



Build Your Business

An eNewsletter for
CEOs looking to
grow their companies.

High-value, "how-to" articles on customer-attraction, sales development, leadership, and best-practices in HR, IT, product development, communication, financial operations, engineering and M&A/value creation.

How a \$3 million/year Company was Acquired for nearly \$20 million - in Six Months

Are you looking for ways to increase the value of your company? As one CEO found out: Attracting significantly more "A" customers, *while* decreasing expenses is the surest way.

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Helping Business Outperform Itself

How a \$3 million Company was Acquired for nearly \$20 million – in Six Months

How to Increase Company Value *while* Spending Less

Even with recent economic improvements, CEOs continually look for ways to increase the value of their companies – typically by improving *both* the top line and bottom line. This is especially true today, with many companies holding back on hiring people (read: overhead needed to build their companies) until they feel comfortable with *sustained* sales growth. But this seems like an oxymoron.

Bankers, accountants, venture capitalists and other investors will tell you what you already know: It's simple to build your company value – just add more (and better) customers. But, how do you do this with insufficient resources?

One sure-fired way to grow revenue while spending less is to review your current customer-attraction *capability and methodologies* – and figure out how to attract significantly more “A” customers, *while* spending even less. This article provides the way to higher marketing & sales return on investment.

At the end of this article, a case study is presented – on how one of my clients shifted its marketing and sales focus; generated an additional 25% (of annual) revenue in *three* months – and was then acquired within six months after implementing the high-level process outlined below.

Is this possible?

As Marshall Goldsmith says “What got you here, won't get you there.” What worked before – spending *more* money to attract *more* customers – is no longer the best option. That approach is built on a tactical way of thinking. To get different results, we need to take a strategic approach – which requires doing things differently.

Case in point: A \$3 million/year client wanted to improve revenue – sales had been generally flat for years. Although each individual sales person's annual performance was nowhere near the industry's average, sales performance was not the real issue. The company was relying on old notions and ‘industry think’ in how it approached customers. Specifically, they were focused on corporate branding and trade shows – at the exclusion of helping their sales people with what they needed most – market and customer information that would help them sell more.

What did they do?

Specific actions were taken to turbo charge sales. These included having marketing learn even more about their customers: *specifically* how they bought, why they bought, what characteristics they feel are important about the products they purchase, and most importantly, who made the buying decisions. This was *not* done anecdotally. A more scientific approach was used (outlined, below).

Marketing then used this information to integrate their efforts with sales, and *balance corporate branding with a call to action*. They changed from a one-sided marketing approach of increasing corporate recognition to include more direct-to-customers marketing efforts. This provided an action-oriented method with outstanding results. Profitability increased by \$500,000 in three months, and the company was acquired for nearly \$20 million – in just six months after implementing the details of the process outlined below.

What is the process?

Implemented correctly, the following process can help you dramatically improve your marketing effectiveness and sales performance – to attract more “A” customers:

[1] Gather the facts: Many companies use gut feel as their guide. “Managing by fact” is a principle that can provide your team with essential information upon which to build marketing programs and propel your sales team’s performance. Understanding past performance and listening to prospects and customers in the ways described below – can tell you all you really need to know in order to focus your marketing efforts and boost sales. So, what information do you need to get started?

Internal Research: In addition to Customer Research (discussed further below), it is important to uncover your marketing & selling patterns and determine your areas of weakness so you can change and improve. Just a couple things to consider include:

Different close ratios: There is more than just one close ratio. Suspect-to-prospect, prospect-to-negotiation and negotiation-to-sale are just three. By separating out each step, you’ll be able to get a better idea of where the hang-ups are in the sales funnel – and what you can do about it. In looking at just the overall close ratio (suspect-to-closed sale): if closing leads garnered from trade shows generates a 2% close ratio, PR-related promotions generate 15%, and referrals generate 30%, then the marketing budget associated with generating sales should be balanced accordingly. Or perhaps even shifted completely in favor of building a referral network.

Assess your current marketing initiative mix (read: “tactics”): Products are promoted in many ways, including advertising, direct mail, event participation, guest editorials, case studies, social networking, personal networking, newsletters, public relations, radio/TV, seminars, sponsorships, telemarketing, trade shows, and so on. Although some companies like to focus their efforts in just a couple of these areas, many companies tend

to do as much as possible. The question is – *what is the best method to reach your prospective customers in the highest-ROI way?* Of course, the answer is – *however they buy*. If you focus on just a few tactics – and they are the lowest-ROI few, then you’ll need to change things up – based on what you learn when you perform customer research. Even if everyone else in your industry is doing what they think is best. (I call this the “Dream of the Industry.”) If you do five or 10 ‘marketing tactics’ (or more), you may be wasting a lot of money. Understanding the revenue generated by each tactic – and then measuring how much you spent on each tactic (to gain that revenue) will give a pretty good idea of simple “marketing ROI” – which will help guide your decisions.

Three more areas to review are summarized below:

What is the return on investment for each marketing initiative? It is profitable to not only perform research, but also to perform test marketing programs, as well as measure their results. Only then will you really know how effective your marketing efforts are and what your next marketing and sales moves should be. Coupling the knowledge gained from this internal assessment with your customer research can provide profound insights into the highest ROI efforts you can possibly perform.

Sales per person: Knowing the average sale per salesperson can help identify the sales situation. More importantly, it can help focus efforts in moving per sale averages up. A 25% increase *per sale* can add up quickly to a 25% improvement in the entire company’s top line.

Available prospects and customers: If your prospect list is large and customer list is small, researching *prospects’* needs can be very valuable. If your customer list is large, find out how you can dig deeper into their pockets by offering complementary products or by developing valuable product upgrades.

Customer Research: This is not to be confused with “market” research. Although important, markets do not buy. Customers do. Provided below are just a few questions you may want to ask to gain deeper insights into your customers’ buying habits:

How do customers buy? Do they gather information through the web? By talking with sales people? From reading articles or case studies? By referrals from other customers or third party recommendations? From demonstrations? If you are able to *statistically* define this, you will be able to compare with your internal analyses results and make some marketing mix decisions. *Until you know how they gather their information, you do not know the best, most cost-effective ways to connect with them.*

For example: Let’s assume you have asked your customers how they go about buying, and eight ways (methods) were mentioned:

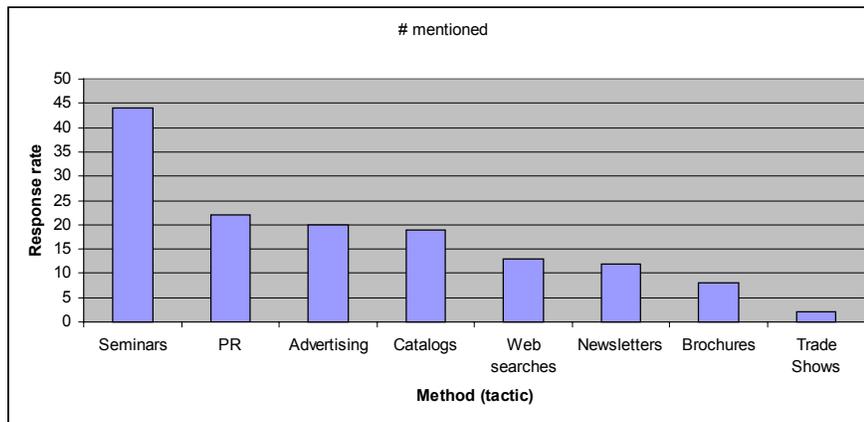
- Advertising
- Brochures
- Catalogs
- Newsletters
- PR
- Seminars
- Trade Shows
- Web searches

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At first glance, it may seem that the best approach is to take your “marketing dollar” or “marketing hour” (both, limited resources) and cut them up into eight pieces and apply equally in these eight areas. That glance would be wrong. Especially in light of the information we gathered on each method (read “tactic”). What if our customer research showed the following customer responses to these tactics:

#	Method	# mentioned	% mentioned
1	Seminars	44	31%
2	PR	22	16%
3	Advertising	20	14%
4	Catalogs	19	14%
5	Web searches	13	9%
6	Newsletters	12	9%
7	Brochures	8	6%
8	Trade Shows	2	1%
		140	100%

Plotting these results would look like:



The easy conclusion is – if seminars are used by a two to one margin in making a decision to buy your product, why would you spend a dime on trade shows?

Yet, this is precisely what companies do. In fact, without this type of information, companies regularly hire marketing firms to determine how they can improve their advertising response rates. Why? Why bother spending more money or putting your money down a rat-hole, trying to make advertising better when it is the third-best approach? Doubling ad performance is *still* less productive than seminars already are. And with seminars, you only need to make it 10% better to equal a 50% improvement in advertising response rates. (In this example.)

When you perform your ‘internal assessment’, look at all your customers. If you perform a profitability or cash flow analysis, your “A” customers will pop to the top.

Why do they buy? What problems are they solving? What motivates them to purchase the products they do – and *your* product? *Until you know their specific reasons for purchasing, it is difficult to provide an offer that matches with their needs.*

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You can also analyze customer responses the same way as above and generate one key message that will resonate with customers and shorten their buy cycle.

What are their compelling reasons for selecting a particular product in your product category? Is it price? Quality? Ease of installation? Ease of use? Stature in their community for having purchased a particular solution? A specific feature or features? Until you know their compelling reasons to buy, you cannot develop the right offerings for customers' needs.

What are their compelling reasons for selecting a company? Are they looking for the closest vendor to their company geographically? One who has been in business the longest? The most flexible payment terms? The easiest one to work with? The company best known in the industry? Until you know what drives prospects to buy your offerings, you will not know how to best position your company. Correlating product branding with company branding is critical to offering the highest value for the price

A key point: Ask your best customers. These are customers you want to find, not your worst / lowest-ROI customers. You can define "best" any way you'd like - whatever is right for your company. Maybe it's shortest sales cycle, easiest to do business with, most profitable, best cash flow. When you learn their habits, you'll be able to focus your messages / methods on them. This will yield you more "A" customers.

When you have gathered this information, you are on the path to [1] determining your return on investment for each marketing initiative, and [2] being able to re-direct your marketing efforts to support sales people and crank up revenue.

[2] Marketing initiatives: Based on customer research and internal analyses, you can assess your marketing initiatives *before* spending a great deal of money rolling out new programs. Just do the following:

Test: Once you learn the best ways to reach your potential customers - with messages that resonate with them, you can create marketing tests to check the effectiveness of what you think will work. No need to spend tens of thousands of dollars to find out a new promotion is going to fail. Spend a few hundred dollars. Try it out with at least 10 to 50 prospects. Maybe 100. Provide a specific offer to buy your product, tied to the research you have performed.

Follow-up: A common mistake companies make is to send out hundreds of letters or postcards or create advertising or PR and then wait for the phone to ring. Especially in a business-to-business mode, you should know exactly who the right prospects are and how to best reach them. Involve your sales team during the marketing test, to ensure they know the marketing message and support it, and they know how to perform the follow-up. Also - make it easy for your prospective customers to contact *you*. Give them options.

Measure: Marketing initiatives need to be linked with actual sales. Learn how successful your efforts are, by using simple statistics to keep track of who you targeted and how they responded. Learn and then improve and then test again, if needed. I prefer to measure 'response rates' not by those who simply inquire as a result of marketing efforts, but the profit from those who *actually buy*.

Engage: Once you know an initiative works (look for at least a ten-to-one simple return on investment), then increase your test initiative with two to twenty times the number of people used in the original test. Continue measuring, learning and selling. Depending on your industry focus and market, you may want to perform ten to twenty tests during the year and roll out five to ten initiatives per year. Of course, it all depends on the number of prospective “A” customers, ROI per initiative, etc.

[3] Focus: Focusing marketing resources in areas that produce the highest close ratios will increase sales effectiveness. Although this is obvious, not everyone does it. If revenue is not a problem and corporate branding is, then corporate branding efforts make sense. A balanced marketing approach will support both sales and branding. But if sales are not expanding during economic uncertainty, then marketing efforts need to focus on building revenue (sooner) instead positioning the company (later).

[4] Learn & improve: The bad news in all this is that buying patterns shift all the time. Just when you think you have broken the code and are getting a ten or twenty to one return on investment, customers change the way they buy. In good times and bad, continue researching and testing your marketing initiatives.

By going through this process, the efforts in the case study provided at the end of this article resulted in an 80-to-1 improvement in their sales’ effectiveness. That is, their return on investment increased *eighty* times.

Bottom Line: There is a sure way to improve revenue: listen to customers and prospects, test market to their stated needs, roll out marketing only after you have proven the initiative will work, focus your efforts based on what does work, and continuously learn. To do otherwise is like trying to hit a quick-moving target in the dark with your eyes and ears covered.

Case Study:

How a \$3 million Company was Acquired for nearly \$20 million – in Six Months

One of my clients was in a specific industry. There were (and still are) two major trade shows worldwide, with eight other important shows and many more smaller ones. The “dream of the industry” was (and still is), *“If you do not show up at trade shows, everyone will think you’re out of business, or going out of business and they will stop buying from you.”*

So, what did they do?

The short answer – focusing on just two of the process steps is:

Internal Analyses

My client had the data, but did not analyze it: they spent 75% of their marketing budget on trade shows every year as a result. Through an internal assessment, I found out that [1] every \$1 spent gained 50 cents in gross revenue (thank goodness for that other 25% of the marketing budget). [2] The close ratio for telesales' follow-up on the thousands of trade-show leads being generated was 1.47%. [3] On a list of 18 ways that my client's customers bought (how they made buying decisions), trade shows was #18 (last) and "calls from telesales people" was #17.

My client was using the two worst ways possible to sell. No wonder they needed help. It wasn't my client's fault. It was the "dream of the industry". Everyone in the industry made a big deal out of these trade shows, spending tens of millions of dollars every year – gaining lots of (non-buying) "leads".

Customer Research

My client had products that were very well received, but they were having trouble selling their products in the United States. They had a great reputation, excellent engineering staff and were started 25 years earlier.

When I asked their engineers, marketing and sales people what their major selling point was, they all indicated that their products had very *compact* software in their products. When I asked their *customers* what they valued, it was my client's *integrated* software solution contained in their products.

Their motivation was simple: Compact – to buy smaller chips – to save money: Worth \$1 million. Or Integrated – to reduce the need to hire systems engineers, or buy from five different vendors, so customers could *speed products to market*: Worth \$10 million.

As a result (as an interim executive), I was able to increase the price from \$12,500 to about \$80,000, plus recurring maintenance fees. We shifted from a trade-show centric approach to a direct-mail approach (their preferred way) – referencing major customers (via testimonials) within the one-page letter – discussing how to decrease their time-to-market. Revenue improved to \$40 for every dollar spent. An 80x increase over the prior method / message.

This process helped propel the company to a nearly 20x valuation over all previous offers, in about six months!

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Author's Biography

Mark Paul grows clients' corporate value, mainly by helping them attract significantly more customers. Mark helped a health care services client double their customer base - and in another client, increase corporate value from \$1 million to an acquisition value of nearly \$20 million (embedded software). Both, in less than six months. Prior to consulting and interim executive services, Mark built a 250-person business unit in two years at a Global 200 company. Mark has helped companies succeed by raising capital and building / serving on boards of directors and advisors.

"You have accomplished more in the past 12 months than any of your predecessors have during the past 10 years." - John L.

"Could be worth millions to your business." - Don D.

"I don't know why any business owner wouldn't use his services!" - Dave G.

To take your next step in your customer-attraction evolution, visit www.synergy-usa.com/newproducts.html to purchase the eBook *"How to Attract Significantly More Customers... in good times and bad."*

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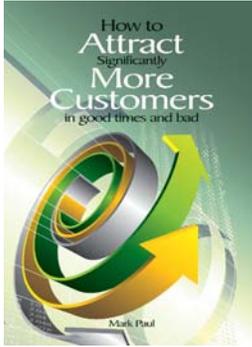
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How to Attract More Customers... in good times & bad: *Book & Audio CD*

Do you have all the customers you need? Are you looking for cost-effective ways to attract more “A” customers? Have you tried trade shows, advertisements, newsletters, direct mail, PR, telesales, brochures, and dozens of other ways...without the success you would like? Are your sales & marketing efforts producing results / ROI you want? Learn how you can turbo-charge your marketing and sales efforts, without paying a fortune.

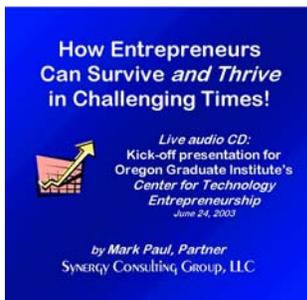
The most cost-effective way to attract the largest number of customers in the shortest amount of time with the least amount of investment: Customer-attraction Quotient™ Assessment & Report

Take the Survey. Base on your answers, we will create a customized assessment of your organization, including:

- ✓ A report of your customer-attraction capabilities.
- ✓ A comparison of your answers relative to best-in-class companies.
- ✓ A comparison of your answers relative to all respondents.
- ✓ *Specific recommendations and actions you can take to attract more customers – tailored to your specific situation.*



Report will be sent to you via email within just a few business days.

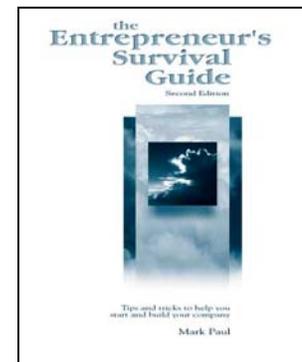


How Entrepreneurs can Survive & Thrive in Challenging Times. *Live Audio CD*

This CD includes real-world examples and encouragement for entrepreneurs (Mark Paul's kick-off presentation for Oregon Graduate Institute's Center for Technology Entrepreneurship.)

The Entrepreneur's Survival Guide: Book

Are looking or build your company? Do you want to increase revenue? Do you need to improve your marketing ROI? Are you trying to improve your leadership, decision-making, and personal effectiveness? If you want to build your company and avoid costly mistakes, buy The Entrepreneur's Survival Guide. Others say it best: “Ignore at your peril.” “Must read.” “Will save entrepreneurs time.” “Lightning in a bottle.” “I intend to apply it all.”





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High-value, "how-to" articles on customer-attraction, sales development, leadership, and best-practices in HR, IT, product development, communication, financial operations, engineering and M&A/value creation.

March's eNewsletter summaries are provided below. If you would like to receive the three trial issues, please go to:
www.synergy-usa.com/eNews.html.

How a \$3 million/yr Company was Acquired for nearly \$20 million: in 6 Months **Mark Paul**
Are you looking for ways to increase the value of your company? As one CEO found out: Attracting significantly more "A" customers, while decreasing expenses is the surest way.

How to Improve Your Company's Cash Flow **Patrick Wheeler**
Do you need extra cash? Are you searching for new sources of capital to help you survive & thrive? This article is for nonfinancial CEOs and discusses the different "levers" you can pull to improve your cash flow.

Using HR to Boost Company Performance **Iris Sasaki**
If you are interested in dramatically increasing your employees' and managers' performance, there is a little-known secret that will leverage your strengths – and those around you – to accomplish far more.

Simplifying the Sales and Channel Strategy **Bill Etheredge**
Is your sales and channel strategy defined? Have you assessed the effectiveness of existing strategies? Are changes in market conditions causing chaos in your strategy? This article defines what to do to boost effectiveness.

How to Really Get Things Done **Alexander Stein**
Are you always short on time? Does your To-Do list only get longer? Are you at the end of your rope with trying to get ahead? In this article, learn how to get you and your business ticking.

How to maximize the value of IT in your business - IT Outsourcing **Manoj Garg**
You know that you spend a lot of money on IT and that you need to maximize the value of your investments in IT. Do you know if you have made the right decisions on make vs. buy on IT functions and services?

Are You Jumping on the Lean Bandwagon? **Rick Pay**
Are you trying to reduce operations cost – and considering Lean Manufacturing? Companies are climbing on the Lean bandwagon in droves, but how do you know if Lean is the right approach for your organization?

Got Heart? **Dan Duggan**
Is morale an issue at your company? Do employees act listless? Is absenteeism beginning to be a problem? Learn how to recognize and transform "lost heart" into "loving your work".

Ten Reasons to go International **Richard Biggs**
If you are pondering whether to go global, recognize the fact that you are already "global", in that you very likely have global competitors. You are in a competitive global marketplace.

Engineering Resources: Captive or Consultant? **Mike Miles**
Too many projects and too little staff? Can't afford to hire anyone full-time? This article outlines how CEOs can clarify what is important in choosing to hire technical staff or to retain an outside consultant.

Can you do it in 6:40? **Dave Yewman**
Chances are your presentations are too long. Why? Because everyone's presentations are too long. So how do you fix that? Here's one option, a radical option. Are you feeling brave?

How to Find & Attract Capital to Grow Your Company **Brent Freeman**
If you have ever had to find capital to grow your company, this article will show you how prepare critical documents required to find capital from non-traditional sources.

This is the third edition of a three-month trial of the Build Your Business eNewsletter. We are interested in your thoughts via a survey. To receive past months' articles and to take the survey, please 'subscribe' at www.synergy-usa.com/eNews.html. Thank you.