

When you do get around to the software component of your CRM strategy, there are a myriad of choices to explore, different approaches of varying cost and scale. Among the many choices, there are enterprise-style CRM applications, on-premises applications and those hosted online. Be sure to explore all your options, and then decide which one best fits your business.

No matter what kind of business you're in, both Selland and Outlaw make the point that CRM is an ongoing activity, a constant process of improvement. The CRM industry is maturing past the hype stage, recovering from early mistakes and reaching a new level of affordability. No matter who you go with, there should always be room to grow with a full-fledged CRM solution. Remember that the technology itself plays a supporting role in the big picture of CRM, so rely on your vision, and let your CRM strategy help take your business to the next level.

6.

Hiring and Keeping the Best Employees

Turnover can be a frustrating issue for any company, especially a growing one. How can you avoid turnover? One simple answer is: Hire better candidates. But that of course begs the question, how do you hire better candidates? And why do so many companies make mistakes in this area? The simple answer is that they weren't trained in the art and science of hiring human beings.

Here are some chief reasons why new hires are frequently misfires. First, knowingly or not, many interviewers are biased. The reason you like someone or something is rarely based on rational thought; instead, it's based on, "Well, I just prefer it this way." With candidates, you may like the way they look, smile, dress, act or speak. Or they may remind you of yourself or someone you like. They may have interests like yours or know people whom you know.

Or they may be good at one or two aspects of a job, and you eagerly assume or want to believe that they will be effective at other aspects. You may accept as honest and true something a reference said about the candidate. But keep in mind it would be highly unlikely for a candidate to offer the name of a reference who would not offer positive information.

There are, of course, key methods for avoiding biases and making successful hiring decisions. First, identify the most important knowledge areas, skills and abilities the ideal candidate should possess. Human resources people call these "factors." Next, create the same specific questions that you will ask of all candidates that will clearly and behaviorally demonstrate to you that they have these critical factors. But don't simply accept the candidate's word that he or she possesses a certain skill or knowledge base. Ask that person to demonstrate the skill, solve a problem, or write or create something that clearly and concretely provides you with the proof you need to make an informed decision.

Next, ask specific and measurable questions of the candidate. If you ask if this person considers himself a success or a failure, do not simply accept a yes or no response.

Probe for specific examples of both successes and failures. The latter is especially rich in response material because you can then ask what the person could have done to turn the failure into a success. In the process, you are observing how the candidate analyzes situations, how rationally or logically the situation is presented, and whether or not, to the best of your judgment, the person is trying to cover something up or lie.

To ensure that you understand the individual as well as possible, involve one or two other interviewers in this process. In that way, you can all share your insights and impressions of the candidate. Furthermore, one interviewer can add an aspect to a question that another one may have overlooked. Two or three heads are often better than one.

Finally, make sure you know enough about a candidate before you hire that person, and never, ever hire even a moderately qualified person just because you need someone now. That rushed hire will likely become problematic. And you know how long and painful it can be to terminate someone and advertise, screen, interview and hire another person. So take your time and make sure you have the best person possible for every position. You and your company will be pleased with the results.

The Test to Give All Salespeople

If you were to ask most sales managers about the most important attributes they look for in a candidate for a job, you'd probably hear adjectives like motivated, disciplined, energetic or hard-working.

What's the central theme here? Effort! Most managers will hire a rep without experience or industry knowledge as long as that candidate is willing to give 110 percent effort. If we could measure a sales rep's effort before he or she was hired, we would have one very popular product on our hands. Although no one can predict the future, there are several practical ideas that will dramatically increase your chances for success by measuring candidates' effort, creativity and energy before you hire.

- The presentation. After the first or second interview with a candidate, hand that individual one of your product brochures. Explain that you'd like him or her to return in a few days to sell you the product. Don't give out any more information.

You want to see how much effort the candidate puts into finding out about your company, product, needs and so on. Then, in the next interview, evaluate the following:

- Amount of research, time and effort put into the presentation;
- How creative the candidate got with his or her approach; and
- His or her selling skills, from start to finish.

If you're interviewing an experienced sales rep, you might ask that candidate to sell you the product he or she is currently marketing. You can still use your own product as part of this exercise to measure preparation and effort prior to the next interview. The key in both situations is to measure communication skills, sales skills and effort. Of course, if the candidate doesn't come back to sell your product, you've got your answer.

- **30-day action plan**. For the next interview, have the candidate bring back a detailed outline of what he or she would do to ensure success by the end of the first 30 days after his or her training. This will not only evaluate the effort spent thinking and writing about activities and goals, but also illuminate his or her thoughts regarding what it takes to get the job done.

- **Why them? Why us?** Have your candidates list 10 reasons that make them feel qualified for the job and what they can offer your company. Then have them list several reasons why they want to work for your company, why that specific industry, why sales and more.

- **Field trip**. After the second or third interview, have the candidate spend half a day in the field with one of your experienced sales reps. Select one of your better reps and make sure that person goes through a typical day of sales calls (canvassing, customer visits and appointments). This is a great chance to expose the candidate to a realistic view of the job-while simultaneously recognizing your sales rep as a role model. Another benefit: The candidate may open up to the sales rep, who'll be viewed as a peer, about questions and concerns that might never come up during the official interview.

Involving a senior sales rep in the employment process not only helps the candidate make a better career decision, but also helps to reduce turnover.

Nothing's worse than investing lots of time, energy and money on an employee—only to see your efforts go to waste several months later because the person you hired lacks internal motivation. But by employing these four methods in the hiring process, you'll be able to measure motivation from the start. Think about it: When a candidate puts a lot of energy and effort into getting hired, you're likely to see those same attributes demonstrated on the job.

Recognizing and Rewarding the Great Employees You've Got

Some of the most effective forms of recognition cost nothing. A sincere word of thanks from the right person at the right time can mean more to an employee than a raise, a formal reward or a fancy plaque. Part of the power of informal rewards comes from the knowledge that someone took the time to notice the achievement, seek out the person responsible, and deliver praise.

Informal rewards are spontaneous and include forms of recognition that can be implemented with minimal planning and effort—and they are often more effective and less expensive than formal ones. Studies show that managers who actively use informal rewards to motivate their employees elicit the highest job satisfaction and performance. Informal rewards are usually easy to implement and should be an active part of your daily management style.

- **Invite the employee to your office**. Invite an employee to your office just to thank him for a job well done. Be sure to tell him why he did an outstanding job, and don't discuss any other issue that will distract from this thanks. Involve him in the conversation by asking how he did such a great job. Ask if he likes what he's doing. Where does he want to be in the next year or two? Get to know him on a personal level. Ask how his family is.

- **Post it!** "Thank you" is one of the most powerful phrases in the English language. It almost always generates a smile from someone's face. Carry some sticky notes in your pocket. Use them to put a thank-you note on an employee's desk if she is not there to verbally thank in person.

- **Take the employee out**. Everybody loves to go out for a free breakfast or lunch. Taking an employee out to eat is an excellent way to thank him for a job well done. Schedule the breakfast or lunch way ahead of time so he can plan. Have fun while you're out and encourage the employee to discuss anything that's on his mind.

- **Make a public announcement**. Modest people will tell you they don't like to be acknowledged in a public forum. This is a bunch of bull. Most people love public recognition. Hold a staff meeting and announce how proud you are of one of your employees for her outstanding job performance. Keep it secret so she will truly be surprised. Award her a certificate or other token of your appreciation.

- **Create a hall of fame**. Take a photo of everyone who receives an informal reward and post it on the wall. Add a photo collage that shows people working together on a successful project. Put these photos and records of achievement in a scrapbook at the end of the year.