



Suite 5

255 Whitehorse Rd

Balwyn 3103

Phone: (03) 9836 2900

**Inside this issue:**

The Power of Compounding 1

Combining The 4 Ways To Grow Your Business 1

Time To Start Working ON Your Business 2

Establishing Win-Win Host Relationships 3

When Bad Things Happen To Good People 3

Websites - Design & Content 4

# The Recession Buster

Edition 5

## The Power Of Compounding

Dr. Stephen R. Covey, in his book "The 7 Habits of Highly Effective People," defines Habit 6 as: Creating Synergy—several parts working together to produce results greater than their own independent efforts; where the whole is greater than the sum of its parts. The challenge is to apply the principles of synergy to growing your business.

In this edition of The Recession Buster we'll explore some examples of how you can use the power of synergy or

compounding to generate greater profits and value in your business. This incorporates using all '4 Ways to Grow Your Business' to generate the best results.

We'll also look at building a shared vision for your firm with input from team members and clients, and forming 'Win-Win Host Relationships' with other non-competing businesses.

## Combining The 4 Ways To Grow Your Business

In the first four editions of The Recession Buster we have looked at the 'Four Ways to Grow Your Business' including:

1. Win more customers (of the type you want)
2. Get your customers to come back more often
3. Get them to spend more each time they return
4. Improve the processes within your business



To illustrate the compound effect of these factors, let's assume you have a database of 1,000 customers. If you can increase the number of customers you have by 10%, your customer base would increase to 1,100. At the same time, if you also increase the number of times your customers bought from you during the year by 10% (from one to 1.1 times) and through the techniques and strategies you've been introduced to in other editions of this newsletter, you are able to increase your average sale or 'transaction value' by 10% from \$100 to \$110.

Combine all of these 3 factors and assuming everything else was equal, it would make sense to say that overall business would grow by 10%. Wrong! In fact the compound effect is a staggering 33.1%. The following formula explains the numbers.

Number of Customers	X	Number of Dealings	X	Average Sale	=	Turnover
1,000	x	1	x	\$100	=	\$100,000
1,100	x	1.1	x	\$110	=	\$133,100

Increasing each area at the same time has the compound effect of increasing turnover by a whopping 33.1%! Now do the calculation on your own business and come and talk to the team about how we can work with you to grow your business using all four ways.

\_\_\_\_\_ x \_\_\_\_\_ x \_\_\_\_\_ = \_\_\_\_\_

## Time To Start Working ON Your Business

As Michael Gerber points out in his book, *The E Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It*, it's a myth that most businesses are started by entrepreneurs. Gerber suggests that most businesses are actually started by a person suffering from an entrepreneurial seizure! Instead of creating a business that works, we create a business that is us. A business that often becomes all-consuming that we work IN not ON..

A central theme in Gerber's E-Myth is that most businesses fail or never reach their full potential because their owners spend too much time doing the work that the business does, rather than managing and growing it. An important step to start working on your business is to develop systems for everything you do. A number of things happen when you do this. Firstly, you don't have to perform the process yourself. Secondly, it empowers your team members to take on more responsibility and thirdly, when you systemize you automatically develop a process for everyone to follow.

Creating a systemized process makes the business run in a totally predictable way and it also makes your business worth much more because it doesn't have to rely on you to run it. Compare your local hamburger shop to McDonald's. In which business would you rather own shares? Clearly McDonald's because they make better hamburgers? Possibly not, but the business runs like clockwork no matter which restaurant you visit in the country. They all have completely

systemized processes that make them consistently high quality and very successful.

If you can fully systemize your operations and you decide to sell the business, you're handing over a business worth many times more than when you started, simply because you developed the systems that allow the business to function successfully without you. If you decide to stay involved in the business in some way, you know that it can function independently of you. It's not going to consume your life.

Walt Disney tells the story of being asked by a child if he drew Mickey Mouse. "I had to admit I do not draw anymore," said Disney. "Then do you think up all the jokes and stuff?" asked the child. "No, I don't do that either," admitted Disney. Finally, the child looked at him and said, "Mr. Disney, just what do you do?" "Well, sometimes I think of myself as a little bee," Disney explained. "I go from one area of the studio to another and gather pollen and sort of stimulate everybody. I guess that's the job I do."

The legacy (the bits of pollen) that Disney left behind still exists today and will for a long time. He created systems and processes that empowered team members sharing a truly magic culture and passion for what they do, and millions of happy customers who come back again and again.

Think about how you can create such systems in your business.

## How To Make The Most Of This Newsletter...

Be sure to read each article with your business in mind. Take notes as you read and commit to having the ideas implemented by the time next month's edition arrives. To maximise the results, make copies for each team member and arrange a meeting to discuss the ideas and set a schedule for implementation. Doing that should really get your business moving in the right direction.

## Establishing ‘Win-Win’ Host Relationships

‘Host Relationships’ are those between non-competing businesses who deal with the same type of ‘ideal’ customers.

Both parties formally agree to refer their customers to each other. For example, a hairdresser may form a relationship with a beauty therapist to reach mutual clients for hair and beauty products including special offers. This way both businesses can market their products and services to each others clients.

### ‘Piggyback’ Mailings to Save Money and Reach the Target Market

Imagine if you established a host relationship with another business who is willing to send a direct mail campaign to their customer base (your ideal type of

customer), fully endorsing your business. With this one simple strategy you can save advertising dollars, reach your target audience and dramatically increase your response rate. In turn, you would endorse their business to your customers. Ready made lists of well-qualified potential customers are available from non-competing businesses. All you have to do is tap into them.

Remember that people are four times more likely to buy when they are referred by someone they know. Being referred to you by a business they trust increases the customer’s willingness to buy from you, because they now consider you someone they ‘know’.

### So How Do You Make it Work For Your Business?

To establish a host relationship for

your business, try the following exercise.

Write down a list of the businesses that serve your ideal type of client or customer. For instance, if your target is business owners, think of businesses that all businesses deal with (e.g. stationers, office furniture retailers, computer suppliers). If you’re looking for individual customers, think about businesses that service that particular demographic. (e.g. for 20-30 year old women consider hairdressers, beauticians, gyms, nail technicians, waxing salons, nightclubs and fashion stores).

Contact those people and tell them you have an idea that could help them grow their business just by working more closely together. Then set up a meeting and get going!

## When Bad Things Happen To Good People

No one likes to consider worst case scenarios but unfortunately bad things do happen whether it is death, illness or divorce.

When bad things happen in your personal life, what happens to your business? If you’re a ‘one person band’ and facing illness or a personal crisis then these events can cause even more stress and the impact on your personal and business wealth can’t be understated.

Business owners can fall back on some basic safeguards for dark scenarios using a mix of delegation, insurances and systems.

If you are the only one who knows everything about running your business then you will need to learn to delegate. Systems give purpose and foundation to any business but many small business owners have to literally go through pain before implementing them. Take your

intellectual property and systemise it so that others can pick up the reins when you are unavailable. Procedures can be liberating, such as handling email, backing up information and debtor management. So document the procedures and write them down and start delegating.

If you become ill then you need to brainstorm all the ‘what ifs’ and decide what you need to implement so that your business can keep running in your absence. If you face chronic illness you must have risk and life insurance. It is far better to have discussed your personal and business insurance needs with your accountant or financial planner before you become ill.

If a business owner dies then the key concern for the business is about stakeholder agreements and succession planning. If there are no partners then it is invaluable to have insurance to keep the business going for the



beneficiaries. Likewise there should be key person insurance to cover the loss of a main player in the business.

With one in three marriages now ending in divorce this can also impact on a business owner. Apart from the valuation of a business there is the issue of whether to unravel a self-managed superannuation fund where both spouses are members and possibly directors or trustees.

Part of running a business is ensuring that you have all bases covered. Take time to empower those you work with to continue to run the business in your absence as well as having adequate insurance in place for life’s mishaps. Not only should you be prepared but you sometimes need to learn to let go and you may be amazed at what your team can achieve.

## Website - Design & Content

The latest figures from the Australian Bureau of Statistics suggest that 81.3% of Australian Businesses have internet access. In today's 21st century electronic business world, if you don't have a website for your business you are probably missing out on opportunities and leaving profits on the table.

Clearly the internet is growing in importance:

- 58% of buyers indicate they are "very" or "somewhat likely" to identify and learn more about service providers from their website
- 80% of buyers typically visit the service provider's website before buying
- 83% of buyers report that the website holds at least "some influence" over their decision to engage in an initial discussion with that service provider (increased from only 69% in 2005)
- 74% of buyers said that the service provider's website holds at least "some influence" over their ultimate decision to buy services from the provider (increased from only 51% in 2005)

Websites are made up of two key elements - Design and Content. Design refers to things like navigational tools, backgrounds, menus, graphics, buttons, links etc., while content is the actual information available within your site. Both can directly impact how long, how enjoyable a user's visit to your site will be and whether they'll return to it. Both elements work together to help you get your message across. Here are a few design tips for your site and we'll talk about content in the next issue.

### **Keep It Simple!**

Graphics and 'bells and whistles' are flashy, however, these 'memory hogs' often make users wait a long time for pages to load. Seconds can make all the difference as to whether a user will stay on your site or click over to a competitor's, so keep them to a minimum.

### **Keep it clean, uncluttered and logical**

The graphical and navigational tools built into your design must help the user find what they're looking for and quickly. In fact, it needs to be somewhat 'intuitive'. Test the site to see if your target market can find the information they want.

### **Keep the 'click throughs' to a minimum**

'Click throughs' are the number of times a user has to click to get to the information they want. If the information a user needs is buried under 10 clicks or links, you will probably lose them before they get there. The best rule of thumb is if you or your team member's wouldn't click that many times to get to the information, your user's won't either.

### **Important Message**

*While every effort has been made in this publication to provide valuable, useful information, this firm and any related suppliers or associated companies accept no responsibility or liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances as they are intended as general information only.*