

NO customers – — NO business!

Customers are your income. The better you are at dealing with customers, the more successful your business will be.

Added value

You will only sell a product or service because customers feel they need it. Answer the question 'Why did the customer buy from me and not one of my competitors?' and you will know how to market your product or service. Customers buy from you because you provide more than just a basic product or service. This is the definition of 'added value', and only your customers can decide what added value is.

The key is to get close to your customers and to build relationships. Customers will tell you when their needs change, they will give you indications about how your market is changing, and they may give you vital information on your competitors. They will tell you what makes your business stand out from the crowd as far as they are concerned. To get this information you can either do a formal survey of your customers or ask them in conversation.

How to Add Value

Some of the things businesses offer to add value are:

- Quicker and more reliable service and delivery.
- Longer opening hours.
- Products or services that nobody else offers.
- Reputation.
- Strong 'after-sales' service and back-up.
- Convenient or prominent location.
- Distinctive image and personality.
- High-quality product that is rightly more expensive than competitors.
- Expertise and knowledge.

Caution! The only alternative to added value is to sell at a cheaper price than your competitor. However, if you reduce the price:

- You would need to sell more;
- Your competitors may also produce at a lower price!
- A cheaper price may make people think you are selling a poor product.

If you do not keep in close contact with your customers, the first sign that you are out of step with your markets will be an unplanned drop in sales. By then it may be too late to do anything about it.

Market segments

No business has the resources to sell to the entire world, so it is best to divide your potential customers into groups or segments to make the most of your promotional activities.

If your customer segments are not similar, you may need to think up a different selling message for each, or focus all your activity on the strongest segment for your business.

Don't be surprised if most of your business is from one type of customer. Many businesses find that up to 80% of their business comes from just 20% of their customers, or 20% of their products generate 80% of their sales. The successful owner knows which products and customer segments are the most profitable.

Sales platform

As well as knowing which products and customer groups are the most profitable, you need to generate enquiries. This is one of the most difficult areas for business-owners as they have to decide how much time and effort to put into selling.

You always need to contact more potential customers than you will sell to. Keep a close watch on your promotional activities and find out what has attracted your customers. You will then know exactly what your 'conversion rate' is for turning casual enquiries into money spending customers. If you know how much business you want to do in a given time, you will then know how many potential customers to promote your business to.

Being able to do this is not as hard as you might think. The method, 'sales platform', is one of business's best-kept secrets. Each business needs to develop its own sales platform. Here is an example: (Please refer to table above)

This gives this business a monthly target for its sales activity. Each month, the business needs to complete 4 orders, give 12 quotations for new business and

Source of information

Step 1 Annual sales target	\$400,000	Business plan target
Step 2 Average order size	\$8,000	Previous experience
Step 3 Orders needed each year	50	Step 1 ÷ Step 2
Step 3a Orders which should come from repeat business	2	Previous experience
Step 3b New orders needed in the year	48	Step 3 - Step 3a
Step 4 Orders needed each month	4	Step 3b ÷ 12
Step 5 'Conversion rate' - how many quotes given become orders	1 in 3	Previous experience
Step 6 Number of quotes that must be given each month	12	Step 4 x Step 5
Step 7 'Conversion rate' - How many casual enquiries become quotes given	1 in 6 (1/6)	Previous experience
Step 8 Casual enquiries needed each month	72	Step 6 x Step 7

attract 72 casual enquiries from potential customers to meet its financial targets. Again that old adage, "What you can Measure, you can Manage" comes into play. Make a conscious effort to establish the measurement system for the next reporting period. Once you have the historical data, complete your sales platform for the balance of the financial year, in the format described above. Continue to measure the variables in Steps, 2, 3a, 5 and 7 and adjust the sales platform to include the most accurate up-to-date data. This will provide you with your revised number of orders, quotations and casual enquiries required per month.

Above all, share this information with staff who have the potential to influence these key sales variables.

Tip - How do I measure my Sales Conversion Rate?

Purchase a "Door Counter". By tracking the number of customers entering your

store versus the number of those who ultimately purchase from you, you can estimate a fairly accurate Sales Conversion Rate.

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