



## What you dont know **CAN** hurt your business

### Small Business Guide: 20 Tips for Success



Effective Proven strategies for Small Business Owners to grow  
By Paul Baker

# Challenges of Small Business

One thing is the same regardless of the business you are in . Starting and running a Small Business is a challenging and daunting lifestyle commitment for anyone to take on. Your mind will be swamped with endless doubts about what to do next or if your business will succeed?

You are not alone in this. It is natural to worry about the future and the unknown. Most people need to have stability in their daily activities, thus avoiding any decisions that make the future less certain.

However, people who decide to start a small business are accepting that challenge and taking control of aspects of their life where possible.

This guide is for those willing to make a difference and get their small business growing successfully.

## Small Business Facts

- \* 47 Businesses fail every day
- \* Few business owners have management qualifications
- \* Small Business Owners have to become multiskilled very quickly
- \* Most business owners are risk takers by nature
- \* Every business is in the business of Sales or it goes bankrupt
- \* Small Business Owners try to do it all by themselves to save money
- \* 40% Sole Traders operate with no insurance
- \* Less than 12% of businesses seek advice from professionals
- \* Over 80% of your total theft is from your employees
- \* A single critical incident can destroy a business in a few minutes
- \* Businesses lose 20% of their customers every year
- \* A discount of 1% may lose your business 10% of your gross margin profits
- \* 38% of business owners earn less than \$599 income per week
- \* If you have a business partner, they are more likely to harm your business than any other incident.

# Every Business operates the same way

You might be selling surfboards or remedial massages but the way a successful business operates is the same for every product or service.

Your system of sales management will be similar to another business in that you should ask questions to discover the customers needs, and then make recommendations about the product that can meet those needs. During the process of sales negotiation all sales people use the same system working towards a successful outcome for both parties.

This poses the question, if they all worked the same way why don't more businesses use those systems.

**I have found several things to be true about most business owners;**

- Very little research is done before starting
- Most fail to seek and use advice
- Lack of awareness that small business advice exists
- Too busy working 'in' the business and not 'on' the business
- Are only trained in one area of the business
- Believe their way is the right way
- No time spent in learning new skills
- Focused on getting more sales rather than better sales

## 7 Success Systems

This guide will provide you with Tips and strategies using elements from the 7 important systems that all businesses need to achieve their objectives.

Use the Tips as suited for your stage of business development and remember that as owners we are all responsible for the success or failure of our own business. No one else is.

- 1. Promoting the Business**
- 2. Effective Advertising**
- 3. Website Management**
- 4. Sales Management**
- 5. Pricing Strategies for profit**
- 6. Operational Risk Management**
- 7. Continuous Improvement Process**

# Getting your Small Business noticed

## 1. Choose your business colours wisely

Try to choose no more than three colours for your business logo and image. You want to be able to use these colours in all your stationery, uniforms, and promotional material.

Each colour you select will add more cost when you pay for display advertising and clutter the message of your business in most cases.

Every colour has a different effect on how your business is perceived by customers. Make sure your colours set the right image and feelings for your business.

**Red is seen as passionate and energetic**  
**Blue can be seen as authoritative or professional**  
**Green is calming or natural**

## 2. What is your business snapshot

Your business snapshot is also known as the 'elevator pitch' and it is used when you get the opportunity to tell someone what your business does. Think about how you can tell someone about what your business provides in less than 20 seconds, which is about the time you spend in an elevator or lift with someone.

People don't want to listen to you talking for five minutes about every aspect of your business just because they asked "What do you do?"

After you have developed it, make sure you practice it often. You never know when a passing comment will turn into more sales for your business.

**My snapshot is...**

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### Small Business Facts

**It is commonly said that 50% of your advertising is not working– and most businesses don't know which 50%**

**Most businesses only budget 4% of turnover for advertising.**

**Image is everything when getting customers to believe in your business**

### 3. Its all in the name

People starting a business for the first time usually select a business name because they like the sound of it. This can become a problem for your business to change after you have started the business when you need to replace all your stationery, promotional material, and signage.

Your business name needs to tell customers what you do so they can get an idea about whether they need your products. The name sets customers perceptions about quality, service, and price.

Your name needs to be easily written in adverts and promotional material using a range of media. Most businesses try to use only 2-3 words in their name.

Practice saying your business name over the phone and listen to how it sounds. Can customers spell it correctly or do you need to keep spelling it out. Select a few business name options and test them out before deciding to keep the one that reflects the image you desire.

### 4. Make sure your website is found by customers

Most businesses large and small have a company website designed and put on the internet to advertise their business. This is a very cost effective way to advertise a business if it is designed the right way.

“Findability” is the term used to describe how easy customers can find your website if they don't know who you are. Most website designers and owners go for flashy websites that have all the ‘bells and whistles’ but this does not necessarily mean that anyone will find it.

When designing a website you need to research how your customers go about looking for your type of product. This is called “keyword analysis” and needs to be done **before** your website is built. Only choose 3-4 keywords for search results instead of trying to capture the entire market.

It is highly recommended to get advice from a Search Engine Optimisation designer to make sure that you give your website every chance of being seen by potential customers.

Where is your website positioned when you do a search for your product without using your business name? It is well known that 80% of customers will never go past the first search results page to look for a website. If you are not in the Top 10 rankings you are missing out on 80% of your potential customers. Rank higher in search results without paying for expensive software or entering into long contracts, simply by having quality content and effective keyword placement in your website.

**“Website design wont get you more customers by itself, you need to make sure you website is Search Engine Optimised (SEO) also to increase your website search results position.”**

**My Keywords are...**

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# Why don't our Adverts work?

## 5. Advertise where your customers are

Do you put adverts in the Yellow Pages and newspapers because everyone else does?

What does your customer research say about where your customers go looking for your type of product? This is where you need to focus your advertising to attract the right customers.

Did you know that most financial managers read The Age instead of The Herald Sun, for example.?So if your primary customers are financial managers then you need to advertise in The Age instead of The Herald Sun.

Ask your current customers what magazines and newspapers they read. This is where you will find similar customers waiting for your business. Advertise in these publications, even if it costs you more to get higher response rates. Using the advert cost divided by the number of customers you received from it will show you how much it cost your business to get each customer.

### My Customers Read...

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## 6. Step away from the clutter

Clutter is all the advertising from your competitors that are positioned with yours. Don't assume that they have done accurate market research to position their adverts and find themselves in the trap of 'that's where they advertise so I need to as well'. Do your own research and learn what percentage of your customers view those ad positions.

Competitors often have similar colours and logos which make all businesses look the same to potential customers. Make your business stand out by using a different colour scheme and logo. Select a logo based on your business image. Avoid standard clipart images where possible.

In some cases you can stand out by making sure that your advertising is bigger than all your competitors and push their ads away from yours using lots of white space in your adverts that catch the readers eye.

### Growing your business

1. Find new customers
2. Get your customers to buy more often
3. Get your customers to increase what they spend

These are the only ways to grow a business

## 7. Make sure your adverts give benefits not features

Make it a habit to look at your advertising as if you are a customer. Customers have needs to be filled and are not interested in seeing a list of services. Customers buy solutions to their needs. For example, people don't buy drills, they buy the hole it makes-is an old advertising saying.

List all the features your product has and then ask yourself this question for each feature 'Which means that' to understand the benefit provided by the feature. This is what the customer is **really** buying.

Look at your competitors ads and most will simply list what they do. Your ads should tell customers what you will do for them and then show that you have the solution to their needs.

**“Your customer always asks themselves.  
“So What? How does that help me?”**

My Features	The benefits to my customers

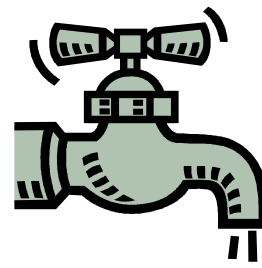
## 8. Do you Push adverts to customers?

Most advertising is known as “push” advertising because it tries to get into the customers awareness when the customer does not have a current need to be filled. This explains why the response rates to most ads are very low .

This form of advertising requires businesses to spend large amounts of money to constantly place ads in front of the customer when they are not ready to purchase the product.

You need to try and position your ads where the customer goes looking for a solution to their need. This is why the internet is a great place to advertise because people use it to find answers when they have a need. The Yellow Pages works in the same way because most customers will refer to it as soon as they have a need but don't know who can help them.

# Filling your Sales funnel!



## 9. Advertise when you don't need to

It takes time to get customers coming to you when you start advertising and very few adverts work so well that a sale is made within the first few days of an advertising campaign. This means that you need to see advertising as planting seeds that will take some time to harvest.

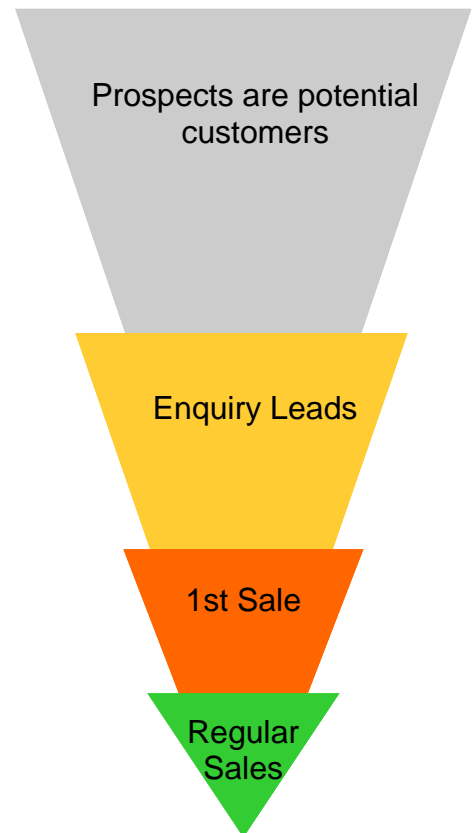
If you wait until you need to advertise you may have cash flow problems until the new customers start buying-if they even respond.

This is why businesses should advertise more when they have lots of customers. There are two reasons for this.

Firstly, you have the money to do so because you have customers already.

Secondly, your business will lose about 20% of your current customers through changes in spending, moving away, or going to a competitor for example.

You need to maintain customers at varying stages of the sales cycle where possible so you have your sales revenue coming in regularly.



## 10. Shorten the sales cycle

One of the ways to increase your annual turnover is to reduce the amount of time between customers purchases. This is known as the sales cycle.

For example, if you rent a DVD movie every Saturday night from the video store they make 1 sale per 7 days from you.

If they can get you to rent a DVD every 4 days instead of 7 this will nearly double their turnover from you alone without any substantial costs.

Look at ways you can get your customers to come back more often because it will provide greater turnover. This is why many of the successful businesses use loyalty cards and special offers for certain nights of the week.

**My Customer's average sales cycle is...**

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**“What is your customer's average time between sales? Are you keeping track?”**

## **11. It takes an average of 7 business contacts to get a sale**

Only commodity products sell with little contact from a business. If your product requires information before a customer will make a purchase it possibly means that you have a high-involvement product.

The customer has to go through several stages before they commit to a purchase from a business. Customers need to establish a rapport with a business before they will consider a purchase. This is where most businesses go wrong with advertising. If you try to get a customer to buy from you before establishing your credibility you will often fail.

Customers need to trust the business they buy from when purchasing any non-commodity products. Look at how you can make your advertising and business image build rapport and trust before you start trying to sell something.

### **7 Business Contacts**

- 1. Your business name & logo**
- 2. Your Advertisement**
- 3. Your telephone manner**
- 4. Your business stationery**
- 5. Your website appearance & content**
- 6. Your sales methods**
- 7. Your follow up after the service**

## **12. Don't wait for customers to call you**

If you sit by the phone waiting for new customers to call you, your business will most likely fail. When you run your own business you need to make sure that every hour of your business day is used to either obtain more sales or improve your business operations. Use the quiet time to review and tidy up your business documents, review your sales conversion ratios, complete your financial record keeping, or to do some extra study in new areas where you want to develop yourself.

If you have done all this and you still need customers to call you then remember, it is easier and more cost effective selling to your previous and existing customers. Pick up the phone and touch base with your customers to keep the relationship alive and moving forward. Let them know if you have any special promotions which may interest them.

Getting previous customers to buy only costs you one fifth of the cost to attract new customers to your business.

**“Did you know that telemarketers  
average one Yes for every six  
No's when cold calling?”**

# How much for your Widget?

## 13. Customers see price as indication of quality

The price you set for your products is the main method your customers will use to make a decision about your quality. You need to research what the current market price range is and see if you can deliver your product within that price range. If you cannot, then your business might not be financially viable.

If you can provide the product in that range then you need to decide where you will position your product. The higher your price, the less market share you will get, and the lower your price the more volume you will get.

For example, if you set your price as \$99.99 this may place your product as a commodity item that is subject to discounting. Another example is if your price is \$102.00 the customer is going to wonder why the extra \$2.



**Pricing Facts**

- Stay within the market price range
- Be aware of Price Points and their effect on buying behaviour
- Price is only an obstacle if nothing else differentiates you from your competitors
- Add Value instead of Discounting

**“Mark where your competitors prices are. How do you rate?”**

## 14. Discounting yourself to bankruptcy

If you have ever offered a customer a 5% discount to get them to buy from you, then you need to be aware of these important facts;

That 5% discount is coming straight from your profit margin and not your total price. If you have a profit margin of 20% on the sale you have just given away a quarter of your profits. You might be thinking that at least you made some money.

Once you lower your price it is difficult to raise it again because customers will expect you to offer discounts in the future. Lowering your price can also send a message that you don't believe your product is worth the price you set. If you don't value your product, why should the customer value it?

The fact is that you now need to sell 25% more products just to keep even with what your turnover would have been without the discount. This will raise your variable expenses because of the need for extra products and could cause your business to fail to reach break even.

My Current Pricing Position	The Effect on Turnover if I
My Gross Profit Margin is	Discount price by 5%
Average sales per customer is \$	Increase sales per customer by \$5
Average length of sales cycle is        days	Decrease sales cycle by just 1 day
My current Price is	Increase my Price by 1%

## 15. Increase your turnover by adding to sales value

Supermarkets researched that their customers spend an average of \$24 per visit. To get more turnover without spending money attracting new customers they simply enticed their customers to spend more per visit.

Can you get a customer to buy another product or service and increase the average amount of sales per customer? Any increases in sales will add straight to your turnover.

### Examples

If a customer buys a pizza you might be able to recommend a garlic bread for only \$2 extra, or additional toppings for just \$1. It is proven that over 50% of customers will buy the extras. This is why fast food restaurants always upsell and cross-sell to increase their turnover.

Do you have products or services that can be added to a purchase? Look for products in low price, medium price, and high price positions that are lower priced than your products. If a customer is willing to spend \$100 on your product, it is easy to sell an additional \$10-20 product as well.

### Sales Facts

- Giving customers a hand basket to free up their hands resulted in large sales increases per customer.
- Increasing the cage size of shopping trolley's also increased the amount sold in each weekly shop.
- Cross selling to a customer will increase the total yearly spend in your business as they start buying from two or more product lines
- Placing impulse purchase items near the cash registers will increase your average sales per customer because the customer already has purchased something else.

I can increase average spend by offering my customers...

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**“This is why clothing stores always try to add belts, socks, and ties to your clothing choices.”**

**Most businesses make 80% of their profit from only 20% of their customers. Assess your customers to see who is really putting money in your bank.**

**Spend more time servicing them and less time with the other customers and you will increase your profits by up to 30%.**

**Value added services means finding something that your customer values and you can provide for low to minor cost. You set the value at what the customers believes it to be worth, not what it costs you.**

**This way the customer is getting perceived value for money and you maintain your profit margins.**

# Foresight; instead of Hindsight

## 16. Hire the right employees

Hiring the right employees is crucial for a small business as they cannot afford to make hiring mistakes or spend time interviewing and managing poor performers.

It costs a business about half a yearly wage when employees leave due to the costs to advertise, interview, and retrain new staff. Spend the time to make sure your interviews are effective rather than hire the wrong person.

Don't just rely on resumes to select staff. You will get better results from checking to see if they can do the job tasks by giving small work sample tests, so you can see if they really know what to do.

Always do a full reference check and listen to the answers because past behaviours are almost always repeated by people. Ask the previous employer if they would hire the employee again if they could. This will give you a good indication of what that employer really thinks.

## 17. Know about your competitors

Keep your eyes on your competitors to see if they change their prices, add better products, or cancel your unique service proposition (USP). These are types of threats that could put your business on shaky ground if you don't prepare an action plan to respond to competitor changes.

Keep track of their advertising material and get copies of their product catalogs so you are aware of what they offer. It is important to know about your competitors products so you can answer potential questions your customers may have in regards to how your business compares with them.

Do not put your competitors down as this will give you a bad reputation and is poor way to operate a professional business.

Your unique service proposition is the thing that your business does differently and better than your competitors. You need to make sure that your USP is not beaten by a competitor or you will lose market share.

Watch any changes in the industry by reading newspapers, industry magazines, and going to business networks so you can stay ahead.

Business Names	The Primary USP
My Business:	
Competitor 1:	
Competitor 2:	
Competitor 3:	

## 18. What is your Customer Lifetime Value (CLV)?

Have you wondered why fast food places will give you free food when you complain? Because they have worked out their customers lifetime value (CLV) and realised that it is worth some free food to keep you as a customer.

When you lose a customer, the CLV is what you are really losing. Think about the low cost of keeping them and then make your decisions.

### Calculate CLV for your Business

1. Find the average sales figure for a customer. Put in box A
2. Find the average number of times they buy in a year. Put in box B
3. What is the average length in years that customers stay with you. Put in box C

$$\begin{array}{c} \text{A} \\ \boxed{\phantom{000}} \end{array} \times \begin{array}{c} \text{B} \\ \boxed{\phantom{000}} \end{array} \times \begin{array}{c} \text{C} \\ \boxed{\phantom{000}} \end{array} = \begin{array}{c} \text{CLV} \\ \boxed{\phantom{00000}} \end{array}$$

### Facts about Recruiting

- Over 80% of resumes contain errors, omissions, or lies.
- Be careful that you don't discriminate against any person
- Most employees will leave your business within 2 years
- A 'Halo effect' is when you employ someone because you like them
- 'Gut feel' is the worst way to employ someone
- Complete study in recruiting & hiring employees if you do it often
- It is better not to hire a 'doubtful' employee rather than take a risk
- Employing people exposes your business to a large number of risks

Your Customer Average	What I get if I increase it by 10%
Sales value per purchase	
Number of sales made per year	
Number of years they stay my customer	
Total sales over 10 year period	

## 19. Do you have any advocates working for you?

A business advocate is a customer that is really satisfied with your business product or service and willingly tells everyone about how good your business is.

Having an advocate is extremely valuable to all small businesses because they promote your product through enormous word of mouth advertising every time they tell someone how good you are.

Have a look at your best customers and see if you can offer a special offer or bonus to provide above and beyond service quality. Excellent customer service builds advocates.

It is very important that you don't tell them to promote you or make it a condition of the offer as this will destroy the effect, and is closer to viral marketing techniques than true loyalty programs.

**“Imagine how many people would hear about you if your advocate told all their friends about your business.”**

# What is Business Coaching?

Most small businesses are run by single operators who are managing every aspect of the business, every day of the year without sufficient breaks. This is a large factor in why so many small businesses run into trouble or fail each year.

A Small business is often established based on a very specific skill of the owner, usually a trade type skill. This is a vital component of the business product or service.

However, the owners key skill is often not in managing the other areas of the business that will need to be managed.

A Business Coach is a person who has business management skills and experience that provide help for the owner to build a successful small business.

Business Coaches are different from consultants in that coaches help your business to implement the changes required whereas a consultant simply tells you what to do and then leaves you to do it yourself.

Coaches are a form of business mentor as they are readily contactable by phone and will often come to your business to help guide you through a particular business problem you may have.

Engaging a business coach is a great investment for your business because you get an experienced manager who has the latest knowledge and skills to help your business without the need to employ them full time and have a large wages expense.

You can get a business coach when you need to have them.

**Imagine having your own “phone a friend” option while running your business.**

**“Who are your business mentors  
that provide advice when you  
need it?”**

**People I can call on for advice are...**

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# Getting into the Niche

## 20. What is a market Niche?

Small businesses have to select a market that has few competitors to give them a good chance to survive. If you do your market research and find more than five competing businesses in your market then you don't have a niche market.

A Niche market is where there are only 2-3 competing businesses, yours included, that provide similar products or services to customers.

You will need to keep adjusting your benefits and products until you differentiate yourself from as many of these competitors as possible because it is important that your business continually improves its operations.

Do more research if you find no competitors. Either you haven't identified what your competitors look like or there is no market for your type of product. If there were competitors but they are no longer in that niche. Find out why they left it.

## 21. Do you have enough customers to make a profit?

1. What is the maximum number of people in your business area that could buy your product?
2. What is the maximum number of products you can physically make in a month?
3. From the maximum number of people in your area, how many are likely to be your customers?
4. What is the expected price a customer will pay for a sale?

Multiply the maximum number of products made per month by the sale price to arrive at your highest revenue possible each month. Is this revenue enough to cover your expenses? If it doesn't then you will need to do more market research.

Divide the number of your most likely customers in your area by 100 to arrive at what your 1% market share would be. Is this number large enough to cover expenses? A healthy business needs to build market share every year to stay in business as existing customers will eventually stop buying.

This Small Business Guide is provided by Paul Baker to support new business owners.

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