



Our mission is to provide information and strategies to business owners and managers for improvement in the effectiveness of its business management so that key objectives can be realized.

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Sales Up, Profits Down – Say It Isn't So!

When faced with declining profits, most businesses respond with increased sales. Their thinking is that there is a direct correlation between the two. Increased sales means increased profits, right? Wrong.

When Furniture Brands International Inc., the largest furniture maker in the world, posted fourth quarter sales for 2003, at a glance, sales increased four percent from the same quarter last year. Most business people may assume that profits increased, too. However, the furniture giant's profits actually fell 23 percent compared to the prior year.

Is this fuzzy math? Not really. There were other operational lags on the company, which impacted posted profits. For example, the company absorbed millions in charges from closing numerous factories throughout the U.S.

In a similar relationship, some companies actually increase sales dramatically and earn lower profits. How? By paying for growth. A simple example is a carpet company that hired three additional sales people to increase sales. While the salespeople increased sales, their salaries, the increased labor for installing the carpet and an increase in two top-selling lines of carpet all impacted profits. Increased sales do not automatically equal increased profits.

We use a powerful software program that allows us to pinpoint key performance indicators that allow us to identify trends in profit potential. Aside from using a software program, you can examine these areas that can impact profits. Examine the following questions and you will most likely determine many areas that could be negatively impacting profits.

Customers

- Who are your most profitable customers? What do they buy? Why do they do business with you? What additional products may they buy from you?
- Are service fees optimized?
- Are any of your customers costing your company money?

Product

- What is your most profitable product? Why?
- What is your least profitable product? Why?
- What can you do to increase profits on your least profitable product?
- How does your product compare in price and quality to other companies?
- How can you sell more of the profitable products and cut the least or no profit products?
- Do you currently link products with customer targeting programs? Why not?

Price and Profit

- What is the cost of your best product? What is the gross profit margin (sales less cost of sales)?
- Can you improve gross profit by increasing selling price or reducing cost of sales?
- Do you compensate sales teams based on profitability?
- Does it make sense to change the sales channel based on customer profitability?

Operations

- What are your weekly/monthly operating costs?
- What are your largest overhead costs?
- Is there a way to reduce overhead costs?

Warehouse

- Is your inventory in line with customer buying patterns?
- Could your picking cost be improved with a better warehouse layout?
- Can you increase truckloads, and reduce rush order handling?

The questions above are only a starting point to pinpoint where you may be able to increase profits and more efficiently manage your business.

Sales Up, Profits Down – Say It Isn't So! (cont.)

Many companies hold onto products that have little or no profitability. Rather than emphasizing the company's best selling or most profitable product, they spend company resources to develop, market, sell and house low profit, high cost products.

One such company noticed an increase in sales and a decrease in profitability. After using a profit analysis software product, they came to the conclusion that one of its customer segments was not as profitable from a net operating margin perspective as it was from a gross profit perspective due to excessive indirect cost incurred in serving the item. This knowledge allowed them to implement a profit improvement initiative to change their pricing infrastructure and service policies in order to make their business more profitable.

Whether you use the questions above or call us to perform a profit analysis product, you can be on your way to improved profits today!



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The Rewards of Recognizing Employees Beyond Their Pay

It's Psychology 101 – praise employee behavior you want to reinforce. Parents do it naturally, but for some reason we forget the concept as we walk into work. Employees work better with the anticipation of extra recognition either through pay, awards, rewards, or positive feedback.

Personal recognition expressed through appreciation for employee efforts teaches employees to be proud of their work, the people and place they work in. This added recognition contributes to their likelihood of continuing the desired behavior or goal. Increased loyalty, better attendance and boosted morale are often by-products of happy, content and secure employees.

When an employee is proud, excited or goal-driven, increased productivity follows. By using motivating techniques such as the following developed by Dr. Gerald H. Graham, you'll notice increased a huge return in productivity for a fraction of your investment.

1. Personal congratulations for positive behavior or achievement of goals.
2. Personal note regarding desired behavior or meeting a set goal.
3. Public recognition in front of peers.
4. Celebrate successes as a group.

Rewarding employees beyond their pay boosts morale and derives desired results from employees. Perhaps the most valuable characteristic of alternative reward systems is predictable behaviors, which in turn, equate to predictable outcomes.

Many companies use recognition or incentive programs. Programs include sales awards programs, employee recognition programs, business incentives, individual incentive travel, incentive merchandise catalog reward programs, and point-based programs.

Altana Pharma uses these programs and is one of the highest yielding pharmaceutical companies in Europe with a 17 percent increase in corporate revenue and 25 percent increase in operating to 2.3 billion dollars in revenue. The company offers employees a comprehensive benefits package, including a pay-for-performance compensation structure and a whole host of benefits designed to support the overall health and welfare of its employees.

Company executives believe in true partnerships and this includes partnerships with employees. In addition to the comprehensive benefits package, the company offers formalized recognition and time-off programs, which reward employees beyond their paychecks. By recognizing employees, and using the methods above, Altana has reduced costs, reduced cycle time, and improved quality and efficiency of workers.

Throughout the United States, small businesses and Fortune 50 alike use incentives and other forms of positive reinforcement. Incentives are large and others are smaller. Starbucks offers their employees one pound of coffee per week, among other incentives and has been named one of the 100 best companies to work for in America in 2004 by Fortune magazine.

Now, you may be asking yourself, "What can I do to get my employees positively motivated and accomplish goals and set standards?" Here are five simple steps!

Plan – Set performance expectations and goals for groups and individuals to channel their efforts toward achieving organizational objectives. Make sure to involve employees in the planning process, they will better understand the standards, objective, goals, rewards.

The Rewards of Recognizing Employees Beyond Their Pay (cont.)

Monitor – Measure employee performance and feedback on their progress toward the goal. Work with employees to change problematic measures.

Develop – Increase the capacity to perform by using more effective work processes, assignments that introduce new skills or higher levels of responsibility, and training that encourages better performance.

Rate – Evaluate results based on the preset standards and appraisal requirements.

Reward – Pay for performance, personal recognition from managers, workplace recognition, time off rewards and other monetary and non monetary rewards can all be used to positively reinforce the behavior or goals accomplished.

And what's the bottom line? When positive reinforcement is implemented, employers have a great deal to gain from what they actually contribute. When employees are disgruntled, tired, feel worthless or are unmotivated, productivity is negatively impacted, and the bottom line suffers. On the flip side, happy, content, secure and positively charged employees offer intense employer loyalty, better attendance, increased morale and an overall better work product. You can do a great deal to positively impact your employees. Want to get started? Give us a call today!

March/April 2004

Sales Up, Profits Down
Sales Letters

The Rewards of Recognizing Employees
Adware, Spyware and the Rest

Making Customers Your Marketing Department



Making Customers Your Marketing Department

By Genie Fuller
Founder of Winning Referrals, Ltd.

One evening last August I got a phone call from my friend, Sarah. During the course of the conversation, Sarah exclaimed emphatically, "Genie, you have got to go see Seabiscuit!!! It's a true story about this race horse and has a great message—you will love it—just go see it!"

Sarah was a customer of the movie and I was a viable prospect. For new movies, we all refer our friends, thinking only of their enjoyment, not the value to the movie producer, theater, etc. However, when most business people ask their customers for referrals, they somehow forget the value to the prospect and believe getting a referral is about helping themselves. Then the referral falls flat without the enthusiasm and confidence a true endorsement delivers.

The traditional approach of asking for referrals is generally ineffective. It is focused on your objectives. Customers are not in-tune with your goals; they see and hear the world through their own filters. They do not instinctively identify prospects for you, and yet their contacts could become your biggest, revenue-producing asset.

Customer referrals are so important to all businesses that a recent article in Harvard Business Review states:

*"The only path to profitable growth may lie in a company's ability to get its loyal customers to become, in effect, its marketing department."**

But how do you proactively stimulate "loyal customers to become, in effect, your marketing department?"

Many business people who desperately want referrals operate under several erroneous assumptions. They fail to realize that customers are not prepared to endorse the company. Some service providers believe that long-standing customers, who could be referring business, do not, simply because they do not come across viable opportunities. Yet the truth may be that satisfied customers are now taking the service for granted and are not motivated to "sing the company's praises." There are other myths that prevent people from interacting to incite referrals. A couple of them are:

- Customers understand what I do, so they recognize my prospects.
- Customers have experienced my service; they know how to endorse me.

To begin developing your customer marketing department, analyze the current reality. What circumstances prevent your customers from spontaneously referring you business? From a customer's viewpoint, your referrals are not a priority—customers just don't think about your business.

You can coach customers to become your marketing department. Realize to be effective, customers must first be convinced of your commendable service. They also must be able to identify profitable prospects and recognize referral opportunities to spontaneously refer you. To capitalize on your customers' contacts, you should establish a referral generating routine when working with your customers.

Because employees forget to "ask for referrals," you can implement rituals that, over time, become marketing habits. Even though there are more steps in the process, begin now by implementing our top three "Referral Rituals" systematically with your customers.

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Making Customers Your Marketing Department (cont.)

Referral Rituals

1. Remind customers of what you have accomplished...
Elevate their perceived value
2. Recap two or three points that describe your important services and the distinctions that differentiate you from the competition...
Give them verbiage that is easy to remember and successful when endorsing you
3. Point out prospects you believe they may know...
Be specific in describing a profitable customer

By employing these three rituals you coach customers to look and listen for potential new business. Take these three rituals and establish a routine for appointments. Make it a practice to review a customer's experience as the normal preliminary conversation on an appointment. In this way, you accomplish the first two rituals—getting the customer in touch with the real value as well as specifying the key benefits so customers are prepared to convey your message. Then, at the end of the appointment, point out one or two target prospects and simply ask the customer who they know in these categories.

When you perform these rituals consistently you circumvent the myths and make customers proud to endorse you. By establishing a routine for customer appointments, referrals are not left to chance. Your employees habitually conduct appointments to garner referrals.

As our Referral Rituals become a positive and instinctive behavior your customers are conditioned to spontaneously endorse you persuasively, just like they refer a new movie.

Referral Rituals will make "loyal customers, in effect, your marketing department!"

* (The One Number You Need to Grow by Frederick F. Reichheld, Harvard Business Review, Dec. 2003)

Genie Fuller is the founder of Winning Referrals, Ltd. and the CEO21 Referral Groups. She has thoroughly researched business referrals for the last 20 years and now trains business owners and professionals to increase revenue through referrals from customers as well as other contacts. Learn more about Winning Referrals at www.winreferrals.com or contact her by phone at 713.572.2578.



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Use Sales Letters to Market Your Services

You may think that using sales letters has gone the way of the dinosaur, but if that was true, your mailbox would not be filled to overflowing each day. The truth is that direct mail works.

The very best copywriters command more than \$1,000 per letter, and some make millions taking just a contingency fee based on results of their creative efforts. How can you take advantage of this extremely effective marketing technique? You don't have to pay big bucks to achieve similar results; you simply have to keep certain things in mind to write effective letters.

When you write your sales and marketing letters, you have three missions: 1. ensure you address the primary questions your prospective customers are likely to ask, 2. keep the reader's attention, and 3. give them the need or desire for that product or service.

Your readers typically will ask themselves five simple questions to determine whether they need your product or service or whether they will work with you at all. These questions are:

- What do I get out of it?
- How will this make my life better?
- What if I don't want it?
- How do I know I can trust you?
- What is my calculated risk?

Do you need to be a great writer? Not necessarily. If you can speak persuasively, chances are that you can write persuasively, too. Personalized language sells better than a formal dialogue.

Use these writing techniques to help your prospective customer see why they need your product or service, what the associated benefit is, and exactly how to get it.

- Specify the most important benefits and features that apply to the reader's need.
- Use the YOU point of view. How is it going to impact them?
- Use active words – Protect yourself, Control outcomes, Plan for the future.
- Use natural transitions to keep the flow of your letter.
- Follow the rule of three. Three adjectives, adverbs or ideas have more balance and rhythm than two or four – The broom is quick, easy, and long-lasting.
- Include a call to action. Tell readers exactly how to purchase or contact you – Complete the form, Call toll-free 24/7...800-800-8000.
- Conclude your letter by restating the reader's need for your product or service.

There are a few trends you need to make sure you avoid when writing your pitch.

- Forgo generalities. Be specific. If your offer sounds too amazing, be sure to state it in a believable way. Readers may immediately discredit you if it sounds too unreasonable.
- Keep your readers moving from point to point. Do not use long paragraphs, sentences or words. Use words such as win, secure, or now, which will entice the reader and give them the positive reinforcement for your service or product.
- Lose the humor. Humor works in many areas, but not in sales. Don't interrupt the psychology of selling by using humor.

Use these tried and true guidelines to write winning sales letters. By sticking to these dos and don'ts, your customers will stay focused on you and your product or service. An effective sales letter can return more than five times the average direct mail return, which is just one-half of one percent. If you are unsure about the true benefits you have to offer your clients, give us a call today!



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Adware, Spyware and the Rest

Free stuff is great! I am always interested in anything that is of value and costs me nothing. But, as your mother probably told you many, many times before, there is precious little in life that doesn't come with a price tag.

Most internet users know at least something about the dangers of computer viruses. But, there exists an even greater menace lurking on the net you may be unaware of. The menace takes many forms and is collectively known as "adware," "spyware" and "malware."

These small programs "phone home" the information they gather from your hard drive. The information they send ranges from the Web sites you visit to the credit card and banking information stored in your financial software. Some programs even record the passwords and usernames you type.

The first sign that you are under attack is when you notice your computer is working more slowly and it seems to be "churning" constantly. Another sign is when Internet ad pop-ups appear even when you do not have a Web browser open.

So, how do these programs wind up on your computer? It's simple. They usually are installed on your computer without your knowledge. Many of these programs are attached to free "helper" applications. Examples of these are pop-up blockers, MS Internet Explorer toolbars, and one of my favorites, Bonzi Buddy.

How do you know if a program contains one of these little creatures? You don't. Actually, that is not entirely true; many companies will mention that additional software comes with the application which helps them pay for their costs. This information is usually tucked away in the "Terms and Conditions" message you must agree to before installing the software. Personally, I don't know many people (ok, I know no one) who reads every word of those agreements every time before they click the "I Agree" button. We're only human, right?

To protect yourself, don't download, much less install, ANYTHING unless you have absolute confidence and trust in the company that makes and distributes it.

If you aren't familiar with the company, do some research. Some good sources of information are sites like ZDNet.com, Doxdesk.com, PCMag.com, SpyWareInfo.com, and of course, this one!

Unless your friends and family work in the computer security business, they are not good sources of information and should not be trusted. Enough said.

By now, you may be asking, "How do I get rid of it?" Uninstalling the program rarely works. Even if a uninstall feature actually exists, it almost never uninstalls everything.

Yet there is hope! Programs exist that find and remove adware, spyware, and malware. And the better news? Most of them are free! (Yes, I know what I wrote in the first paragraph, but this is the good free.) Unfortunately, some of the free ones actually remove files installed by other applications only to install some of their own.

Adware, Spyware and the Rest (cont.)

The product I recommend for most users is *Ad-aware by Lavasoft*. It is very easy to use and you can safely remove all of the files it finds. Lavasoft offers a free version for non-commercial use. Make sure to download the updates every time you use the software. Run the program at least once a month even if you are positive that you don't need it. Always run the program when your computer starts acting quirky. You may be very surprised at what it finds.

Other trustworthy applications are *Spybot Search & Destroy*, *CWShredder* and *HijackThis*. They are geared for computer savvy users and occasionally recommend removing things that you really don't want to remove. Read the instructions and pay very close attention to the alerts if you decide to use one of them.

Keeping your private information private is a challenge. Cautious and vigilant computer users lessen their exposure to the pirates in the world.

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