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A Special Report in the
‘The Four Fundamentals to EXPLODING the
Growth of Your Business’

Series

#3 Increasing Your Average Sale

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Price/ Packaging/Cross Selling/Back Ends

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Price—Is It Really an Issue?

Price is so often considered the be all and end all of marketing and sales. But is it?

No

There are just so many other issues involved in a purchase decision that it's naïve to think price really is the driving factor for all customers and potential customers. Instead, it's simply another significant element of your marketing and must be considered as that—a *part* of your marketing whole, rather than the beginning and the end!

This information is designed to give you insight into some interesting thoughts on price and some statistical results that could surprise you.

You see, it's almost always the case that the seller has a greater issue with price than the buyer. Find out more here.

What do you look for when you shop?

Take a moment to think about just how many issues you consider before you purchase. To do that, think about what you're looking for when you shop for something—a car, a household item, clothing, computer equipment, or virtually any other item.

First and foremost, you're probably looking for something that solves a need or a problem you might have.

Something that offers good quality could be important, too. Ideally, you'd probably want to buy from a business where you receive excellent service.

Value for money and price could be important, too. Depending on what you're looking for, you might need advice from experienced personnel or you might want warranties on your purchase. Delivery times or 24-hour service could be important. Even the way you pay could be an issue. And much, much more.

These are just some of the items that could be important to you as a customer.

So it's easy to see that most people *never* shop on price alone.

They're looking for other things like those just mentioned, such as service, quality, support, help, and advice.

Let's review the results of an interesting survey to illustrate this point further. The issue of price versus value and service has been a hot topic practically from the day trade and commerce began. Because of this, many studies have been completed to analyse exactly why customers buy.

In the search for some answers, one such survey has looked, perhaps more importantly, at why customers *don't* buy from you or why they leave you and move to a competitor.

So let's look at the survey. People were asked this question:

'Why do you choose not to deal with a business or to leave a business and go to a competitor?'

The results time and again have been astounding. For your interest they were:

Convenience	3%
Relationship at a high level	9%
Miscellaneous	5%
Product/price/time	15%
'Perceived indifference'	<u>68%</u>
	100%

The 'convenience' category means a person would choose not to deal with a business or would leave that business because it's more convenient to purchase elsewhere.

'Relationship at a high level' means, for example, a person close to you opened a new business or moved to another company and you want to continue dealing with that person. It could be a relative or a close friend or someone you held in very high regard.

'Miscellaneous' is simply those reasons that couldn't be categorised clearly.

'Product/price/time' actually means potential customers want a certain product or service, at a certain price, whenever they want it—for example, right now, next week, or what have you. For argument's sake, let's just say this category is price, so this group represents people who buy or don't buy on the basis of price.

'Perceived indifference' is literally that. Your customers or potential customers feel you or your team members are *indifferent* toward them. Indifferent meaning they're given the impression you couldn't care less if they purchased from you or not.

This means virtually 7 out of 10 inquiries (you don't sell to) walk away because they feel your business is indifferent toward them compared to only 15% of customers who shop on price alone.

Seven out of 10 inquirers who fail to purchase from you are doing so because they felt your business didn't care enough, didn't take time for them, and really didn't make a difference! That's just amazing, especially when you consider that **ONLY 15% of the market shop or purchase on price alone.**

And yet this 15%, or the price-sensitive group, are usually the ones most businesses incorrectly pay the greatest attention to.

It's obvious that some industries are more price-sensitive than others and these results may therefore vary for your business. But it's critical to remember that this survey has been completed the world over, in every walk of life. As such, it's vital to understand that the vast majority of people really do purchase along these lines.

And the fact is, even if you feel these results may only be partially true for your business, you'll still be facing an opportunity to INCREASE sales. An interesting idea but...

Sometimes, it just doesn't feel true though, right?

Even though these statistics will most likely prove true for your business as well, there are some good reasons why business owners, managers, and team members alike might feel price truly is a big issue.

Let's look at some of those now.

First, what do most businesses promote? Most focus on promoting the features of the product or service and then...the almighty price.

Usually, what that product or service can actually 'do' for the customer, that is, the benefits it might bring, are ignored. In fact, very often price becomes the focus of advertising or marketing material. So in fact, we as business owners and managers literally train our customers to shop on price by displaying a product or service and the price over and over again. Product...price. Service...price. Product...price. Service...price...

Most marketing material fails to explain the benefits to the customers—what this product or service could mean to their life, their business, their home, their children,

their car, or any number of factors relating to that purchase—and so places the emphasis back on price.

Or **your industry *might* actually be heavily price-competitive.** Make no bones about it, there are some areas that suffer more than others; however, there are almost always ways to combat this problem.

Or you might have the kind of business where either, over the phone or face-to-face, an inquiry starts with ‘How-much-is-it?’ Or ‘I want to find out the price of an XYZ,’ ‘Could you tell me the price of...?’ Or a similar phrase that makes it sound like the caller or visitor is just shopping for price.

Now think about what most businesses say when asked that sort of question.

That’s right. The price. For example, ‘OK, that’d be £40, £400, or £4,000,’ whatever the price actually is. Sure enough, many potential customers (the potential customer you’ve paid to have call or visit you through your advertising costs) then say, ‘Thanks very much. I’ll get back to you.’

Mostly, they never do. They call 2 or 3 other suppliers of the same sort of product or service—your competitors—and ask the same question.

Unfortunately, your competitors do the same thing when they call—give them the price and let them go.

And here’s the crunch. At that point, would your potential customers have *anything else* to judge you by *except for price*? Frankly, no.

And most business owners complain about people who shop on price alone! If your business handles price inquiries this way, you couldn’t possibly expect your customers to do anything but! In this example, you’ve given them no reason other than price to choose you or a competitor.

Clearly, they’ve indicated they’re interested in your product or service by calling you in the first place.

In this instance, the business has failed to take the customer’s cue. You see, most people only ask about price as a place to *start*, yet most businesses assume this question is the start *and* finish.

To add to that, you haven’t given them any reason to believe you *aren’t* indifferent toward them. In fact, it would appear you are indeed like everyone else.

If most people only ask about price as a place to start and then, from the customer's point of view, nobody bothers to ask what they want the product or service for or to do for them, you could see how someone might think you're being indifferent toward them.

Nobody asked what they were really after—what type, colour, number, make they wanted, when they would need it by, or how they wanted to pay for that, and more. Plus, the business lets the customer get off the phone without capturing any follow-up details.

All of these points are critical because these or similar points offer you a great, easy, and cost-effective way to stand out from the crowd!

Focusing on customer service, improving what it is you do, doing something out of the box or different, and offering genuine advice on how a product or service will make a difference in a customer's life—rather than just price—will increase your sales.

The interesting statistics—7 out of 10 people won't buy from you because of 'perceived indifference' rather than price—show that a happy potential customer will buy regardless.

You see, customers who feel they've been served well, received value for money, and got good service will often buy a product or service without overly considering the price. These customers feel service and quality is more important. And when you offer better service, customers will not only buy at a higher price, they will often talk favourably to others about your business and your products and services, pay less attention to your competitors and their advertising, and may well buy other products and services from your business.

The key to a happy customer is customer service. Not just service but 'awesome service.' To differentiate your business or have people pay a higher price, service that delights is what you need to offer.

A very different set of times tables

The following table indicates the increase in sales you would require to compensate for a discount on price. For example, if your gross margin is 30% and you reduce price by 10%, you need sales to increase by 50% to maintain your initial profit. Let's face it, a 10% discount just doesn't motivate customers *that* much! Rarely has such a strategy worked in the past, and it's unlikely that it will work in the future.

Take a good look for yourself. Check your margins and normal discounts against this table.

If your present margin is...

20% 25% 30% 35% 40% 45% 50% 55% 60%

To produce the same profit, you must increase your sales volume by...

And reduce
your price by...

2%	11%	9%	7%	6%	5%	5%	4%	4%	4%
4%	25%	19%	15%	13%	11%	10%	9%	8%	7%
6%	43%	43%	25%	21%	18%	15%	14%	12%	11%
8%	67%	47%	36%	30%	25%	22%	19%	17%	15%
10%	100%	67%	50%	40%	33%	29%	25%	22%	20%
12%	150%	92%	67%	52%	43%	36%	32%	28%	25%
14%	233%	127%	88%	67%	54%	45%	39%	34%	30%
16%	400%	178%	114%	84%	67%	55%	47%	41%	36%
18%	900%	257%	150%	106%	82%	67%	56%	49%	43%
20%	*	400%	200%	133%	100%	80%	67%	57%	50%
25%	*	*	500%	250%	167%	125%	100%	83%	71%
30%	*	*	*	600%	300%	200%	150%	120%	100%

On the other hand, the next table shows the amount by which your sales would have to decline following a price increase before your gross profit is reduced below its previous level.

At a 30% margin and a 10% increase in price, you could sustain a 25% reduction in sales *before* your profit is reduced to the previous level—you would have to lose 1 out

of every 4 customers! Again, based on the information presented here and what you know to be true yourself, this is also highly unlikely isn't it? So:

If your present margin is . . .

	20%	25%	30%	35%	40%	45%	50%	55%	60%
To produce the same profit, you could decrease your sales volume by...									
And increase your price by...									
2%	9%	7%	6%	5%	5%	4%	4%	4%	3%
4%	17%	14%	12%	10%	9%	8%	7%	7%	7%
6%	23%	19%	17%	15%	13%	12%	11%	10%	9%
8%	29%	24%	21%	19%	17%	15%	14%	13%	12%
10%	33%	29%	25%	22%	20%	18%	17%	15%	14%
12%	38%	32%	29%	26%	23%	21%	19%	18%	17%
14%	41%	36%	32%	29%	26%	24%	22%	20%	19%
16%	44%	39%	35%	31%	29%	26%	24%	23%	21%
18%	47%	42%	38%	34%	31%	29%	26%	25%	23%
20%	50%	44%	40%	36%	33%	31%	29%	27%	25%
25%	56%	50%	45%	42%	38%	36%	33%	31%	29%
30%	60%	55%	50%	46%	43%	40%	38%	35%	33%

The connection between these tables and the previous information you discovered is a strong one:

1. Most people don't shop on price.

2. Discounts don't motivate sales greatly.
3. An increase in price could mean your profits actually grow despite fears to the contrary!

So price really may not be a huge issue after all!

Some examples for you

More proof

First up, a case in point.

You'd probably agree that price would be an issue for, say electrical goods retailers. This type of business would consider itself more price-sensitive than some others.

It is important to note that 99% of the advertising in this marketplace screams PRICE, PRICE, PRICE. Yet, when independent research relating to this industry was completed, the results were quite similar to most other industries. At the same time surprising, when you understand the reasons customers cited for purchasing. The breakdown of their answers went as follows.

- 42% Said they bought the product because of features (in fact, what those features could do for them—benefits).
- 26% Said they bought because of some previous experience with the brand.
- 15% Felt their choice offered value for money.
- 15% Chose a well-known brand.
- 18% Made their choice based on price alone (only 3% greater than the previously mentioned 'perceived indifference' survey results).

Only 18% of customers were concerned about price, whereas 42% made a purchase decision based on the features of the product—and the benefits those features could bring. Here's a whole industry that considers itself price-sensitive, and yet it promotes price when other issues are just as important, if not more so. Another perhaps more powerful form of advertising, then, could be to focus on answering 'What's In It—For Me?' That is, 'what can this product, or service, do for me?' And promote the features and benefits to customers.

Chickens tell the truth

Another example tells the story of a 'Hot Chicken' store in a suburban location. Usually, there's not a great deal of difference between chicken stores, and this particular business was competing with 2 major chain franchises.

These franchises had the ability to sell at a cheaper price, of course, due to the buying power of the franchise chains and the volumes sold compared to an independent chicken store.

Naturally, the business owner, David, was trying to compete on price to no avail. He just wasn't going anywhere. After a great deal of discussion, he decided to increase his prices OVER the chain stores.

What might seem like a surprising thing happened—his profitability actually increased! You'd think that increasing his price would decrease his sales so much that he'd have lost money. Not so.

You see, David had a bigger problem with price than his customers did. And with the extra profit he was making, he was then able to do some interesting things to better differentiate his store.

While most businesses—service, retail, wholesale, manufacturing, or professional (to a lesser extent)—focus on price and see their margins slowly eroded, those that can differentiate themselves and give people good reasons to buy stay miles ahead.

Perhaps this would be true for your business, too.

Your Action Plan: Review price as an issue with your business

Action (What needs to be done.)	Outcome (Results to look forward to.)	Person responsible (Make sure you involve others, if possible!)	To be done by:
With this information in hand, review your prices and pricing policy.	To maximise your profitability.		
Read the tables here again and consider increasing your prices or at the very least halting the use of discounts as a marketing tool.	To maximise your profitability.		
Focus on differentiating your business through better service and more customer focus.	To differentiate your business on something OTHER than price and to increase your profitability and customer satisfaction.		

Packaging That Sells More and Adds More Value

This information is designed to give you insight into what packaging could do for your business.

You see, packaging—combining complementary items ‘packs’ so that when customers or clients choose an option, they automatically buy a number of items with that one decision—usually lets you add value to the customer. It’s another successful way to increase sales within your business.

Packaging contributes greatly to the 3rd way to grow your business, that is, to increase your average sale. You’ll explore this concept and look into the details, like creating packages.

Identify packaging opportunities for your business (and some examples for you)

As with ‘cross-selling,’ when it comes to increasing the average transaction value, one of the best places to start is to identify ‘packaging’ opportunities.

In the first instance, it needs to be noted that several packaging options are available to you, depending on your business.

First, you could package products and products together. Second, services and services together. And finally, products and services together. This can happen in several ways, all of which are designed to make your products and services more attractive, add value to the customers, and increase your average sale.

You know that if someone buys a product or service from you, they probably also need another product or service, so the idea here is to package these items together in the first place.

One option is to identify those items your customers really do need to make the most of the original product or service that interested them. These would be ‘companion items’—items that ‘match’ the product or service and actually allow the customer to enjoy more benefits or gain more use or value from the product or service.

These items could be ‘bundled’ with the main item to create a whole package that is more attractive than the individual parts. This increases the value of the sale.

To give you some ideas, here's a simple example. Imagine you're a retail outlet (or manufacturer) that sells video recorders. You could offer a pack of '6 videotapes, normally valued at £22, for a special price with the purchase of a VCR. These tapes could even be a free bonus, normally valued at £22, with the purchase of the VCR at full price.

Another example would be to create whole 'kits,' including everything a person needs to do the task or enjoy the product purchased.

Another would be special-occasion packages based around events in the yearly calendar, like Mother's Day, Father's Day, Christmas, Easter, Valentine's Day, and so on.

For example, if you own a delicatessen, you could put together a full 'Christmas Pudding Pack' and promote making puddings at home. This pack could include a fabulous Christmas Pudding recipe and all the delicious ingredients for a price that is better value overall but that still increases your average sale.

A manufacturer of condiments or flavourings, which sells to restaurants and commercial kitchens, could package together 3 complimentary items.

If you own a pharmacy, you could package a whole range of items into a first-aid kit, including bandages, antiseptics, a booklet on treating common injuries, and so on. Or you could create a 'Mother's Day Delight' package that includes items that pamper Mum—perfume, powder, bath oils, makeup, and so on.

McDonald's gives us plenty of packaging examples. You've probably seen their promotion of 'Value Meal Deals,' where a burger, drink, fries, and dessert are packaged together. They win because their average transaction goes through the roof, and the customers win because the total price paid is less than the total cost of the individual items.

Remember too, that these add-on items, packaged together, are often high-margin items, thus adding significantly to the profit per transaction, too.

If you are a serviced-based business, you can package one service with another that's complementary, just as these examples have shown. The difference is simply that you replace products with services!

You could package certain services with others that will help your customers get greater value out of the first service.

A service-based business, such as a health professional, might package together a health assessment and 8 sessions for the price of 6. For example, a physiotherapist or masseuse could package together a number of sessions, say 6, and call it the ‘Getting Better’ pack (meaning ‘getting better for money as well’). By pre-purchasing the ‘Getting Better’ sessions, they’ll save 15% or receive their last session for free. (If this increases the average number of sessions from 4 to 6, then you’ve increased not only the average sale, but also the number of times customers deal with you.)

A dentist could package together tooth care products into an ‘Improve Your Smile’ pack.

A lawyer could package together a ‘Legal Risk Analysis’ with a common service, such as completing wills or property deeds.

You could package in a follow-up service to go with the professional service, thereby increasing your average sale and the service your customers receive. In this way, kits could be an option as well.

You could also bonus in special reports, for example, ‘When you begin this service before March 12, you’ll receive 3 bonus reports on how to this, that, and the other thing, valued at £49.95 each. This is a bonus to you valued at £149.85, so call 555-555 now. Remember you must book before March 12 to get those excellent reports free and save £149.85. CALL NOW!’

Including educational information about your products, services, or business as part of the package could build customer confidence in you and so increase the sale value, too. As could having various sales tools on hand, like a list of testimonials from happy customers, references, the ‘6 questions’ test, and more.

If you offer both products and services, these ideas can be applied here to package the two together. You could create kits that include products and services, for example. Further, in a price-competitive industry, this can be a particularly good way to differentiate yourself.

For example, let’s say you manufacture residential venetian blinds. Now, let’s imagine you packaged a product and a service together. So what could you do instead of discounting? (*Because discounting kills your profits and gets little response from customers!!*) Offer something that probably has a lower hard cost to you. Something like a service. A service such as the installation of those blinds.

So rather than discounting the price by 20% to win new business, the offer could be to ‘Invest in ABC blinds for your home and you’ll enjoy a hassle-free, professional installation, normally valued at £245—absolutely free!’

This makes it easy for your customers to differentiate you from your competitors on something other than price! It also means you're saving your bottom line. And because a professional installation makes your customer's life easier, you'd be adding more value to your customers, too!

To help you create packaging opportunities within your business, work with your team and go through every major product or service with this in mind:

‘What else can we offer the customer to go with this purchase?’

‘What else could we offer that would add value and make the use of this product or service better?’

‘What else, when coupled with this product or service, would help them get the most out of it?’

Or write a list of popular sale items, then brainstorm a list of companion items you could sell with these products or services.

Or create a series of packages, usually 3 of your products or services. For example, ‘bronze,’ ‘silver,’ and ‘gold’ versions of your products and services, each one priced differently. You could create packages containing all of the additional items identified in the cross-selling checklist.

These sorts of packages will help people differentiate between your products and services. You see, you know the differences inside and out and so it makes it easy for you to distinguish between the options. However, the customer usually doesn't find it that easy to do because they're lacking the background knowledge you possess.

The ‘bronze’ version would be your basic product without extras for the price-conscious buyer. The one you're offering when you discount.

The ‘silver’ version, more valuable than the ‘bronze,’ would include additional value-added features, accessories, or additions.

The ‘gold’ version would be the ‘top of the line’ and the most valuable. It comes with the most additional features and services, like laser shows, pyrotechnics, the whole ‘kit and caboodle’!

Research suggests that the majority of your clients will tend to purchase the ‘silver’ version of your product over the ‘bronze’ version, while a few will go for ‘gold.’

So you can see, there are any number of ways and ideas you could apply to your business, all of which is well worth doing to increase your average sale, add value, and grow your business.

Your Action Plan: Create sales packages for your business and increasing your average sale

Action (What needs to be done.)	Outcome (Results to look forward to.)	Person responsible (Make sure you involve others, if possible!)	To be done by:
Calculate your current average sale.	To note your benchmark.		
Work through the questions outlined here to create a list of items that could be ‘bundled’ together within all your major product or service groups.	To identify those items you could package together, to increase that benchmark dramatically, and to add more value to your customers.		
Turn those items into packages and train your team how to present them to your customers.	To create some packages that increase your current average sale dramatically and add more value to your customers.		

From Cardboard to Language—The 3 Levels of Packaging for Your Business

This information is designed to give you insight into just how important packaging your products and services and your business as a whole could be to you. You'll also find out how to make packaging work in your particular situation.

You'll gain an understanding of each of the 3 levels of packaging and have an idea of the impact of these levels on your business and your overall sales.

Making impressions that sell (and some examples for you)

Packaging is a critical part of making an impression that sells. Whether it's the way you physically package your products or services, how you match them together to increase your average sale, or how you package your entire business, packaging is designed to make an impression that sells. These areas represent the 3 levels of packaging. Let's look at each more closely.

The physical packaging of your products or services

This is the most literal type of packaging—the physical packaging of your products or services. Exactly how are your products or services presented to your customers? For example, are your products contained within boxes, bags, bubble wrap, plastic, or containers?

In a retail environment, before you place the items in a bag or a presentation box, do you wrap the goods in tissue paper and seal the tissue wrapping with a sticker bearing your company name?

How are these products packaged to protect them from damage during transport or to make storage easy? Or if your products are sensitive to conditions such as heat or cold, how does the packaging protect them? Or, if necessary, how does your packaging meet any health standard requirements?

For a service-based business, how do you package your service? For example, do you physically package the service your customers are purchasing into a report, or a checklist, or a service record of some sort? Something that makes that service tangible (a service often has an intangible nature). And in that case, how are they literally presented to the customers—paper, gloss, card, bound, loose leaf, stapled, etc?

This first level of packaging is important: Although we're working through it first, it's often the last point of contact with the customer. It creates a last impression rather than a first or second and is often what lingers in the customer's mind. Packaging is the last opportunity you have to reassure customers. That is, to make them feel they've made the right decision.

As such, it's critical that your packaging matches your type and style of business and customers.

For example, a cut-price type of retail store may not wrap items in tissue paper. In that case, it may be appropriate to follow that 'budget' theme all the way through by placing unwrapped items directly into brightly coloured plastic bags.

Whereas another retail business, perhaps selling upmarket, high-ticket clothing items, could wrap items in tissue and place them in an attractive 'designer' bag of glossy cardboard.

Alternatively, a professional firm might need to produce a report about the service completed for a client. In that instance, it wouldn't be appropriate to present the report on stapled loose-leaf paper. It might be better if the document is bound with a professional cover page, index, and so on.

A trade business, such as a plumber, renovator, or landscaper, could give each person a checklist of work completed to educate the person as to the value of the service. Further, though, it also makes something that is largely intangible to the layperson's eye—tangible. This reassures the customer and creates a lasting impression.

For another example, a car servicing business, such as a repair workshop, could provide customers with a service booklet and simply tick off each item that was completed for that particular job or service. Again, you're packaging the service. Making the intangible tangible.

A similar idea could be used by a health professional whose patients/clients visit regularly. The physiotherapist or chiropractor or counsellor, for example, could maintain a record of the customer's treatment and improvements for each session.

If you're a manufacturer, you also need to consider these issues closely. Does the packaging of your product not only protect it but also *exceed* the expectations of your customers? You see, manufacturers often keep product packaging to a minimum, that minimum being industry standard or what the manufacturer perceives as the customer's minimum expectation.

To stand out from your competitors, it's important that you consider the possibility of exceeding both. Look into alternatives that could still protect your products but present them in a better way, a way that makes your products stand out. It could be simple ideas like easy-to-follow colour coding, easy-to-read labelling with symbols representing product types or other product details, and so on.

As a manufacturer, you could look into the idea of taking the physical packaging even further by providing your customers with a storage system for your products. That way, it makes it incredibly easy to store your products and track their inventory. Because it's so convenient, it makes it far more attractive for your customers to buy from you over and above any other competitors.

Applying any or all of these ideas or others that achieve the same results means that you will be perceived as different—ideally better—than your competitors.

Another issue to consider is to continue your marketing through your physical packaging. For example, your packaging must be sure to reiterate your contact details, such as phone numbers, website or email addresses, and your mailing address. If possible, use stickers or labels on the products themselves. At the very least, have that overprinted or use stickers or labels on the packaging of that product, such as boxes, bags, or containers.

This is particularly true if the products might ever need repair or if you could sell add-on services or other products and services for use with that product or service. Clearly, marking these details helps your customers remember you and use you more often. It also allows some continuity—if team members who know you well leave that customer's employ, new team members will be able to reach you when needed.

Certainly, reports should always end with some sort of follow-up mechanism, where your business can call that client to check on the results.

Packaging can also include other tools, such as guarantee cards. This item would outline the product or service 'guarantee to you,' everything that is entailed, any start and expiration date, and so on. The card could be placed in the package with the product or included in a report, booklet, or at the bottom of a checklist.

Or in a retail environment, your price or promotional tags could tell a 'story' about the item, including the price on one side and the guarantee on the other.

Other items you can include: a special offer with response forms, feedback forms and return envelopes to gather their opinion, and more. Anything to get them to deal with your business again!

Packaging your business as a whole

Ask yourself this question: 'Which business is the most well-packaged business in the world?' Usually the answer is McDonald's (or Coca-Cola).

(Before we move on, let's clear up one thing. We aren't talking about McDonald's in terms of its corporate structure, management strategies, etc. What we're looking at is what McDonald's has been able to do the world over!)

Also, some business owners look at McDonald's and think, 'That doesn't apply to me. They're a huge company and I'm just a small business!' The point is, McDonald's *was* a small business. Remember, a big business is just a small business that did the right things, and there are lessons to be taken from such examples for all businesses.

So, let's think about McDonald's for a minute. They are so well packaged that you, and certainly children all over the world, can identify the 'golden arches' anywhere.

Further, when you think about it, you know what the team will look like, you know what the uniforms will look like. You even know what they're going to say to you, particularly, "Would you like fries or a drink with that?"

Even the buildings that house McDonald's look reasonably similar and are usually designed in such a way that you know where the amenities will be even if you've never set foot in that restaurant before!

Not only that, you know what the food is going to smell and taste like. As much as we love McDonald's, there are probably better-tasting meals elsewhere, but we, as consumers, continue to go back again and again. Why?

Because McDonald's offers us a unique sense of control and security.

Control over our experience.

When we as consumers go there, drive through that 'Drive Thru' or go into the restaurant, we're confident. We absolutely know what we're going to get. We just know.

It's the packaging of McDonald's as a whole that gives us that confidence.

Packaging is such a fundamental part of McDonald's success that, in fact, one of their marketing position statements is that "hamburgers are not the core business—the core business is speed of service." And that is certainly, true isn't it? When you think about why we as consumers buy from McDonald's, it isn't necessarily for the food. It's often for the 'sameness' we experience and the hassle-free fast service we receive day in and day out, every single time we go there.

In this way, packaging makes your customer's decision to use your business easier.

In fact, it makes choosing your business less of a risk, as the customers become more and more confident in their ability to spend money with you and get a given result. They feel they know or can make safe assumptions about what is going to happen and often what to expect. This means they just keep on coming back over and over again—like bees to a honey pot!

Just like millions of customers to McDonald's!

That sort of confidence is what you want to create. To do that, you must make sure your business is packaged properly so you can create a sense of consistency—'sameness'—for your customers.

Here are some hints and tips to do just that. Consider the following aspects of your business:

Your business stationery must be consistent.

Make sure all your letterheads, business cards, fax headers, 'with compliments' slips, invoices, statements, customer records, and files are consistent. Any new marketing material, such as an information pack or business profile, needs to have the same style and layout as your stationery.

Your logo is an easy way for your customers to recognise you.

Get a business logo. This gives your customers and potential customers a means of identifying you easily. Once you're happy with your logo, use it on everything so that people become more and more familiar with your business! Advertising, signage, business stationery, proposals, etc.

If you have a logo, it's important to *use it consistently*. That is, don't change it, don't change the colours of your logo regularly or alter the shape of it. Your logo creates a consistency in the minds of your customers. Given that, it's critical that your logo remain the same. (Long into the future, you may want to revamp your logo completely, but until then don't change it!).

Also the *placement* of that logo is important. For example, place it in a similar position as much as possible on your business stationery. Don't place it in the top left-hand corner of your letterhead and in the bottom right-hand corner on your invoices.

Signage makes you easy to spot and promotes your business.

All signage needs to meet legal requirements and be uniform in format. Ideally, signage should clearly indicate your business name and easy-to-read phone numbers.

For promotional signage, such as signage needed for trade fairs, exhibitions, and demonstration days, create a sign that has those details just outlined, plus points explaining the *benefits* offered by your business. That way, people can read the sign about your business and have some idea about what you do.

Signage relates to the image and positioning of your business as a whole. This means that every location of your business should have the same format for signage, so that it is merely a matter of changing the phone number details and yet appears the same.

Directional signage should be used for almost any promotional event or occasion where customers need to find your business after walking out of an unfamiliar parking lot, or if your location is somewhat hidden to the greater public.

Your vehicles are the vehicles for your business.

If your customers have the opportunity to see your vehicles, their appearance forms an impression and an integral part of your business packaging. It's critical, then, to ensure that those vehicles are 'shipshape,' ideally gleaming, and spotless inside and out.

If your business is a professional firm, then it would be appropriate for your key team members to have an executive-level car, perhaps without signage, or with subtle markings. Whereas if your business is trade, retail, or service, it could be appropriate to have your vehicle sign written with the business name and logo and/or painted in the colours of your logo.

For example, Coke vehicles are painted Coca-Cola red and the words 'Coca-Cola' are written in white on the side of the vehicles—in the same way it appears on bottles and cans.

This could be a great way for you to get your business noticed in your local area.

What about your premises?

Your premises serve as the ultimate impression-making tool! As such, it's critical that no matter what your type of business—manufacturing, sheet metal, mechanics, painters, professionals, retail, services—tidiness and order are critical to building confidence in your business. If you *appear* to have your business well organized and in order, clients will assume you'll take care of their needs in a well-organized, ordered, professional way, too.

How does your team look?

The way your team ‘looks’ is critical for a strong first impression. If you think about the most well-packaged businesses in the world, like McDonald’s and other franchises such as Kentucky Fried Chicken, the team is always in uniform. Even IBM had a dress standard for years—a navy suit, white-collared shirt or blouse, black wing tips, and a tie or scarf with a ‘touch of red.’ Every business, from child care centres to builders to physiotherapists to consulting firms to manufacturers and others, can benefit from uniforms or a dress standard.

For team members in any sort of sales capacity, a uniform or dress standard at one level better than the average customer is vital.

Uniforms or a dress standard (which is usually more appropriate for a professional firm) achieve a level of consistency in the clients’ eyes that is virtually impossible to achieve in any other way. Uniforms or dress standards mean that each person working for your organization, although being individuals, have a ‘sameness’ to them. This makes your customers feel more confident when dealing with each and every team member.

Better yet, this creates a sense of ‘sameness’ within your business and your team, too. Wearing similar or uniformed clothes creates a commonality across your business, one that applies to everyone from the owners of the business to the front-line employees. The uniforms and dress standards can be different across different positions within the business; however, it’s critically important that the uniforms or standards are somewhat consistent.

This makes people feel part of something larger than ‘just a job’ and that helps create a team within your business, rather than a group of people that comes together in the morning to do their jobs and leaves at 5:00 p.m.

How does your business sound to your customers?

The way your team ‘talks’ is critical to a great first impression, too.

For example, the telephone is one of the main means of contact that clients and potential clients have with your business. So, it’s important that they get the right impression of your business from the very first conversation.

To get a sense of exactly how important it is, let’s imagine a business receives 20 phone calls a day. That’s 100 to 200 a week, or over 5,000 a year.

And that's over 5,000 opportunities to create a marvellous and memorable impression.

How do your team members answer the phone? “Yeaahh” or “Good morning, [Your Business Name], this is Sue Smith speaking.”

You've probably called businesses looking to get some help with something and had them answer the first way—what did that do to your level of confidence in their ability to serve your needs?

It's true, isn't it, it tends to pull you back. You're instantly not sure if you're talking with the right people.

On the other hand, when you're addressed with a certain level of professionalism from the outset, as in the second version, you immediately feel more confident and are more willing to go ahead and find out more.

It seems so subtle, but the difference is astounding.

And there's even more you can do.

For instance, you'll agree that a lot of those callers begin their call like this, “Could you tell me the price of” (or a similar phrase that makes it sound like they're just shopping around).

And here's the point. If your people respond to that by saying something like, “Oh yes, the price for that is” then you know exactly what happens! The caller thanks you and as they hang up says, “Thanks very much. I'll get back to you.” But they never do. They call someone else.

Think about the lost pounds that causes. You invested hard pounds to get that phone to ring. You most likely would have been guaranteed a new sale, or at least an initial meeting, if it had been handled in the right way. Yet (maybe even without your being personally aware of it) the opportunity and the sale could have been lost.

There is a systematic way to create delightful and memorable impressions over the phone so that you stand out in the marketplace—and so clients keep coming back. And opportunities do abound to create profits from seemingly casual ‘price’ or general enquiry calls when your team has certain skills in place.

Creating an agreed way of dealing with people over the phone is critical—it makes a lasting first impression and is a leveraged way to increase the number of people you convert into a sale from a phone enquiry.

It's up to you as the business owner to decide how you want your business to 'speak' and to put standards in place. This is an important area to address.

Now it's your turn...an exercise

By completing this exercise and working through the '35-Point Power Packaging Checklist for Your Business,' you'll have a clear understanding of the packaging opportunities available to your business.

35-Point Power Packaging Checklist for Your Business

Is your product or service packaging appealing and attractive?

Yes No

Does your physical packaging 'match' your market?

Yes No

Have you had the same packaging for 5 years or more?

Yes No

Does your physical packaging meet the health requirements of your industry?

Yes No

Does your packaging protect your goods from damage?

Yes No

Does your packaging make storage of your products easy?

Yes No

If your products are sensitive, does your packaging protect them from the elements?

Yes No

Does your physical packaging protect your products or services through delivery?

Yes No

Do you package your services and skills into reports, checklists, or service records?

Yes No

Could the packaging on those items be improved? (For example, from loose-leaf sheets to a bound document, or from a bound document to a printed booklet.)

Yes No

Does each one provide an opportunity for you to follow up with your customers?

Yes No

Does your packaging make you stand out from your competitors?

Yes No

Does your packaging continue marketing for you?

Yes No

Does your packaging reiterate your contact details, in particular your phone number?

Yes No

Do you include other items with your products or services, such as a 'guarantee card,' a 'story' about your product or service, a voucher with a special offer to entice them back, or a feedback form?

Yes No

Do you have the opportunity to offer 'companion' items with your products or services?

Yes No

Can you package your products and products together?

Yes No

If 'yes,' give 3 examples:

- 1. _____
- 2. _____
- 3. _____

Can you package services and services together?

Yes No

If 'yes,' give 3 examples:

- 1. _____
- 2. _____
- 3. _____

Can you package products and services together?

Yes No

If 'yes,' give 3 examples:

- 1. _____
- 2. _____
- 3. _____

Can you offer special occasion packages? For example, a 'Mother's Day Delight' Pack, Father's Day, Christmas, Easter, business birthday.

Yes No

If 'yes,' give 3 examples:

1.

2.

3.

Could you create a 'kit' that packages products and services together?

Yes No

If 'yes,' give 3 examples:

1.

2.

3.

Could you avoid standard discounting by packaging products and/or services together, thereby adding value and differentiating your business?

Yes No

If 'yes,' choose the 3 best examples from above and develop them further here:

1.

2.

3.

Is your business stationery consistent? That is, do your letterheads, business cards, fax headers, 'with compliments slips,' invoices, statements, and so on match?

Yes No

Do you have a logo?

Yes No

Does that logo match the image of your business and your type of customers?

Yes No

Do you use it consistently?

Yes No

Does your signage make it easy to spot your business and promote its benefits?

Yes No

Is your signage consistent across your whole business?

Yes No

Are your vehicles packaged to match your business? That is, does the type of vehicle match or exceed your customer's expectations, and have you included your logo and your business colours?

Yes No

Are your vehicles always immaculate?

Yes No

Do your premises give the impression of tidiness, cleanliness, and order? Or are there bits and pieces of paperwork or material strewn about the office or the factory? Or do team members fail to clean up after themselves ?

Yes No

Does your team dress in a uniform or dress standard so that everyone looks the same?

Yes No

Do you have a system that every team member uses for answering the phone?

Yes No

Do you have a system that every team member uses for putting people on hold and transferring them?

Yes No

Do you have a system that every team member uses for handling price and general inquiries over the phone?

Yes No

The results

Thank you for taking the time to complete this checklist.

Now simply work through your answers and calculate the number of times you checked each type of box. Once you've done that, write the results here:

Yes: _____

No: _____

Needs improvement: _____

If you answered 'yes' to 25 or more questions, your packaging is very sound. All you need to do is to make changes to those areas where you answered 'no' or 'needs improvement' so that your packaging will be working hard for your business and bringing you even better results.

Finding out where your key packaging opportunities exist, and implementing some packaging techniques like those outlined here, will help increase sales and the overall professionalism of your business.

Your Action Plan: Apply packaging to your business

Action (What needs to be done.)	Outcome (Results to look forward to.)	Person responsible (Make sure you involve others, if possible!)	To be done by:
Work through the '35-Point Power Packaging Checklist for Your Business' thoroughly.	To identify packaging opportunities that could help you increase sales and your customers' impressions of your business.		
Implement packaging in those areas that offer an opportunity to improve on that checklist.	Increase sales through packaging.		

Cross-Selling—Checklists and Other Tools

When the young salesperson at McDonalds asks, “Would you like some french fries with that?”—that’s a cross-selling system in action.

This information is designed to give you insight into what cross-selling could do for your business.

You see, cross-selling—selling other items from ‘across’ your range at the same time as the customers make their initial purchase—is a vital concept. It’s a selling style that contributes greatly to the third way to grow your business, that is, to increase your average sale.

Most business owners focus their marketing energy on winning customers. Getting customers to come back more often is vital to the long-term health and profitability of your business.

By understanding this issue, you could add more value to your customers and increase your profitability.

Identify cross-selling opportunities for your business

Often the best place to start when it comes to increasing the average transaction value is to identify ‘cross-selling’ opportunities. So let’s do that now.

Cross-selling occurs when you sell other products or services from across your product or service range in addition to your customer’s initial inquiry. Suggestive selling is another term often used here; that is, an additional item or service is suggested to the customer at the time of sale.

You know that if someone buys a product or service from you, they probably also need another product or service. So make sure you ask them, each and every time.

To help you create cross-selling opportunities within your business, go over every major product or service with your team and ask:

‘What else can we offer the customer to go with this purchase?’

‘What else could we offer that would add value and make the use of this product or service better?’

‘What else, when coupled with this product or service, would help them get the most out of it?’

Or write a list of popular sale items, then brainstorm a list of companion items you could sell with these products or services.

From here, you can create ‘**cross-selling checklists**’ for each item. These checklists would give your team members guidance as to what best to suggest to customers.

It could literally be a checklist that your team member and your customers could work through together. Or for your team members alone.

And together you’ll create a checklist they’ll be happy to use because they helped create it. These lists could also be hung in various areas, or they could be reprinted on invoices or ‘shelf talkers.’

You could have your team members present the checklist to customers after they’ve decided on their purchase.

“So that we can help you best, is it okay if we run through a quick checklist just to make sure we’ve covered everything you need?”

Most customers will say ‘yes’ because positioning it this way means the customers can see a benefit in doing so.

It should also become compulsory, a ‘performance standard’ for every single sale. For instance, McDonald’s make a point of cross-selling every single time, don’t they? “Would you like fries or a drink with that? Or would you like an apple pie with your burger?” McDonald’s knows full well the financial value of cross-selling and is not about to take any chances. So much so, that if a team member fails to cross-sell 3 times within the same shift, they’ll be reprimanded, retrained, or, in some cases, fired!

Another idea: Focus on cross-selling just one item every month or week. For example, you could offer a ‘monthly or weekly special’ to every single customer every time for that month.

This item would be one of your ‘what everybody needs’ type of products or services. Offer it with every purchase. Your team can feel comfortable asking this question because, in effect, they might be saving the customer money.

If the customer says no, it doesn’t matter. You already have a sale in any case. And if customers do say no, you still know you’ve given them a better service by asking if they need anything else.

As the customer is about to purchase, you could suggest an item in this way:

“Just before you go, there’s something you might be interested in. You see, this month’s special is [product or service type]. It’s a great special because [offer benefits, such as price saving or advantages]. Shall I include that for you, too?”

Many people will find it easier to say yes than no. This is particularly true if the item has a low pound cost.

As you saw before, you don’t really need to increase *each* sale by much to have it significantly affect your profitability.

Because of that, you could offer every customer a low pound item special.

In doing so, because the item might actually be a small one, you would use the script just detailed AND the suggested actions that follow.

For example, you might have tallied up their purchases, rung them up, and bagged all the items. Before you total it, say the script outlined above, while holding the bag in one hand and the low pound special item in the other, over the bag itself.

This makes it even easier for the customer to say yes.

And if you know the item is a good one, that’ll be of some value, you can feel confident that this is adding value and truly offering service.

Some people feel that adding on products or services to a sale is being a bit ‘pushy.’ However, it’s vital to understand that you can only truly serve your customers if you fulfil their needs and delight them with the outcome of their purchase. Bringing a product or service home and having it not perform as they’d hoped, or as it could have when combined with something else, doesn’t fulfil that need.

For example, you have the flu, go to a pharmacy, and walk out with some aspirin and a box of tissues. You’ve taken a cheap solution, but it’s far from the best one for you. The pharmacist could have helped more by selling you a remedy, like cough medicine.

If you educate your team members that they are, in fact, providing a service for the customers by reminding or informing them, then implementation of cross-selling will happen more easily.

So to have your team feeling more and more comfortable with cross-selling, it's a good idea to educate them, using this information, involving them in the development of the cross-selling checklists, and so on.

Further, it's sometimes a good idea to offer your team members incentives or to have a little competition among themselves. For example, you could create a form like the one below:

Team Member	Items Cross-Sold	Value £
Sue Smith	Shoe polish and shoe laces	£8.65
Clayton Jones	A second pair of shoes in a different colour, shoe polish	£62.00

Every time a team member cross-sells an item, they write it up on the form. At the end of the week, the results are tallied up and the highest cross-seller wins a prize, like cinema tickets, a morning off, or dinner for 2.

An example for you

Let's review a case in point. You've probably been in a retail pharmacy environment, say a large store, one where you might find as many as up to 6 to 8 retail assistants, mostly female, all serving customers behind the counter and on the retail floor. So let's review a case in point for this kind of business.

As mentioned earlier, like most businesses in these environments, 1 or 2 assistants will always sell up to *twice* as much as the others.

That's double the sales from one retail assistant to another!

And it's not that they're particularly different or better than their counterparts. It's not because of any specific education, training, age, or what have you. It's just that they've found an effective way of dealing with people.

Works for the customers, for them, and for the business as a whole.

It usually means they've found a better way of helping customers find what they need. Take a closer look through the scenarios below.

Scenario 1

A customer walks into a pharmacy and asks one assistant where, for example, she could find Band-Aids. This assistant, one who doesn't sell huge amounts by the way, physically points to the area where that item can be found. As she points, she might say something like:

“Oh OK, turn left at the diapers, right at the nail polish. Just after the beauty products you’ll find the Band-Aids.”

Pharmacies can have literally thousands of items in stock, so this can seem quite rude and a little daunting to customers, particularly if they’re in a hurry!

Nevertheless, off they trundle in the direction they were ‘pointed’ to look for the Band-Aids.

Scenario 2

A customer walks into a pharmacy and asks one assistant where, for example, she could find Band-Aids. This assistant, one who sells twice as much, might smile and say something like this:

“Great, thank you for dropping in. If you’d like to come with me, I’ll take you right to them.”

‘Oh really,’ thinks the customer: *“Yes, thank you that would be great,”* they say semi-surprised, noting that no one else bothers to do that.

On the way to the Band-Aids, the conversation might go as follows:

“Are you buying the Band-Aids for use at home, or as part of a first aid kit, or for a sporting team?”

“Oh, just for around the house. You know the kids are always tripping, getting little cuts and things.”

The assistant might then go on to comment, *“Yes I understand. How many kids do you have?”* The customer might reply, *“Just the 3.”*

The assistant might then say:

“Keeps you busy, I bet! This size box is probably the best for you then (the assistant shows the appropriate box to the customer). The other will run out too soon, and the bigger one is more suited to a soccer team!”

By this stage the customer says: *“Yes, I’m sure you’re right. I’ll take that. Thanks.”* As the customer walks away, the assistant might then say something like:

“Before you go, there’s nothing worse than getting home and realising you don’t have everything you might need for the kids. For example, do

you have some antiseptic cream to prevent infections on all those cuts and scrapes? Even the smallest ones can be a problem if not treated properly, so do you have some of that handy at home or are you all out?"

"Actually, come to think of it, no, I don't have any of that. You're right, I do need to get some."

"Well let's head over to that section now and we'll find the right kind for you and your kids..."

When you compare the 2 scenarios—one where the assistant merely offers the smallest amount of help versus one where the assistant actually *assists*—you can see the vast increase in sales possibilities.

This is particularly true when you imagine Scenario 2 happening EVERY SINGLE time a customer walks into the store.

Imagine what a difference that would make! Better yet, imagine what a difference it would make if your team member actually had a checklist to run through with the customer. As mentioned earlier, the checklist could be a sign hanging from the ceiling or a shelf talker.

Another example comes from a petrol station. This business added tens of thousands of pounds to its net profit by simply asking every person who came in to pay for petrol:

"Just a friendly reminder: Do you have enough bread and milk?"

This was done in a friendly way and really did help people. There's nothing worse than getting home and remembering you've forgotten to pick up the basics. A significant percentage of people bought the bread or milk.

It's also important to note that these items would otherwise have been purchased elsewhere if the customer hadn't been reminded.

It really can be that simple: ask and you shall receive. The question is, how could you ask for that added sale for your business?

Your Action Plan: Create cross-selling opportunities for your business

Action (What needs to be done.)	Outcome (Results to look forward to.)	Person responsible (Make sure you involve others, if possible!)	To be done by:
Make sure you complete the calculations in this handout to demonstrate what could happen to your turnover and profitability if you increased your average sale, number of customers, and number of times they deal with you.	To understand the impact that increasing the average sale could bring to your business.		
Calculate your current average sale.	To note your benchmark.		
Work through the questions outlined in this handout to create a list of items to cross-sell for all your major product or service groups.	To identify those items you could cross-sell as add-on's to an initial purchase. And to increase that benchmark dramatically and add more value to your customers.		
Turn those items into checklists and train your team how to present them to your customers. Use the example in this handout as a base.	To create some workable tools to increase your current average sale dramatically and add more value to your customers.		
Identify some 'special' items you could suggest to customers. Test it using the script and the movements described here.	To increase your average sale and have your team cross-sell at least one item to every single customer.		

Understanding the Profit a ‘Back End’ Can Bring Your Business

This information is designed to give you insight into the importance of having a ‘back end.’

A back end refers to that part of your business that sits *behind* your ‘front end’! Your front end is the products or services your customers *initially* purchase from you. You might consider these ‘initial’ products or services the mainstay of your business.

A back end creates the opportunity for repeat sales. It means your customers can come back to you again and again.

This makes dealing with that customer far more profitable. Another great benefit is that it reduces your need to go out and win new customers constantly (far more expensive than selling to existing customers), but it does much more than that.

Here, you’ll find out more about back ends and how to build and maintain one for your business. Doing so is critical to the longevity of your business and can be requisite to achieving the highest profits possible.

A missed opportunity that could be worth thousands

Ironically, most businesses rarely try to resell to their current or previous customers. Most *never* address the ‘back end’—the residual part of their businesses. However, you **MUST** do it constantly.

Let’s face it—identifying prospects and converting them to customers can be a costly process. Yet what do most businesses do when they’ve got new customers? They ignore them entirely and put all their marketing efforts into gaining more new customers.

That really IS a crazy approach.

Once people have bought from you (assuming, of course, your product or service delivers what you promised), they are **THE** most likely people to buy again. In fact, one-time customers have a propensity to buy perhaps **TEN TIMES** more than someone off the street.

This stands to reason. They know you, they know where you are, they trust you and, most importantly, they **HAVE PROFILED THEMSELVES** as being in the market for your product.

Instead of concentrating only on front end sales, you'll generate vastly more business and profits when you devote part of your marketing to up-selling, reselling, and cross-selling to existing customers. That is, working the back end.

In its simplest form, 'back ending' is learning to leverage second and subsequent sales from the first sale. For example, writing to existing customers to invite them back to your business or advising them of new products or services and having them purchase from you again.

For example...

If you sell carpets, your back-end products could include not just MORE carpet, but carpet sweepers, vacuum cleaners, protective sprays, and carpet cleaning services.

If you sell computers, your back end can be computer courses, custom software, and computer supplies.

If you sell industrial equipment, your back end can be maintenance contracts, supplies, and troubleshooting services.

Regardless of how, the back end is all-important!

And that's because the profit you generate from working the back end can bring you many times the profit you make just from the initial sale.

That's why it's important to identify a back end for your business. If you're basically a one-product or one-service company, seek out other products, companies, or services to offer your customers as your back end.

Be open-minded about other products, services, and companies that might fit well based on either demographics or specific areas of interest.

How profitable are you really?

Until and unless you can identify how much back-end business you can expect, you won't know how profitable or unprofitable an ad, sale, customer, or promotion really is. For example, if you spend £10,000 a month in newspaper ads and they produce £9,000 in retail sales, it looks like you're losing £1,000 or more (not including the cost of the product sold or services furnished). But are you really losing in the long run?

Not if you induce those new customers to purchase a similar product or service from you within 45 days. In that instance, you double the value of the customer. All of a sudden, you're farther into profit than loss.

If you induce them to come back once every 3 months and repeat the average transaction, you've set up an annuity. All from an original £1,000 loss that you subsidised. But in 3 months or less, the back-end business should offset your subsidy several times over.

The same dynamics apply to salespeople and sales.

If a salesperson costs you £2,000 a month in base salary and only sells £2,000 in new business each month, it seems as if that salesperson should be fired for non-performance.

Yet if the new customers do repeat business or if you develop a back end that converts normally one-shot sales into repeat customers, you accrue fabulous *future* income even if your salesperson loses you money at the outset.

If you bring in 20 customers every month who initially spend £100 and you can encourage them to invest £100 every 3 months, soon you'll have 600 people investing £100 every three months. That's £60,000!

2 key ways to get in and harvest!

Imperative to back-end dynamics is harvesting the 'residual value' of a customer. This takes a lot of thought, experimentation, and carefully documented analysis.

To really work your back end, look for logical product or service extensions to offer your customers. Work with salespeople to develop an ongoing service with so much added value that it 'locks your clients into' an ongoing purchasing program. Experiment with capturing their names and telephone numbers. Mail them a specific offer or make a specific offer by phone and then measure the response.

Religiously work the back end over and over again. If that sounds too calculating, look at it from another perspective. If your product or service is outstanding, then by failing to go back to your clients, at best you're denying them the benefit of your services. At worst, you're putting them at the mercy of competitors you know to be less than desirable.

There are literally hundreds of ways to work your back end. For the moment, let's look at 2 key methods.

1. Front end / Breakeven

This concept is a powerful extension of working the back end. The logic is this: You should be willing to break even on an initial promotion—or even lose a little—if you know you’ll make money on the back end.

A classic example is a newsletter. Few people who set out to promote a newsletter realise that publishing a newsletter is a very hard way to make money—on the front end, that is.

By the time you figure in your cost to acquire a subscriber (which may be more than the total subscription fee) and production and shipping costs, you’re lucky if you break even. However, by judiciously working the back end, you can turn that breakeven into a very viable ongoing business.

What IS at the back end? Clearly, subscribers to your newsletter have ‘profiled’ themselves in a certain way. Once they trust you, they will not only be responsive to further offers, they will also WELCOME having you select and offer ancillary products and services.

The simplest way to promote these ancillary services, for example, is to include a flyer with each issue of the newsletter offering a series of products to your subscribers. Of course, not all subscribers will buy, but if you choose the products well, you will get 10 to 20 times the response you’d get with a cold mailing—especially when you endorse the products.

2. Lock in sales in advance

This concept is extraordinarily simple, yet it results in nothing less than a guaranteed future cash flow.

The concept can be applied to any business that offers a continuing service (maintenance, cleaning, etc.) or a continuity-type product such as a newsletter.

The way it works is this: You get the customer started by offering the first instalment free, or at very low cost, with the understanding in advance that if they like the product or service, the customer will continue at an agreed-upon price for a year or, even better, forever!

For a carpet cleaning service, you could offer new customers a free cleaning of one room, provided the customer agrees in advance that should they be happy with the work, they will sign up for regular cleanings 4 times a year that will be automatically billed to their credit card. This is called an ‘Until Further Notice Arrangement.’ You keep on billing until the customer cancels.

Do you see what this accomplishes? Instead of waiting for customers to call when they need carpet cleaning, the company is now guaranteed that the customer will pay for a cleaning 4 times a year. All the company has to do is call the customer each season to schedule the cleaning and then write up the charge slip.

Naturally, the company will lose money giving out free cleanings on the front end. But the loss will be more than compensated by the back-end profit made from the 4-times-a-year cleanings—especially since the marketing cost for the future cleanings are zero.

An example shows that a back end means millions for some...what could it do for you?

To truly grasp the power of a back end and the profit it could generate for you, let's review a case study.

A business created an offer to sell a collection of rare coins to new customers for just £19. In doing so, the business owner actually lost a few pounds up front on every sale. However, 50,000 collections were sold. Thanks to their back end, 'up front' is the key word here. Of the 50,000 people who bought a coin set at £19, nearly 10,000 came back and bought £1,000 or more on the back end, that is, through follow-up sales. This business owner, then, despite having lost a few pounds up front, eventually made £2,000,000 on the back end!

However, that was just the FIRST step in the back end.

Once every 3 months, this business owner went back to the original 50,000 people who bought the £19 coin sets and, of them, at least 250 people chose to buy at least £1,000 more in coins. That translates into £50,000 in back-end profits EVERY 3 months, above and beyond the £2,000,000 generated in the first back-end sales.

Then the business owner decided to go back to the 10,000 people who bought something for £1,000. About 1,500 of them elected to buy more within the first 9 months. The average additional order was £5,000, which made this business owner another £1,500,000. Those 1,500 customers kept ordering an average of one-and-a-half times a year. That meant an additional £1,500,000 in business every year comes from the back end.

So you can see the drastic change in profits this business was able to achieve by creating and then focusing on the back end.

The back end is absolutely vital to any business.

Look at the above illustration once again. If the business owner had only made that first £19 sale and had not cultivated the back end, he would have missed out on many, many millions of pounds in business and actually lost money on the customer.

Your Action Plan: Establish a back end for your business

Action (What needs to be done.)	Outcome (Results to look forward to.)	Person responsible (Make sure you involve others, if possible!)	To be done by:
Note products or services within your business that could be better promoted to build your back end.	To identify the products or services you could be offering.		
If you don't have any back-end products or services in your business, create a list of possible products or services your customers could be interested in.	To identify follow-up sales items, possible suppliers, or companies that could work with you to create a back end.		
Find those products or services for yourself or make arrangements with another company to supply them on your behalf.	To create a back end for your business!		
Begin promoting those products or services to your client base. Send letters, make offers, invite them to deal with you again.	To let your customers know about your other products or services—as such, to increase sales.		