Introduction

Doom and gloom….The world economy is in crisis!

Businesses are shedding staff. Business failure rates are increasing.

All over the world, entrepreneurs and businessmen are worried about the survival of their enterprise through the challenging times we all know are ahead.

So what can you do to ensure business survival through tough times?

The good news is that economies cycle. Tough times are followed by booms. If you can survive the tough times, you can position yourself to prosper when the cycle turns. Conversely, if you manage well through boom times, you can position your business to sail safely through downturns.

Tough times actually benefit selected business operators! Although big business will claim industry consolidation takes place that pushes out small competitors, the reality is that what happens in tough times is the best performers shine! Cream rises to the top! The customer who can't be bothered shopping around when times are good, suddenly wants the very best value for money when a recession hits - and is prepared to go to some lengths to get it.

Offer the best available value for money and the best customer service, and you will be the supplier of choice!

Think of this 'global economic crisis' not as a threat to your business survival, but as the best opportunity you will ever have to outperform your competitors and prosper.

What is a Recession?

Are we in a recession?

Will there be a world-wide depression? What do these terms mean? How do you assess the economic climate so that you can prepare for change?

Economists declare a 'recession' after two periods of reduced gross domestic product (the total value of all goods and services produced in the country).

The more common dictionary definition is a business cycle contraction: a significant and widespread decline in economic activity that lasts for more than a few months. A recession typically means reduced economic activity, reduced personal incomes, reduced employment and job opportunities, reduced industrial production, and reduced wholesale and retail sales. Some economists will declare a 'recession' when unemployment increases by at least 1.5%.

What is a Depression?

When GDP falls severely (by 10% or more), or a recession continues for three or four years, the term 'depression' may be used in place of 'recession'.

Global Recession

Although economists disagree about the definition of a global recession, it is generally accepted that a decline of 3% or more in global growth indicates a global recession. By this definition, global recessions have occurred approximately every five years: 1985; 1990-93; and 2001-2002.

Causes of Recession

Potential causes of recessions include:

A Financial Crisis:
The 2008 recession is said to have begun with a financial crisis in the United States, caused principally by falling real estate values following extensive mortgage defaults, resulting from irresponsible lending. In a financial crisis, assets suddenly lose value. Financial crises occur regularly for a variety of reasons, including banking panics, market 'bubbles'

bursting and sovereign defaults (failure of a sovereign nation to raise sufficient foreign currency to renew a currency bond).

A Currency Crisis:
Occurs when the value of a nation's curency changes quickly, undermining its ability to serve as a reliable medium of exchange.

An Energy Crisis:
A supply bottleneck or sudden and significant increase in the price of a oil, gas, electricity, etc.

War:
Imposes high costs and drawing funding away from other Government spending, such as infrastructure spending.

Underconsumption:
Inadequate consumer demand relative to the quantity of goods produced. Where workers are paid a wage less thathey produce, they cannot buy back as much as they produce and there is therefore inadequate demand for product. Unless there is compensatory demand from other sources - such as export markets - underconsumption results.

Overproduction:
Production in excess of consumption, resulting in either price reduction (deflation) or reduced production resulting in reduced employment.

Effects of Recession

Recessions typically result in:

Unemployment: Businesses reduce staff levels either to reduce operating costs or because underconsumption or overproduction creates a need to reduce production.

Foreclosures: Lenders foreclose when borrowers, under financial pressure due to business failure, job losses, or salary cuts, default on loans.

Bankruptcies: Businesses fail; individuals are unable to pay debts due to job losses, reduced working hours, salary cuts, and collapsing asset values

Credit crunches: With increases in the rate of debt defaults, foreclosures and bankruptcies and falling asset values, less money is available for lending, and lenders are more cautious about extending loans.

Deflation or disinflation: Underconsumption or overproduction results in falling prices as producers compete to shift surplus stocks.

The Fear—Failure Cycle

Talk of recession creates fear. Fear leads to recession. Recession creates fear of worse to come. Fear of worse to come leads to deeper recession. It's a cycle that can be difficult to end.

Governments often try to 'talk up' the economic climate, encouraging spending and investment, because when fear of recession causes people to 'tighten their belts', consumption reduces. Reduced consumption leads to oversupply, falling prices, and reduced production resulting in reduced demand for raw materials and labour. Unemployment further reduces spending, resulting in further reductions in consumption, and further reductions in demand for raw materials and labour. Further job cuts result. And so the cycle continues.

How is Recession or Depression Predicted?

There are no reliable early indicators that a country is likely to move into recession or depression. Many people think stock market crashes precede recessions, but since 1946 half the U.S stock market declines of 10% or more were not followed by recessions. Conversely, 50% of significant declines occurred after a recession had begun.

What Happens to Asset Values During Recessions?

Real estate market declines generally accompany recession conditions, but usually last much longer than the recession.

Share values typically reduce during a recession, though high yeild stocks like fast moving consumer goods, pharmaceuticals and tobacco often hold up well. Growth stocks (those that return a high yield on equity) usually recover faster.

Investors are often advised to invest heavily at the peak of a recession, because that is when real estate and shares are most affordable. The problem is that even the leading experts cannot reliably predict when a recession has peaked, or when recovery has begun. Over 16 U.S. recessions since 1919, the average length of a recession was 13 months. More recent recessions were much shorter, but if the 2008 recession lasted 13 months, stocks values should have hit bottom in November.

Responding to a Recession

Government responses:

Economists differ in their views about the best way to respond to a recession, and different political parties subscribe to different economic theories. Keynesian economists typically advocate deficit spending spark economic growth. Australia's Labor Party tends toward Keynesian economics. Laissez-faire economists are more likely to suggest that governments should not interfere with natural market forces, while supply-side economists typically suggest tax cuts to promote capital investment by businesses.

Business responses:

Carter Schelling, a Strategic Business Adviser, suggests that businesses



Getting better at what you do doesn't just mean surviving the tough times.

It promises prosperity when the recession ends and good times come again… and they will!

should prepare for a looming recession by:

Gauging customers' ability to resist recession

Redesigning product offerings

Using 'lean' principles

Replacing unhappy workers with more motivated, eager, and highly competitive employees

Over-communicating

According to Carter Schelling, businesses get better at what they do in bad times. Clearly that isn't always true, but those that don't get better at what they do are likely to fail. That reduces competition, providing increased opportunity for those who take advantage of the opportunity presented by a recession.

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Who Survives/Prospers in a Recession?



Recent surveys support what might be regarded as a common-sense presumption that traders who deal in necessities, or in products or services demanded by battlers seeking to cut-back expenditure, are likely to thrive in a recession.

Some business operators report that they are substantially unaffected by recession.

Some even claim recession improves trading conditions.

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For example:

In a recession, people are more likely to cook economical meals in their own kitchen rather than go out to eat or buy costly convenience foods. Because vegetables and fruit are economical and healthy, these products are likely to be in higher demand in tough times.

Similarly, producers and sellers of eggs, dairy foods, and economical cuts of meat are likely to experience increased demand.

In recent surveys, takeaway stores reported increased demand while more expensive restaurants reported reduced bookings and patrons spending less. Video rental stores and sex shops experience increased demand, as people look for cheaper forms of entertainment. Country pubs and sporting clubs often boom, as locals stop travelling to drink, dine and holiday and spend more of their leisure time in their own community. Caravan parks may see increased demand, while upmarket family holiday resorts struggle.

Logically, financially challenged consumers will look for bargains in clothing, homewares, and personal services - so up-market suppliers may experience reduced demand, while down-market suppliers and bargain stores may experience increased demand. Suppliers of used clothing and homewares are likely to do well. Shoe repairers are likely to grow their businesses, as are dry cleaners and suppliers of clothes mending services, and specialists in car, household, appliance, and homeware repairs.

Producers and vendors of tools and materials that increase productivity or efficiency in building, business management, transport, storage, energy production, food production, etc. have a unique opportunity to prosper as companies look for new ways to cut costs and increase productivity.

Almost any business can prosper through tough times with the right approach to management.

Historically, recessions and depressions have given birth to millionaires —entrepreneurs who grasped opportunities presented by a challenging economic climate and used determination, optimism, and a smart approach to business to achieve outstanding success.

At the other end of the spectrum, selected luxury-item suppliers catering to those sufficiently well-heeled to be minimally affected by recession may continue to do well through tough times.

Increased unemployment inevitably leads to increased demand for training and educational services and job placement services.

Sadly, debt collectors, liquidators, bankruptcy lawyers, finance brokers offering refinancing services and debt management counsellors experience increased demand in tough times, as do psychologists, marriage counsellors, and divorce lawyers.

Most health professionals will see increased demand for their services, as financial troubles cause stress-related illnesses. Even undertakers see increased demand, because stress can kill.

Wine sales typically increase in tough times. Alcohol eases pain, and wine is both cheaper and more socially acceptable than harder liquors. Suppliers of home brew kits and supplies are also likely to see increased demand.

Disturbingly, the demand for weapons and security products and services tends to increase during a recession, because crime rates increase in middle class neighborhoods during hard times.

Some readers will be surprised to learn that fortune tellers are in demand in tough times. People want to know that better times are coming soon, and fortune tellers invariably offer that reassurance. There may be larger congregations at churches and synagogues, too, as people look for personal strength, hope, and the support of friends and neighbours.

It isn't just your product that determines whether you will do well in tough times, though. It is also your approach to business.

The innovator, the optimist, the saver, the planner, the people manager, and the creative marketer come into their own when the going gets tough.

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Understanding ROI

ROI: Three seemingly insignificant letters that obsess accountants and investors, yet far too many entrepreneurs and business operators don't understand what they mean. (In fact, accountants and investors have a seriously distorted view of their meaning! Contrary to their understanding, ROI does not start with a dollar sign and end with %.)

Most business operators know the after-tax profit their business generates. Many understand the ROI from specific investments in equipment and processes. With the exception of professional investors, few talk about total business ROI. We'd like to change that. While reading this book, we want you to focus on - not profit, but TOTAL BUSINESS ROI.

There are two reasons for advising this shift of focus:

1. When you understand ROI correctly, focusing on total business ROI will send your expectations soaring. People - ALL people, including you - deliver to expectations. So, it's important that your expectations always remain sky high.

2. Heavy investment often delivers high profit, but ROI is highest when investment is small, but smart. So by focusing on ROI, you will focus your energy on easy, low cost, but really smart initiatives to boost business returns. That's especially important during a recession, but even in a boom you reduce risk and increase return with smaller, smarter investments.

So What Is ROI?

ROI (Return on Investment) is generally understood to refer to BENEFIT measured against COST.

Accountants often refer to Financial Benefits, and non-financial benefits. Financial benefits impact directly on an organization's budget and finance (cost reductions, revenue increases). Non-financial benefits impact on things like customer satisfaction, employee morale, and business image and reputation. Non-financial benefits are harder to measure, but typically do impact financially in indirect ways.

Accountants discuss ROI using terms like Payback Period (the time it takes for the benefit to pay back the cost); Net Present Value (the value of future

benefits stated in today's money); and the Internal Rate of Return (benefits stated as an interest rate).

Example:

You spend $100,000 on a machine to automate a process. The process costs you $20,000 per annum in wages and employment costs (increasing with inflation). The machine has a life expectancy of ten years.

Payback =	5 years
Net Present Value (NPV) =	$40,750.75
Internal Rate of Return	17.2%

Note:

Calculated using online calculators at <http://www.investopedia.com/calculator/NetPresentValue.aspx and http://www.engineeringtoolbox.com/internal-rate-of-return-irr-d_1235.html. Calculations are based on various assumptions including the 'risk factor' and increases in returns in future years due to inflation.

Financial returns can be calculated with some degree of accuracy using spreadsheet templates or online calculators. Non-financial returns are much harder to quantify.

In reality, none of this has much to do with total business ROI. It is useful only for assessing the wisdom of investing in a new machine or process to boost productivity.

Improved TOTAL ROI means happiness

"Happiness? " you protest. "Money doesn't buy happiness. It helps… but there are….."

Precisely. There are far more important things in life than money. And almost all of them are achieved in larger quantities when you improve your business ROI. That's because ROI doesn't only refer to monetary returns, and investment doesn't only refer to monetary (capital) investment.

Business investment includes time, energy, skill, focus, and emotional energy. If those investments don't return adequately, the result is exhaustion, stress, frustration, damaged personal relationships, a poor self image, and a devastating lack of feeling of achievement and personal satisfaction.

Ask anyone who has experienced business failure! Most will tell you the financial loss was quite insignificant compared to the emotional pain. Few experiences in life are more personally devastating than the collapse of a business you committed everything you had to build.

The most important thing that you invest in your business is YOU.

So, before you read on, be sure you understand what it is you need to achieve in your business. Adjust your ambitions and expectations. You are investing a lot of money, of course. You are also investing time you could spend earning a worry-free wage, or enjoying family and friends or hobbies or leisure pursuits. You are investing a wealth of knowledge and skill… perhaps acquired at great expense through years of arduous study accompanied by minimal or no monetary earnings. You are investing passion.

Satisfactory ROI on monetary investment is easy to calculate. You only need to consider the returns from alternate investment opportunities. How much interest would your money earn in fixed deposit at the bank? How much would it return if you invested in property or shares? Is your business return comparable.

Experts factor risk into assessments of monetary ROI. If your business is high risk, the monetary return needs to be considerably higher. If you operate a well established business in a relatively secure business environment, ROI can be much lower and still satisfy a financier. We discuss financial ROI requirements further in the chapter Financing the Growth Process.

Emotional ROI is something else entirely. How do you value YOU? What would you consider a satisfactory return for investing yourself?

Accountants measure ROI in dollar and percentage terms. Businessmen typically measure business success in profit terms. When you do either, it's easy to become complacent, especially in a well-established business.

You should demand a satisfactory ROI on your TOTAL investment in your business. To do that, you need to achieve ABSOLUTELY MIND-BLOWING SUCCESS.

You can! This book provides details of some simple but amazingly effective strategies that will not just get you through a recession successfully, but will send your profits, reputation, and personal satisfaction soaring! Implement them faithfully, and you will achieve both emotional ROI and financial ROI beyond your wildest imaginings.

And when you are done counting the benefits from implementing these general suggestions, use some of that extra profit to engage The Lean Thinking Company and Rainbow Writer to devise more strategies specifically for your enterprise.

Put your ROI expectations in correct perspective, and your returns will more than justify that unmeasurable personal and emotional investment. It will deliver happiness.

How to Prosper in Tough Times

"Recession" simply means that whatever it is that you have been doing right up to now to enable you to get to where you are, you have to do a little better.

The word "recession" conjures up a range of terrors, and all kinds of dire predictions of disaster. People report fear of losing their jobs. Businesses report fear of collapse. Why?

Yes, there is less money in circulation. Yes, there is less growth in the economy. There is less demand for some products and services. But that doesn't mean your business will fold or you will need to reduce staff. It simply means that whatever it is that you have been doing right up to now to enable you to get to where you are, you have to do a little better.

Why do your customers buy from you? What is it that makes you different from your competitors? Whatever it is, do more of it!

What message do you send to prospects to attract their interests? Send it to more people. Refine it so it impresses just a little more.

Where do you SHOUT about what you do well so that people get to know about your business? SHOUT louder, so more people hear.

It all sounds far too simple, doesn't it? That's because it is!

Gurus churn out 500+ page tomes full of economic and business theory explained in technical terms.

Experts lecture on new marketing techniques; new concepts in human resource management; and the psychology of marketing in the Internet world.

Yet in the end, growing a business requires no more complex knowledge than an understanding of the 3S principle:

Regardless of the economic climate, there are three obvious ways to improve a business "bottom line":

Sell more

Sell at higher profit margins

Spend less

Sound simple, doesn't it? So why do so many entrepreneurs have difficulty growing profits?



To improve your business "bottom line", you simply need to:

- **Sell more...**
- **Sell at higher margins**
- **Spend less**

Sell More...

Increasing sales volume is the obvious way to grow profits, and it is often surprisingly easy to achieve. Too many business operators assume increasing sales requires more costly advertising, bigger sales teams, increased stock storage or production facilities, etc. That implies heavy capital investment that may be unaffordable.

You might be surprised to discover that there are products your existing customers want that you can readily supply at low cost to increase sales revenue. You can use your clients as an unpaid sales force if you effectively manage a customer referral process. You can drive increased sales at minimal cost by improving your web site and email inquiry handling process.

How do your customers and prospects see your company? Do you need to work on your image? If your customers don't see your company as smart, customer and quality focused, honest, and offering value for money, they are likely to shop elsewhere.

Are you getting the right message to your prospective customers? Entrepreneurs are often amazed to learn how much impact simply rewording an advertisement, sales letter, or sales presentation can have. A clever wordsmith might cost a little, but the right words can drive huge sales increases.

Are you fully utilizing all available avenues for gathering leads? Is your web site working for you? Are you responding correctly to enquiries? Are your customers giving you referrals?

Are you managing your pipeline efficiently? Could you convert more leads with improved processes?

Are you nurturing customers to build long term relationships, promote loyalty, and invite referrals? Acquiring new customers is costly. Relationship management should be improved to maximise the value of existing customers.

Have you looked at your product range closely? What else do your customers need or want that you could supply? Are you tracking client enquiries and purchases and asking about needs to maximise on-selling opportunities?



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Sell at Higher Margins...

Selling at higher margins means either reducing production or acquisition costs, or selling at higher prices.

Are you pricing your products correctly? Do you know what your customers are prepared to pay? Do you correctly understand how a small price increase would impact on demand?

Can you bargain with suppliers to offer price reductions? Do you know how much your custom is worth to a supplier? Do you remind suppliers regularly of your loyalty and the total annual value of your business?

Do you take full advantage of early payment discounts? Can you negotiate more favourable discounts for prompt payment? Do you occasionally remind suppliers that you always pay on time and ask them to show appreciation with discounts, concessions, and special offers?

Do you compare supplier offerings regularly, and watch for sales and special offers? Have you considered buying larger quantities to achieve quantity discounts?

Can you make your production, handling, or packaging processes more efficient to cut staff requirements and/or production or operating costs? Look for ways to eliminate waste.

Do you understand the cost of a sale correctly? Do you regularly review your selling costs and improve processes to eliminate waste?

Spend Less...

Reducing expenses is often the simplest way to boost your bottom line, but be careful where you cut.

In tough times, business operators often reduce advertising and marketing to cut expenses, but doing so might reduce sales and drive profits down.

Look for ways to cut accounting errors and eliminate waste.

Do you monitor expenses carefully and use a reliable process to validate invoices before payment?

Do you check shipments to match the quantity supplied with the quantity charged for and ensure credits are claimed for any shortfalls, damaged goods, or goods of unusable quality?

The "Think Lean" philosophy is heavily focused on eliminating waste and unnecessary expenditure - making sure every dollar you spend delivers maximum return on investment.

How to Sell More...

Selling in a Recession

It has been said that one of the major disadvantages of the capitalist system is that it relies, for success, on oversupplying.

Think about that statement carefully. Do you see signs in today's society that validate that claim?

Obesity is increasing.

Houses keep getting bigger and bigger. (Our grandparents were content with two or three bedrooms, one bathroom, kitchen, living room and single garage. Today, the standard is four bedrooms, two bathrooms, at least two living rooms, separate dining room, and double garage.)

Furniture and appliances are replaced every few years. (In the seventies, the average couple bought furniture and appliances to set up house, and again when they entered retirement.)

Cars are upgraded more often.

More people use lawn mowing and gardening services.

Appliances and cars are actually designed to need repair more often.

Oversupply creates a need to sell aggressively and stimulate artificial demand.

The result is rapid economic growth and high business profits, and we saw that in 2005, 2006, and 2007.

The problem with oversupply is that is unsustainable. You can't go on creating increasing artificial demand indefinitely. Ultimately, the economy reaches saturation point—even in societies where population growth is rapid.

When saturation point is reached, growth must slow. Economies slide into recession. Business expansion stops.

That means that your business will stop growing or go backwards. It's inevitable, right?

Wrong!

What it means is that overall demand will reduce. Fewer people will buy. People will buy less.

If 20 dry cleaners in your town were cleaning an average of 5 suits per week each, that's 100 suits being cleaned. In a recession, that might drop back to 70. But that might mean that four dry cleaning businesses close, and twelve businesses clean an average of only four suits each week, three maintain their average, and one actually grows his business at his competitors' expense.



When you recognise that most customers are not price focused, but value focused, you realise that discounting isn't necessary to take customers from competitors. You need to OFFER BETTER VALUE.

The most common business response to reduced demand is to discount - stage huge crazy sales! That's smart if you have perishable stock or stock that dates, and you need to clear it quickly. But sales work best in a growing economy, where offering a bargain creates artificial demand.

In a recession, people are more likely to buy only what they want… regardless of price. So sales have a negative effect. They enable people to buy what they want at a reduced profit to the seller. They create downward pressure on prices, causing damaging deflation.

For an individual seller, they may be useful to attract customers away from competitors, but doing so comes at the cost of reduced margins and profits and increased negative pressure on the overall economy. There is a better way.

To sell successfully in a recession, you must understand that demand is reduced, so rather than focusing on creating demand, you need to focus on competing more effectively for the demand that already exists.

When you recognise that most customers are not price focused, but value focused, you realise that discounting isn't necessary to take customers from competitors. You need to OFFER BETTER VALUE.

To sell in a recession, take customers away from your competitors:

Do what you do better.

Deliver better quality and better service.

Build stronger relationships.

Communicate with clients more often and with greater relevance.

Focus on your value proposition and unique selling proposition.

Building the Perfect Sales Team

Teach Salesman to Open Relationships, not Close Sales.

On most teams, there are one or two shining stars. Stars typically perform between 50% and 120% better than average sellers. So to sell more, turn EVERY team member into a star.

A typical salesman thinks success means closing sales. If your team think this way, they are missing a fantastic opportunity. The word 'close' implies an end, but when a successful salesman farewells a customer, his wave should signal an exciting new beginning.

Sales Don't Equal Profit

A sale puts $n in the company bank account. If the sale is to a new customer attracted by advertising or promotional activity it is very likely that it cost far more than that to attract the customer's interest. In other words, a sale to a first time customer is usually achieved at a net loss when the cost of marketing to achieve that sale is treated as a direct cost. Does that statement shock you?

Smart business operators talk about the lifetime value of a customer, compared to the cost of customer acquisition. They understand that closing that first sale should mean beginning a long term relationship that results in repeat sales, sales of other products, and valuable referrals. If you educate your sales team to focus on opening a relationship, not closing a sale, you will help them develop into selling stars.

Develop a Customer Focus

Salesman—particularly in certain industries, like cars—are often socially shunned and spoken of in derogatory term. So don't employ salesmen. Employ a team of helping professionals. Their work involves helping people satisfy important needs and wants. Recgnise their true role, and encourage them to focus on building relationships that position them to help customers achieve their goals. When team members stop focusing on selling

and start focusing on helping clients achieve what they want, their sales will soar.

Teach Team Members to 'Play Dumb'

Salesmen are more effective when they qualify customers correctly and quickly. The key is to get to the root of the customer's problem.

Find out what they need, why they need it, and what their time frame is to satisfy that need. You don't do that by displaying your knowledge! You do it by playing dumb and asking lots of questions.

Keep the questions simple. Try to get customers to explain their needs in words of one syllable. By playing dumb and getting the customer to articulate their need clearly, you not only discover how to convince them your product satisfies that need, but you ensure that they clearly understand the need themselves and will recognise a solution when it is offered.

Hard sell tactics and showing off deep technical knowledge might impress family and neighbours, but playing dumb is more likely to open relationships so you can make sales.

Simple Tricks to Sell More...

Sell benefits, not product.

Your customer doesn't want a drill bit. He wants the hole!

If you focus on customer need, and describing how your product offers a solution, your promotions will be far more effective.

For example:

Product	Sell...
Blankets	Warmth and comfort while sleeping
Mattress or pillows	A good night's sleep
Solar Pool Heating	Year-round swimming
Tyres	Motoring safety
Accounting software	Peace of mind, and the knowledge you need to make decisions that improve your business profits
Time management software	More leisure time
Gym membership	Good health, a longer life, more energy, new friendships.
Business Consulting	MORE PROFIT

Are you getting the idea?

What does ***your*** business sell? Start saying it...in <u>every</u> conversation. The statement 'We sell...' should NEVER end with the name of a product again.

Guarantee Your Product

If you don't believe in your product or service, why are you selling it? So reassure your customer.

Shout your GUARANTEES and generous refund policies. Extreme guarantees are the most effective. Go 'over the top'!

Which supplier would you prefer to buy from?

Product	Supplier A	Supplier B
New car	Offers a one year/50,000 km warranty	Offers a five year/500,000 km warranty
New house	Offers the standard 7 year structural guarantee and 1 year warranty to cover non-structural defects.	Offers an 20 year structural guarantee; 5 years warranty to cover non-structural defects; and performs free maintenance inspections and repair six months, one year, and two years after completion.
Personal Computer	Offers to repair any fault that becomes apparent during the first year of use, provided it does not result from careless use or handling. Customer must ship the unit to the factory and pay for return shipping.	Offers a free replacement computer if it fails during the first two years of ownership, delivered to your door free (and they'll collect the old one at the same time!)

Are you getting the idea?

A great guarantee will really set you apart from your competitors. Costly? Only if your product isn't of good quality. Do you see what a weak guarantee tells your customers?

Scrap Your Advertising Budget

If $1,000 worth of ads earns $2,000 profit, consider doubling your expenditure on ads and see if $2,000 invested makes $4,000 profit. Capping the amount allocated to advertising is crazy if the ads are working well and you have the capacity to support increased sales.

Advertise Effectively

Use advertising space to promote your offer.

Write copy that promotes your offer.

Describe your value proposition.

Focus on attention-grabbing headlines. (Leave your name and logo out of headlines. The customer is not impressed by your name, though they will want to know who you are and how to contact you when the ad peaks their interest.

Target your Advertising

Study market demographics. Interview customers. Quiz prospects. Find out what your customers read and where they get information about products to meet their needs. Advertise only where your target customers are likely to see your advertisement.

Test Market

Carefully measure response to:

Special price offers

Special 'package deals'

Different advertisements

Marketing campaigns targeting different demographics

Record and compare results to determine which sales strategies and marketing initiatives deliver the highest numbers of conversions and the best profits.

Tell them more…

People are hungry for information. They need data to make decisions. A copy-intensive ad, delivering lots of useful information, will almost always out-perform a clever 'arty' ad. People want to know exactly what they are going to get for their money. So tell them!

Ask for Referrals and Testimonials

Nothing builds buyer confidence more effectively than independent recommendations from happy customers. Ask happy customers for testimonials that you can publish. Ask them for the names of friends and acquaintances' who might also need what you have to sell.

Understand that ***Customers*** are your Hottest Prospects

Selling to strangers is costly and hard work! It takes costly advertising to find them. As well as educating them about the benefits of your product, you also have to convince them to trust you.

Your existing customers are easier targets. You already know their names and how to contact them. They already have confidence in you, and they are just waiting for you to offer them something else they need.

Focus on your hottest prospects. Existing customers are statistically six to ten times more likely to respond to your sales offer than a new prospect.

Repeat, Repeat, Repeat...

People seldom respond to a first offer. Seeing ads repeated builds confidence that the supplier will be around to honour guarantees. Consistency of wording and style when repeating ads builds recognition and confidence.

Build a 'Messaging Framework'

Use a 'Messaging Framework' to develop sets of consistent messages

and consistent presentation styles for use in all types of advertising and promotion, so that every promotion builds brand recognition.

Don't Give Up before the Seventh Round...

Only a small percentage of prospects respond to the first sales offer. Statistics show that the most effective sales programs target customers seven times, over a period of six months to a year.

Plan a series of marketing letters making minor changes to the offer and wording, and work your database until each prospect has either bought, asked you to remove their name from your list, or received seven repeats of sales offers several weeks to a few month apart.

Ads and Letters that Sizzle and Sell

Can you write your own advertisements? Probably. Will they perform as well as professionally written ads? Probably not, BUT... pay attention now, because this is important:

Learning the basics of what makes a great advertisment or great marketing copy will position you to effectively manage the professionals you engage to write ads for you, so that you can be confident of both value-for-money services and great results. (Read the chapter on Outsourcing carefully to understand why.)

Writing great advertising copy begins with answering some key questions:

> Who wants my product?
>
> Why do they want it?
>
> What will it do for them?
>
> Which key benefit is most likely to attract their attention?

Who wants your product? Everyone? If so, you might be in trouble! "Everyone' is hard to reach! You don't know where they live, what they read, or what specific needs take priority in their current situation.

Believe it or not, marketing to a niche is always easier, and the more tightly defined that niche, the better your chances of reaching them. Now, your product might appeal to a number of different niche market sectors, and you might target them successively... but NEVER target too broadly.

When you set out to write marketing copy, know who you are talking to. Learn as much about your target customer's mindset as you can. Who is he? How old is he? Where does he live? What does he do for a living? How much does he earn? Is he married? How many kids does he have? When and why does he read the magazine this advertisement will appear in?

Next, ask why your target customer wants your product. What specific need does it fill? Is this a need he is aware of and understands, or is it one you have to educate him to recognize?

What will your product do for the customer? No, we are not asking

you what is great about it or why your brother likes it. What will the product do for the specific target customer you are shooting for with this advertisement? Do you see why you needed to identify the target clearly? You need to know EXACTLY what his hot buttons are?

How does your product fill the customer's needs? Notice I used the singular of 'customer'?

The key to effective ad copy is targeting.

It's that simple. Speak effectively to **one** specific customer, whose needs you understand thoroughly, and you will make at least one sale... but you will likely also sell to dozens—perhaps hundreds or thousands—in the same niche, with the same needs and hot buttons.

Think of writing an advertising message like throwing a dart. If you aim for the bulls eye, you might hit it. If your aim is more general, you will hopefully hit somewhere on the board—but possibly nowhere near that coveted spot that wins the game for you!

Now, you know who you are targetting, why he needs your product, and what it will do for him. What's next?

You must clearly identify your 'MWR': your 'most wanted response'.

What do you want the reader to do when he finishes reading your advertisement? Go to the nearest store and ask for your product? Click a BUY button on a web page? Call you for more information? Book a presentation or in-home demonstration?

Every word of marketing copy must be written with one clear objective in mind: steering the reader to the point of giving you the exact response you seek, and making it easy for him to respond.

If you want him to pick up the phone and call you, the ad must end with the phone number in large, easy to read script... and every sentence must be targetted at making him want to read to the end, then pick up the phone. It must put questions in his mind... make him desire more information... make him want to 'meet' the guy behind this product, And it must make him want to do it NOW, because if he delays, he will almost certainly forget.

So, before you engage a copywriter or start writing ad copy, be sure you understand your MWM; you have crafted your offer to provide an incentive to give you your MWM; and your writer is focused 150% on getting as many readers as possible to give you you 'most wanted response'.

To write marketing copy successfully:

Talk to your target customer. Talk to him... not at him. If you have done your homework to this point, you will know what he wants to hear, and you will know enough about him to know what conversational tone to adopt. See him as you talk to him, and focus intently on saying what he wants to

hear.

Write as you speak, colloquialisms included. Keep it natural, casual and friendly.

Keep the language simple. Be clear, concise, and direct.

Write in the present tense—never in the past.

Write in the 'active voice'. No present participles or words ending in 'ing' please. (If you didn't study grammar at school, this might be a good time to learn a few of the basics.)

Use hot words: "Introducing, Announcing, New, Just released, Exclusive, Special Offer, Free, Unique, For a Limited time, Secret, Direct from the makers, bargain, unrepeatable offer, guarantee...."

State facts truthfully and accurately. No generalizations please (they aren't credible!)

Use adjectives sparingly. The reader will decide if something is 'amazing', 'extraordinary', 'impressive' or 'incredible'!

Don't exaggerate. It destroys your credibility.

Avoid scientific or technical language, unless you are certain your reader will understand it (and, in any case, never in a headline)

Use the magic word: 'YOU'.

Here are some more tips for effective copywriting:

Use questions. They involve the reader.

Use repetition. "Tell 'em what you are going to say; say it; tell 'em what you said." Repetition makes the message stick!

Use numbered points or bullets. Lists are easier to read than long paragraphs, and they provide welcome relief for tired eyes.

Use verbs. Action sentences are more effective than description.

Add some interest.

Tell them what to do next. It's amazing how many writers forget that crucial concluding instruction. The reader is left wanting to give you your 'most wanted response' but not knowing how!