



Business Ideas for the SBO



Quote of the Month

The iconic Colonel Sanders on being **rejected 1,009 times** before selling the first KFC franchise in 1952:

“So many other people have strived through adversity that it will embarrass you.”

An inspiration to any SBO to never give up on their dream! How many would have continued after 50 rejections? Or at least changed the chicken recipe!

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Profit Improvement - how to reduce waste

The elimination of waste in any business can be one of the most effective ways to increase profit. Most businesses have waste equating to 15%-30% of expenses.

Toyota, the Japanese car manufacturer, after many years of work on removing waste in their business came up with 7 prominent areas where waste occurs:

Overproduction - when goods are produced in excess of what is required or produced before actually required.

Waiting - this occurs whenever time is not being used efficiently and much of the lead time is tied up

in waiting for the next operation. It's not unusual for a product or service to spend up to 99% of its time waiting.

Transporting - this is a non-valued cost as customers don't want to have to pay for transportation between processes. Every transport event is an opportunity for goods to be damaged or the quality to deteriorate.

Inappropriate Processing - examples of this include whether you are using the right tool or process for the job or even the right person.

Unnecessary Inventory - this represents Work In Progress and is a direct result of overproduction and waiting.

Unnecessary Motions - is related to ergonomics and is seen in all instances of bending, stretching and reaching. These are also OH & S issues which can be significant.

Defects - these either cost money now or later and the costs associated with them come direct from the bottom line.

Our e-book **“Profit Improvement Strategies that Work”** shows how to do a waste audit on your business.

Marketing - do you have a USP?

What makes you more unique, more valuable, and more visible in the market? In our highly competitive world, you have to be unique and fill a special niche to be successful in the marketplace.

Yet one of the most harmful mistakes small businesses make is not being unique and positioning themselves as the best choice in the market. Having a Unique Selling Proposition or “USP” will dramatically

improve the positioning and marketability of your company and products by accomplishing 3 things for you:

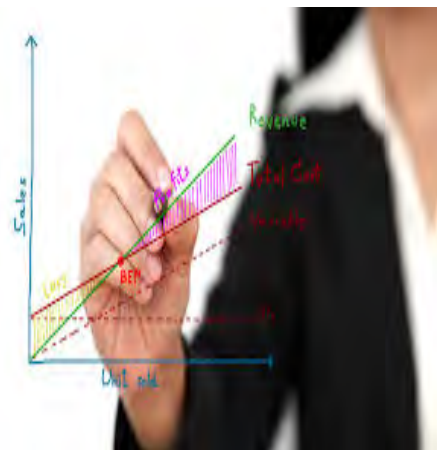
Unique - It clearly sets you apart from your competition, positioning you the more logical choice.

Selling - It persuades another to exchange money for a product or service.

Proposition - It is a proposal or offer suggested for acceptance.

Your small business absolutely, positively has to have a USP that “cuts through the clutter”, separates you from the competition, and positions you as the best choice... the ONLY choice.

Do you know your break-even sales point?



It is important for all business owners to know the level of sales at which the business (or any given product), stops making a loss and starts to make a profit.

For example, a consultant might want to know how many billable hours they need to invoice per week; a retailer might want to know the value of sales required per month to do the same; and a motel operator would almost certainly want to know how many rooms they need to fill each night before they start making a profit.

Variable Costs - These are costs which vary directly with the level of sales or output. Depending on the type of business, examples include cost of goods sold, salaries of employees other than admin., freight, cost of direct materials or supplies.

Fixed Costs - These are costs which remain the same regardless of the level of sales. Depending

on the type of business, some examples would be rent, interest on debt, insurance, administration salaries.

Semi-variable Costs or Combination of Fixed & Variable Costs - These are costs which contain an element of both fixed and variable attributes.

Calculation example

Suppose a business has a gross profit of 35% and total overheads are \$350,000 and to get a 'quick' calculation of break-even, let's assume all expenses other than cost of sales are fixed.

Break-even sales = overheads / GP% or
 $350,000 / 0.35 = \$1,000,000$

As a simple KPI to track, assuming the business operates 50 weeks per year it must achieve sales of \$20,000 per week to break even (i.e. $\$1,000,000/50$).

Beware the cost of discounting!

Given that purchasing decisions are made on price in only 15% of cases, you need to question why a business would give discounts to 85% of customers who don't ask for them!

Discounts generally don't motivate the 85% greatly and the volume of additional sales that need to be made up for lost profits (see table) can be large.

To read the table, select your current gross profit margin being achieved (in blue) and pick a discount rate percentage (red). The intersected figure is the % by which you would need to increase your sales by to produce the same profit.

Discount Rate	Gross	Profit	Margin	%
2%	30%	35%	40%	50%
4%	7%	6%	5%	4%
6%	15%	13%	11%	9%
6%	25%	21%	18%	14%
10%	50%	40%	33%	25%

E.g. If your business currently achieves a GP of 35% and you offer a 6% discount, to produce the same profit before the discount you would need to increase your sales volume by 21% ... ouch!

"If your business currently achieves a GP of 35% and you offer a 6% discount - to produce the same profit before the discount you would need to increase your sales volume by 21% ... ouch!"

analysis of a business.

A pricing strategy that still works!

Ending prices with the number nine is one of the oldest methods in the book, but does it actually work?

Well according to research from the journal Quantitative Marketing and Economics, yes it does! Prices ending in nine were able to outsell even lower prices for the same product.

The study compared women's clothing priced at \$35 versus \$39 and found that the prices ending in nine outperformed the lower prices by an average of 24%.

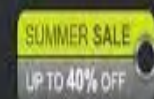
Sale prices - "Was \$60, now only \$45!"—were able to beat out the number nine.

But when the number nine was included with a slashed sales price, it again outperformed lower price points.

For example, consumers were given the following option:
 Was \$60, now only \$45!
 Was \$60, now only \$49!

The sale price ending in nine outsold the one ending in five, even though it was more expensive!

Pricing with nines may be an old trick, but it's still effective!



Back-end selling - what it is and how you can benefit

**BOOST
Your
PROFIT
with
BACKEND SALES**



Back-end selling is simply all the products or services you sell and resell to your customers after they have made their initial purchasing transaction with you.

Every business should have a back-end selling strategy. It goes without saying that it is easier to sell to existing customers than it is to sell to new ones who don't trust your business yet. Whether the business is a manufacturer, professional firm or service business, better sales, cashflow and profits come from utilising a better back-end strategy.

Some examples of back-end sales include: Car dealerships sell you service and oil changes, paint protection; Computer and electronics stores selling extended warranties; Movie theatres selling food and beverages.

To improve profits you should continually focus on better ways of getting your customers to buy more often. They may buy the same product, a related item, or a totally unrelated product or service.

Have you considered a host-beneficiary relationship to get more sales?

Building a solid customer base to bring in potential customers can be an expensive exercise. Further, when you advertise and market you in effect end up paying to get people you don't sell to.

What if you could eliminate a lot of the expense of "prospecting" and only spend your time and money on people who are ready to buy your product or service? You may wish to consider the concept of the host-beneficiary relationship, a great way to generate a steady flow of new business.

The host is a business that already has the type of clients you would like to be in front of. The beneficiary is your business. To illustrate, suppose your business was a yoga studio. What other businesses would likely have customers similar to yours - people into sport, fitness and healthy lifestyles perhaps? You could approach

local businesses such as gyms, physiotherapists, massage therapists, health food stores (to name a few) with an offer to their customer base for a discount on yoga and meditation classes to help their fitness, manage stress and improve their well-being.

You agree on paying them a fee for each person you sign up (taking into account your profit margins and the lifetime value of a customer to you). You'll put together the letter, the envelope and the postage. The only thing your "host" has to do is provide the mailing labels of his clients.

It's a win-win. You have the opportunity to gain more customers, your host has the opportunity to increase their income as well as being seen providing an additional service for their clients.

"First and foremost a successful business must have a sound knowledge of its market and understand how its product or service will be different, stand out in people's lives."
Richard Branson

Sales tips from one of the best - Richard Branson

Richard Branson has revealed some of his key sales tips, which he believes can help small businesses compete in a global market. "I am a great believer that you need this passion and energy to create a truly successful business", explains the Virgin Group founder.

First and foremost a successful business must have a sound knowledge of its market and understand how its product or service will be different, stand out in people's lives. If you ensure it responds to a real need in the market place then your business can punch well above its weight.

Richard Branson's top three sales tips are:

1. Make sure you know what your customer wants. Focus on delivering a high standard of product and service. Keep listening and act fast to problems.
2. Employ staff who believe in what they are selling and who would buy the product themselves. That knowledge and passion helps to sell your business far better than any advertising campaign.
3. Don't be afraid of taking risks. Come up with loads of ideas and encourage your team to do the same. It doesn't matter if some do not work, the very process of challenging the status quo will help you hone your product and improve your sales.



The benefits of having happy employees



Gretchen Rubin, New York Times bestselling author of *The Happiness Project*, spent a year reviewing conventional wisdom and current scientific studies and her findings showed:

Happy employees are more productive.

It results in less employee absenteeism, burnout and stress. When employees are happy, they are less preoccupied with themselves, more focused on their work and are willing to take on new challenges.

Happy employees are better leaders.

They become more resilient, less risk adverse and can more easily bounce back from failures.

Happy employees are more creative.

They are less worried about the day to day tasks and can dream of new possibilities.

Happy employees are better team players.

They are more likely to help others and tackle the big issues confronting them at work.

How can you, the business owner, encourage happiness in your staff?

- Recognise when employees are making progress.
- Make employees feel like they belong.
- Take an interest in who your employees actually are.
- Make work and the environment fun. Let your employees disengage 'sometimes'.
- Encourage exercise and sleep.

Sharing business information with your staff

A recent university study showed that, apart from interesting work and appreciation for work well done, a feeling of being "in on things" tops the list of what many employees want.

Sharing information ensures that everyone on the team understands the critical issues and essential tasks required for success.

For most businesses strategy, competitive advantage in the marketplace, customer engagement and ultimately revenue and profit, are all driven, to various extents, by your staff.

It makes sense, therefore, that the more your staff are aware of how your business works and how their contribution effects the success of the business, the greater their engagement is likely to be.

Improved employee engagement will

ultimately be reflected in better business operations and results.

Educating your staff with answers to some of the following questions may help achieve this:

How do we make money?

Who are our most/least profitable customers?

Who are our toughest competitors?

What do customers see as our differential advantages in the marketplace?

What new products or services will we initiate in the next 6 months?

Give some thought as to the key drivers of your business and think of the questions that your staff need to know the answers to.

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Lowering employee stress

The workplace can be a complex and diverse social setting and the more staff you have the more complex and stressful it can become. It doesn't matter how many empowerment initiatives you introduce, if people are stressed their focus will be more on minimising their stress by paying attention to what keeps them safe than on what makes your company grow.

An environment which is highly politicised, full of favouritism, gossip, negativity, big egos and unfairness can all drain mental energy.

One of the best things you can do is to keep the SCARF model in mind every day when you manage your people. The SCARF model is the brainchild of neuroscientist David Rock.

SCARF stands for the five drivers that subconsciously influence people:

Status - their feeling of their position in the pecking order; feeling appreciated

Certainty - a lack of anxiety about their future or about expectations

Autonomy - a feeling that they have choices

Relatedness - feeling safe with others; a sense of trust; a human connection

Fairness - a feeling of fair exchanges, fair connections with others, and no secrets

Respecting these five drivers may ultimately be the most powerful way to enable others to act.



Leadership is not management



People often confuse the terms 'manager' and 'leader'. They are not the same thing although it is possible to be both and is not uncommon in smaller businesses where the SBO often has to "wear two hats".

A leader has a vision, a number of visions, or is creating visions - in this context a vision is an overarching idea or achievable dream.

Managers, on the other hand, plan - planning is used to enable the manager to do the job well.

Leadership is about asking the questions, 'what' and 'why' and empowering people (followers) by giving them the responsibility to do things right. Leaders therefore work with people and their emotions. Managers ask, 'how' and work mainly with processes, models and systems - things.

The distinction between the manager and leader is also about the risks (or perceived risks) that either will take. Leaders are more likely to take risks and can turn problems into opportunities and may break convention in order to get things done. Managers tend to be more focussed on the status quo and will try to minimise risk.

A Manager

Administers

Focuses on systems & structure

Controls systems and people

Accepts the way things are

Has a short-term view

Maintains

Manages tasks

A Leader

Innovates

Focuses on people & emotions

Inspires people

Challenges the way things are

Has a long-term perspective

Develops

Leads people

Some things to consider about being a leader

1. You must want to do it wholeheartedly!
2. Accept the total responsibility for building and leading the team.
3. Everyone yearns for good leadership - recognise that - be the leader your people are yearning for.
4. Commit to training - leave no room for doubt in the mind of your staff that you are totally committed to their growth and development.
5. Conduct performance reviews. Make sure they are linked into your staff's growth and development. Staff have to look forward to their reviews.
6. Create change - you are responsible to keep things interesting and challenge your people, e.g. sometimes throw your staff into areas before they are ready.
7. You have to create fun in the workplace and make people's jobs more interesting and enjoyable. Recognise people when you can (when they deserve it). It's vital that they know you appreciate and care for them - private and publicly.
8. You must ensure your group share outstanding communication. This starts from being able to tell each other how it really is. Constantly work on improving communication.

"Everyone yearns for good leadership - recognise that - be the leader your people are yearning for."

What type of leader are you?

There are many different models of leadership styles, from those that look at how much 'control' you want to others based around 'potential'. One of the best-known models is Daniel Goleman's Six Leadership Styles. Based on a 3-year study of over 3,000 executives he identified 6 different leadership styles:

Coercive Leaders - demand immediate obedience. "Do as I tell you." They show initiative, self-control and a drive to succeed. This style does not, however, encourage anyone else to take the initiative and often has a negative effect on people.

Pace-setting Leaders - expect excellence and self-direction. "Do as I do, now." They lead by example but this style only works with highly competent and motivated teams.

Authoritative Leaders - move people towards a vision. "Come with me."

These leaders are visionary and is the most useful style as a change catalyst when a new vision or clear direction is needed.

Affiliative Leaders - values and creates emotional bonds and harmony. "People come first." Such leaders demonstrate empathy and are good at building relationships. Not a very goal-oriented style.

Democratic Leaders - build consensus through participation. "What do you think?" They show high levels of collaboration, team leadership and communication. This style works well in developing ownership for a project but progress can be slow.

Coaching Leaders - will develop people. "Try it." Coaching leaders allow people to try different approaches to problem solving and achieving a goal in an open way. Useful when an organisation values long-term staff development.



Keeping a customer focus in your business

Here are some tips to ensure your business keeps a focus on your customers:



Respond to them ASAP - Speed is everything, especially when a customer is requesting something that's time sensitive.

Keep customers updated - always let them know how things are progressing in terms of their request, order or complaint. Give them reinforcement that they're involved.

Show them you care - It's rare to find good customer support these days but you can gain an advantage over your competition by making them feel you are putting them first.

Listen carefully - make sure you clearly understand the needs of your customers.

Make it easy for your customers to contact you - customers want to interact with you in many ways, face to face, email, mail, phone, internet and will expect all of these

communication channels to be open to them.

Reward their loyalty - put in place an adequate reward system for your customers. When you do this it increases the confidence they have in your brand.

Stay in contact - encourage customers by being in regular contact with them e.g. blog, newsletter etc.

Don't make a promise you can't keep - reliability is crucial to any relationship and nothing annoys a customer more than a broken promise.

Deal with complaints - treat them as an opportunity for you to "WOW " them with a recovery. Remember, 95% of people unhappy with a business won't complain, they'll just leave!

Be appreciative - say thank you at all times for your customers' patronage. Never feel above being thankful. After all, you are in business because of them.

Does your staff have customer service skills?

It can't be overstated just how important it is that every member of a business understands that giving good customer service is a very important aspect of their position. These skills, which can easily be learned, are capable of making or breaking the customer service reputation of the organisation.

The following areas are where customer service skills should be taught and followed through with:

- Understanding why customer service is so important in the first place;
- Effective communication with customers;
- Effective listening skills;
- How to handle complaints;
- Dealing with frustrated or angry customers;
- Looking for new and innovative ways to improve customer service;

- Caring for customers, helping and empathising with them;
- Having a complete understanding of company processes and systems;
- Working effectively as a team member;
- Problem solving skills;
- Correct questioning techniques;
- Thorough product knowledge;
- Good presentation skills;
- Effective ways of handling stress;
- Techniques in assertiveness;
- Encouraging self-motivation;
- Other customer service skills such as patience, kindness, openness and helpfulness.

For the ongoing viability of any business, customer service training for employees (and management) is an absolute necessity to maintain and grow its customer base.

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Why do customers leave?

Why do businesses lose customers? Some people leave the area; some customers are dissatisfied with the product or service; and others leave for competitive reasons. However, the majority of customers move their business elsewhere solely due to **the indifferent attitude towards them** by a business owner, store manager, staff member or other employee. Extensive research shows poor customer service results in the loss of business.

The main reasons customers become dissatisfied are due to employees. Staff who don't (or won't) listen to what they're saying; customers who feel ignored by staff, or staff who are not honest about doing what they say they will, or when they will; staff who have little or no knowledge

about their own company's products and/or services, and staff who don't follow up, or follow through.

In fact, how well your customers are treated by you and your staff will make all the difference in the world between whether you achieve your business goals, whether you struggle to keep your doors open, or end up closing them permanently.

Our e-book "How to completely satisfy your customers" provides some great information on this important area of any business.



What is a business plan really for?



There are any number of templates and guides on how to prepare a business plan. There are also some who question the importance of preparing a business plan for a business. These people seem to be missing the point. Unless you need to prepare a 40-page business plan for your bank, an investor or to aid in its' selling, the value lies more in the process of focusing on and analysing various aspects of the business than a bulky final document.

Further, it needs to be a workable document that is used all the time and can be updated easily and quickly.

A well thought out business plan has 4 main components:

- 1) Internal analysis of the business - vision, mission, values, SWOT analysis (strengths, weaknesses, opportunities and threats of the business)
- 2) The marketing plan - identifying the target market, what is the point of differentiation, analysing the industry, competitor analysis,

unique selling proposition, branding, marketing strategies (the 8 P's), the marketing budget.

3) Financial - budget and cashflow forecast.

4) The business (where the document is to be used externally for the bank, investor or potential purchaser) - providing information on the business itself - organisation chart, information on key personnel, information on premises, insurances, operations, a history of the business etc.

Our e-books "How to develop a two-page business plan", "How to develop a marketing plan" and "How to develop a profit budget" coaches you through the process whilst helping you produce final documents that are short, sharp and highly useable for your business going forward.

We highly recommend you use these to help in the process and development of your business plan.

So you think business strategy isn't relevant for a SBO

Part of any business strategy is looking at the industry within which the business operates. As a SBO you may think why would you need to look at that - "I just operate a small business in my local area. I'm not a multinational." Understandable, but if (say) you owned a typical suburban corner store 15 years ago selling the staples (bread, milk, newspapers, chocolate and a limited range of food), some analysis on what was starting to happen overseas and locally might have given you some insight as to what was about to happen to your business.

Years later look what has happened in Australia. Coles (Shell), Woolworths (Caltex) 7-Eleven (Mobile) dominate the service station market. What did that mean for the corner store? Take a look around and see how many are left!

These retailers don't make their money from selling petrol, they make it from selling the

staples at high margins because it's convenient to time poor consumers. Needless to say the demand for a suburban corner store, for so many years an icon in our way of life, has all but gone.

Think of the local video store now that we have internet streaming, Netflix etc; Store retailers combatting online shopping; Newsagents now that large retailers sell newspapers & cards and some pharmacies sell lotto; Pharmacies up against large retailers who sell a range of health supplements. The list goes on.

All these are examples of how their businesses have changed and why it's necessary to constantly look at what's happening in your industry and what the ramifications may be for your business. Remember, bigger businesses than yours do, so don't put yourself at a disadvantage.

'... why it's necessary to constantly look at what's happening in your industry and what the ramifications may be for your business. Remember, bigger businesses than yours do, so don't put yourself at a disadvantage.'

Heard of Porter's 5 forces in business strategy?

In analysing a particular industry, the following questions need to be addressed:

- 1) What are the forces within the industry which determine the profitability of the industry?
- 2) Based on these forces, what is the current and expected future profitability of the industry?
- 3) How are the forces changing and how are they expected to change over time?

The dominant tool used in business strategy for conducting industry analysis is Porter's five forces model. A technique was developed for analysing the 5 forces that affect industry profitability, namely:

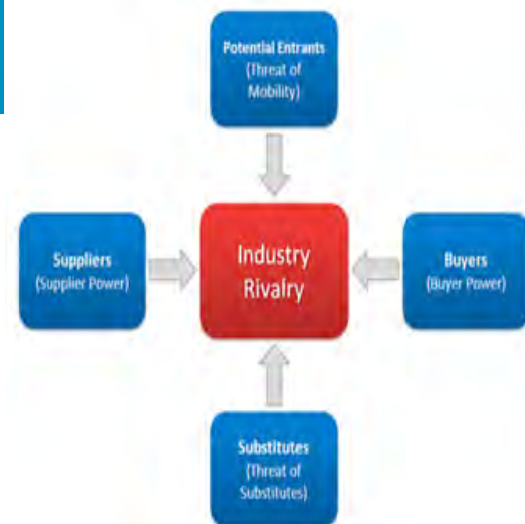
- The threat of new entrants into the industry;
- The power of suppliers to the industry;
- The power of buyers from the industry;
- The power of substitutes for the industry's products and services; and

- The intensity of industry rivalry between competitors.

The 5 forces review helps you to realise what dynamics are working in your industry. Each dynamic will impact on not only the products or services you offer but on the marketing strategies you use.

For each of the five forces you should conclude whether its power is high, average or low, after which you can then draw a conclusion about the current industry profitability.

If all five forces are rated high, industry profitability should be very low. If all five forces are rated low, industry profitability should be high.





It's all about balance

- Damage the relationships that are important to you, hurting those you love the most;
- Lose sight of your values and what is really important to you;
- Damage your health.

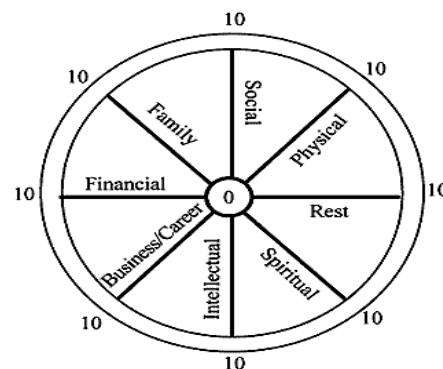
Tips to Get Back in Balance

- Identify your core values and let them guide you;
- Understand when your 'prime time' is and maximise it;
- Worry less about what others think and tell us we should or shouldn't be doing ;
- Recognise and accept your limitations, and give yourself permission to put some projects on hold for now - in order to give attention to what is more important;
- Learn to say "no";
- Relax! Take 'play breaks' during the day. After a few moments play, you'll have renewed energy and concentration;

- Learn to switch off at the end of your workday; Devote one day a week to family or relaxing, nurturing yourself;

- Commit to regular life balance check-ups, possibly using the Life Balance Wheel below - also refer to our e-book "Personal Development and Leadership"

Place a cross on each spoke of the wheel below, indicating where you currently see yourself in each area. Connect the crosses and check how balanced your life balance wheel is.



The Benefits of a Balanced Life

In addition to physical and emotional health and the enjoyment of others - especially friends and family - a balanced life results in peace of mind and freedom from guilt caused by not being able to cope with all you've committed to do.

The Potential Dangers of Continuing Out of Balance

- Experience personal burnout and sabotage everything you've worked hard to build;

PRODUCTIVITY

By looking at where you currently spend your time and being more aware of where you should be spending your time, you will be able to find more time to work on your goals and be more in control of your day. Shown here is a time management matrix highlighted in Stephen Covey's book "The 7 Habits of Highly Effective People".

The more you focus on Quadrant 1, the more dominant it gets. The problems which crop up are so big and exhausting; the only escape is into Quadrant 4. Quadrants 2 and 3 get neglected. People who run on crisis live like this most of the time which itself perpetuates crisis since they never get time for the planning and daily action which can circumvent it.

Perhaps worse are people who spend a lot of their time in Quadrant 3 thinking they are in Quadrant 1. They spend most of their time reacting to things that are urgent assuming they are important. The reality is that the urgency of these matters is often based on the priorities and expectations of others.

Getting your day more productive

Covey states that people who spend their time almost exclusively in Quadrants 3 and 4 basically lead irresponsible lives.

Quadrant 2 is the key to personal effectiveness in the long term. By far the most effective work is done when things of highest importance are tackled in a non-urgent climate.

Initially the time for Quadrant 2 activities will have to be taken out of Quadrants 3 & 4. However, over the long term, their effectiveness will steadily reduce Quadrant 1, giving back time for the others.

To work on Quadrant 2 requires you to be proactive because 3 and 4 work on you. You must say "yes" to activities in 2 and that means saying "no" to other calls on your time, even seemingly urgent Quadrant 3 ones.

As a guide to being effective aim to spend 20% of your time in Quadrant 1, 64% in Q2, 15% in Q3 and only 1% in Q4.

	URGENT	NOT URGENT
IMPORTANT	QUADRANT 1 Crisis Pressing Problems Deadlines Putting out fires	QUADRANT 2 Build relationships Planning Fitness Family/self
NOT IMPORTANT	QUADRANT 3 Interruptions Phone calls Some mail Pressing matters Meetings	QUADRANT 4 Trivia Some mail Phone calls Time wasters

DISCLAIMER

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