

# Successful Business Strategies

The Results Group, Inc.™  
Business Advisors

## Why Customers Don't Come Back

- 1% die.
- 3% move away
- 5% are influenced by others
- 9% are lured away by the competition because of price or some other issue.
- 14% feel dissatisfied with the quality of the product or service.
- 68% feel rejected or slighted by an employee's attitude of indifference.

*What you should learn from this: You can have the best product, the best price, best location, the best selection and the best follow-up service, and you'll still lose customers if you don't understand the value of continual good service.*

*-Just Say Ye! Philip R Nulman  
Career Press Franklin Lakes, NJ*

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## What's Your Business Worth?

Every business owner wants to know what his or her business is worth. And the biggest challenge both buyers and sellers have is determining the value of a business. Every person you ask will have a different opinion. Business values differ over time and from person to person for several reasons.

The value of a business can depend upon a stable and growing pattern of income, market competition, customer concentration, industry and location to name just a few. Three key components that help drive value are the amount and stability of earnings, the market value of the assets and the breadth and depth of management.

Buyers usually believe a business is worth less and the seller

believes it is worth more. The real answer is that it is probably somewhere in between the two. Setting the price requires a clear understanding of the objectives of both sides.

There are multiple valuation methods. None of them is the "correct" method and it makes sense to look at each of them to see what makes best sense for a specific company.

The following methods are the most common.

- **Discounted Cash Flow.** This method discounts future projected cash flows to take various business risks into account when determining the value of the business today. It's the most commonly used method in M&A and for larger deals.

- **Comparative Analysis.** A common method used with discounted cash flow or in cases where there isn't traditional data to value.
- **Net Asset Value.** Usually used as a verifier for other methods and for firms with significant assets.

For smaller mid-market firms, another common method is:

- **Rules of Thumb.** General guidelines for specific industries are based on the seller's discretionary cash flow (SDCF). As a general rule the value is 3-5 times SDCF.

The seller's discretionary cash flow is derived by subtracting the salary costs of replacing any key management that will be leaving the company cont p. 3

## Quick Tips for Increasing the Value of Your Business

- **Make sure your financials are complete and in order.** A clean, comprehensive financial picture helps provide a solid understanding of the state of the company and creates value for lenders as well as potential suitors.
- **Reduce customer concentration.** Ideally, no customer should represent more than 9% of sales. This will reduce the impact of potential business disruption should any one customer cut back.
- **Reduce the dependence of the business on you.** Hire and train people to help build the business and put systems and procedures in place to help take the business to the next level.
- **Write a business plan.** Take the time to develop a business plan on how to take the company to the next level. This will help you focus your efforts, possibly uncover new market opportunities and create a road map for the future.
- **Do some housekeeping.** A pleasant physical appearance in a work environment can have a terrific psychological impact on employees, customers, vendors and others. People like working in an environment that looks good. And, chances are you'll see happier and more productive people showing up for work everyday.

## Sales Strategies: The Cold Call

On a cold call, you should always have a clearly defined mission, either to set up an appointment with the prospect or make an on-the-spot sales presentation. Once you set your objective, don't deviate from it. This is true whether you're making a telephone call or meeting the person face to face.

For instance, let's say you have some time between appointments, stop at a prospect's place of business to set up an appointment and the prospect says: "As long as you're here, let's hear what you've got to sell."

While the temptation exists to give an on-the-spot presenta-

tion, resist it if possible. You should stick to the initial game plan and say, "I'm sorry, but I only stopped in to introduce myself to you. I'm completely booked today, so let's set up a time to get together that's convenient for both of us." You should take out your calendar and suggest the prospect do the same.

### Show Respect

Making an appointment for a future meeting does two things. First, you are perceived as a successful person who has a busy schedule with limited time available. Second, salespeople who think they can come in unannounced and expect a prospect to drop everything to hear

their sales presentation are sometimes viewed as having little or no respect for other people's time. Thus in asking for a specific time for an appointment rather than an immediate interview, it lets you avoid insulting the prospect.

This strategy gives the prospect the impression that your services are in great demand — the exact image you want to project. It also lets you avoid having to give a hurried presentation under less-than-ideal conditions. Equally important, this also gives you a chance to ask a couple of questions so that you can tailor your presentation when you actually do meet.



**Making sure that the prospect knows that your time is valuable and that you also respect his time can be the beginning of a strong relationship.**

## Sales Strategies: Knowing Your Competition

The best way to win sales and stay at least one step ahead of the competition is to know who they are, what they're selling, what their strengths and weaknesses are and how you match up against them.

If you take the time to learn as much as you can about the competition you'll be in a better position to successfully compete against them. Showing the prospect you understand their company, the market, the competition and why your company is the best choice significantly enhances your chances

for sales success.

Here are some specific things you should have on each of your competitors:

- **Sales Literature.** This enables you to understand their product offerings including features and benefits of each of the products.
- **Pricing.** A solid, or even rough idea about how their products are priced will give you a better understanding of their margins (assuming costs are simi-

lar), their strategy and their value proposition in specific market segments.

- **Customers.** Knowing their customer profile will provide greater insight into their market strategy.
- **Salespeople.** Who are their top producers and why are they successful? What sales traits do they exhibit that can help your company?

Your goal should be to know your competition better than they know themselves.

### Sales Tip

*Always photocopy your business card onto any articles or other printed information you want to leave with a prospect. Reason: Stapled cards can be removed easily. The photocopied card will be there forever — for everyone to see when the information is passed around.*

*Brian Jeffrey in [SalesTalk](#)*

## Sales Strategies: Pricing

Premature price questions can throw you off guard in a sales call. The best strategy is to quickly address the issue and then get back on course. Here are a couple of suggestions.

- "We have a range of prices based on what you want to accomplish. Let me help you narrow your choices — then we'll look at price."
- "We offer solutions ranging in price from (low) to (high). You'll probably fall some-

where in between. I can help you select the right product, price and direction."

- Candidly, I don't know enough about the specifics to give you a price. I'd be doing you a disservice by guessing and I don't think that's fair to either one of us. Let's spend some time getting the details and I can get you a price that is accurate.

### Discounts

When dealing with a competitor that offers "deep discounts" help prospects see what's behind the lower price by asking these questions:

- "What's the actual percentage of savings?"
- "How many items does the discount apply to?"
- "What quantity must you purchase to qualify for the discount?"



- "Is the quality & relevance of their product and service offering the same?"

## Productivity: How to Use Time That's Usually Wasted

Most people know they waste some time during the day and that eventually this time can add up to a substantial amount. But, few people do much about it. Techniques for reducing wasted time:

- Stay aware of your goals, and your habits. Do you spend the most time on the most important things?
- If you are a "day person," get up an hour earlier each day. If you are a "night" person, set aside an hour each night. Use the time to work on a special project.
- Use travel time to outline goals, make notes for projects, or read. While driving, use a tape recorder to dictate or play back memos, or listen to educational tapes.
- At lengthy meetings or in doctors' offices, use extra time to review your weekly objectives, plan your next day's schedule, decide how to approach a new client, block out a report.
- Gain an hour each week by

dropping just one TV program. Use TV time, especially commercials, for tasks that don't require much concentration. Balance your checkbook, read an article, outline a speech.

James O. Kemm, writing in [The Toastmaster](#), 23182 Arroyo Vista, Rancho Santa Margarita, California, 92690



## What's Your Business Worth ? cont.

from either EBIT or EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). By adding back the cost of replacement salaries a buyer gets a more accurate picture of the true discretionary cash flow of the business.

The larger the SDCF, the greater the multiple. A company generating \$1.5M in earnings is significantly more attractive to a buyer than a company generating \$750,000 in earnings. Also, there are significantly fewer companies in operation that can generate the revenue

necessary to effect such a significant bottom line. This enhances their attractiveness.

Historically, the value of a business is also dependent upon the type of buyer. There are financial buyers who are solely looking at a return on investment (ROI). They focus on the numbers and rarely pay a premium for a company.

There are also strategic buyers who focus on what the potential acquisition can do to enhance their current operation. Their buying criteria are not just num-

ber focused the will pay a premium for the right opportunity.

The important thing to remember is that there is no single answer to value. Different methods go in and out of favor. The one thing that doesn't change is earnings. The greater the earnings, the greater the value of the company.

The important thing is to look at several different methods to determine value and use a certified business appraiser to help substantiate what the company is worth.

***"Whatever you can do, or dream you can do —***

***Begin it!***

***Boldness has genius, power and magic in it.***

***Begin it now!***

*Goethe*

## Teamwork: Some Lessons From Geese

When you start to doubt the importance of teamwork, heed these lessons from an unlikely source — a flock of geese.

- As each bird flaps its wings, it creates an uplift for the bird following. By flying in "V" formation, the whole flock adds 71% more to its flying range than if each bird flew alone.

*Lesson:* Teammates who share a common direction and sense

of community can get where they're going quicker and easier when they travel on shared power.

- When the lead goose tires, it rotates back into the formation and another goose flies at the point position.

*Lesson:* It pays to take turns doing the hard tasks and sharing the leader's role.

- In formation, the geese from behind honk to en-

courage those in front to keep up their speed.

*Lesson:* Sometimes team members need to hear a little honking.

- Whenever a goose is sick or wounded, two geese drop out of formation to help and protect it. They stay with it until it can fly or dies.

*Lesson:* Stand by one another in times of trouble.



**Strength comes in numbers and shared responsibility.**

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## Doing everything right the first time to insure success

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## My Two Cents...

In 1985 United Technologies Corporation ran a series of motivational ads in the Wall Street Journal. Their purpose was to emphasize to the reader that "How we perform as individuals will determine how we perform as a nation." Over the next several issues I'll share some of my favorites.

### Have You Looked in Your Backyard Lately?

Dr. Russell Conwell of Temple University once delivered a lecture in which he told of a man in Titusville, Pennsylvania, who sold his farm for \$833 to look for oil in Canada. The fellow never found oil, but the man who bought his farm did—and launched a billion dollar industry. Today, with faster communications and transportation, it's not important *where* you are, or that the grass might be greener in the next field. What counts is that piece of real estate between your ears. Is it rich, fertile, productive?

*The Results Group, Inc.™ is a mergers & acquisitions and brokerage intermediary providing start-to-finish sell-side and buy-side advisory services and management consulting for privately held companies.*

*We have extensive operating and executive management experience ranging from small entrepreneurial environments to major Fortune 500 corporations. We know what it's like to manage a payroll, build value, acquire operations and manage a diverse workforce.*

*Before we ever accept an engagement, we have a thorough understanding of the company and the management team, where they've been and where they're going. We build a comprehensive marketing program designed to attract the right buyer or acquisition candidate.*

*Doing everything right the first time to insure success.*

*That's why we are The Results Group™*

Or is it a wasteland?  
If it's either,  
a change in  
geography  
won't matter.  
Unpack, and take  
a closer look at your  
own backyard.

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### People Buy Emotionally

People don't buy products or services. They buy how those products and services are going to make them feel. Logical decisions are made over time whereas emotional decisions are made very quickly.

When you're selling someone your products or services focus on their emotions.

- The Nordstrom salesman isn't selling you clothes, he's selling how great you look.
- The realtor isn't selling you a house, she's selling location and a great neighborhood.
- The financial planner isn't selling you stocks and mutual funds, she's selling long term security and peace of mind.

Sometimes people buy what they need but generally people buy what they want, and wants are based on feelings.

The more you understand about the buyer,

their motivations and how they feel about something, the greater the chance you'll have of getting the business.

Adapted from Selling to the Top, David A. Peoples,  
John Wiley & Sons 605 Third Avenue,  
New York, New York 10158

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"Would you tell me, please, which way I ought to walk from here?", asked Alice.  
"That depends a good deal on where you want to get to," said the Cat.  
"I don't much care where," said Alice.  
"Then it doesn't matter which way you walk," said the Cat.

Lewis Carroll — Alice in Wonderland

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Remember to watch your thoughts, because they become your words.  
Watch your words, for they become your actions.  
Watch your actions, because they become your habits.  
Watch your habits, because they become your character.  
And watch your character, because it becomes your legacy.

Anonymous

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