

1. Grab Your Pen
2. Delivering the Goods
3. When It's Time to Say Goodbye
4. Krispy Kreme
5. Maximizing Resources



Our Business is to Improve Your Business

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.



Grab Your Pen – Your Five Year Plan Starts Right Now

“By failing to prepare, you are preparing to fail.” It is likely that Benjamin Franklin wasn’t talking about business plans when he made that statement, but he could have been. If your greatest desire is to take your business to the next level, then you simply must prepare a plan or some kind of a “blueprint” that describes what you plan to do and how you plan to do it during the course of the next five years. Starting the process is easy enough. Grab your pen and the nearest piece of paper. Then, simply describe your business goals and the strategies you will use to achieve those goals. Now that you have your ideas and thoughts written in their most basic form, transfer it to a Word document and call us to help you make the most of your planning!

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The Real Value of a Five Year Plan. The value of your five year plan does not come from its ability to collect dust. It should be a “living” document that is used to:

- Manage your company better.
 - Decision makers will be able to analyze current performance indicators with the long-term picture in mind.
- Management will be able to react quickly to changes in the marketplace.
 - Better management also results from the ability to review each facet of your business at once. What if you have projected 1000 new customers by the end of plan year two, and you only have one sales person in place?
- Convey your vision to potential investors.
- Take out a loan.
 - Banks and other lending institutions typically require companies to produce a business forecast that covers the duration of the loan. This is how they assess their risk.
- Attract employees.
- Prospect for new business.
- Obtain credit lines with vendors.

Where to Begin. Okay, so you know what the five year plan can be used for. What exactly should it consist of? In general, it needs to address three major areas:

- **The Business Concept:** This should include information about your industry, the structure of your business, the products or services you will sell, what needs your product or service will fulfill, and the specific strategies you will use to perpetuate your business into the future.
- **The Marketplace:** This section needs to include specifics about your target market. It also needs to include an environmental assessment including details about the competition. Specifically, how will your company differentiate its product or service offering in the marketplace? How will your business build mind share and ultimately, market share?
- **The Financials:** The basic components include a current and pro forma balance sheet, an income statement, and a cash flow analysis. It is not unusual to find a break-even analysis included as well.

Still Dragging Your Feet? It has been said that most business forecasts are composed of roughly one part science and three parts wishful thinking. With that formula in mind, some business leaders question the wisdom of employing the resources necessary to develop five-year plans. It becomes even more tedious when you consider the need for pro forma financial information. They say that business plans can take months to prepare, are impossible to get right and become obsolete in less than two years. So, why should they bother? Well, according to the United States Small Business Administration, the importance of a comprehensive, thoughtful business plan cannot be overemphasized. It helps you allocate resources, make good business decisions and adeptly handle those unforeseen complications.

If you are concerned about all the guess-work required to build a five year plan, don't be. No one can account for every possible scenario. To compensate for this, many companies conduct interviews with industry experts, trade associations, suppliers and economists. They incorporate this knowledge right into their plan.

Are you concerned about getting your five year plan right? Worse yet, are you worried about it becoming obsolete? There is no need. One CFO discussing the merits of a five year plan recently said, "The hardest part is knowing what you don't know." That is exactly why an effective business plan is a "living document." It must be flexible and subject to changing conditions.

Unless you are preparing to fail, your five year plan needs to start right now. While length and content may vary according to your intended use of the document, there is no doubt about the necessity of it. We can work with you to ensure you plan increases performance, minimizes tax implications and sets you on a path toward future success. Give us a call to get started today. ■

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Delivering the Goods, Keeping Your Promise... An Exercise in Client Fulfillment

*By Michael E. Gerber
Chairman and Founder, E-Myth Worldwide*

At the heart of the success or failure of every business is the connection it creates with a customer. Visually. Emotionally. Functionally. Financially.

At the heart of that connection is your Client Fulfillment System.

What is Client Fulfillment?

It's the way you do what you do. It's the way you differentiate yourself from everyone else. It's the way you stand out, both in the mind and the heart of your customer that turns that customer — somebody who buys from you once — into a client — someone who buys from you again and again.

The truth is, none of us can afford a customer. They're just too expensive to get.

Every single one of us is looking for clients. Because the return on investment increases each and every time they buy another 'thing' from you – provided of course you're selling that 'thing' at a profit. But that's another conversation we'll have at another time.

Client Fulfillment is something very simple to understand, and very, very difficult to do with any consistency. And yet, when done well, it is very obvious why it works.

Consider Federal Express' offer to track your package. To let you know exactly where it is at any time. Do you really need to know where it is at any time? Of course not. But isn't it great to know that because Federal Express is committed to the integrity of their promise to you, you can? Isn't it reassuring to know that they know where your package is? And that they absolutely-positively will deliver it exactly when and where they promised? And doesn't it make you feel just great to see the Federal Express Guy on the job, in his predictable uniform, in his predictable truck, ready and eager to keep his company's promise?

What's your version of the Federal Express Experience?

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What are you going to do that will turn your every customer into a loving and faithful client?

What spin are you going to put on the words you use, the process you employ, the way your people look, act, communicate, deliver?

What's your turnkey innovation that will stun your customer's sensibilities, that will say Whoa! to your customer's habitual way of responding, that will astonish even the most cynical customer into coming back to see if you can reproduce that original experience, to discover whether or not that first experience was just a fluke?

Where's the magic? Where's the mystery? Where's the 'profound' in what you do?

Find it, my friend, and let me know when you do. I'm all ears. ■

Michael Gerber is chairman and founder of E-Myth Worldwide. He reminds you that the opportunity is to go to work ON your life not IN it, and in the process to experience the sweet, radiant, extraordinary joy of the fully-lived moment. His Web site is www.emyth.com.

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When It's Time to Say Goodbye: Cutting Ties with Customers

Have you heard of the Pareto Principle? Italian economist, Vilfredo Pareto, put forth this law during the 19th century stating that 80 percent of the wealth was in the hands of 20 percent of the population. After a couple of adaptations, this principle is known today as the 80/20 rule. Sound more familiar? This rule says that 80 percent of your revenues come from 20 percent of your customers. Frightened? Well, think about this. Could it be that 80 percent of your time is spent producing 20 percent of your profits? To find out, you may need to take a hard look at the composition of your customer base.

Exactly what makes a good customer? Is it the one that writes you the biggest check? Or, could it be the customers that keep their account current? That's a good start, but could there be more to it than that? What about customers that treat you or members of your staff with respect? During difficult economic times like these, you are probably thinking, "Who cares if I have some difficult customers. Despite the aggravation they cause, they help me keep my doors open." Or maybe you are thinking, "I can handle my tough customers. It is far more difficult to cultivate new customer relationships than to deal with existing ones no matter how irritating they can be." If this describes you, it may be time to rethink your position. Beyond this, have you really considered how each of your customers fit into your strategic plan?

Show Me the Money. When you think about it, there are two types of non-paying customers out there – those that have fallen on hard times and those that are habitual, nonpaying customers. Sure, it may be good business to work with those in a tough financial situation. You may have found an easy way to transition a good customer into a lifetime customer. But, what should you do about customers who follow a deliberate strategy of ignoring bills and payment requests? Have you ever considered the time your collections person may be spending to procure those accounts receivable? And, let's say s/he does squeeze some dough out here and there. What type of customers are these in the first place? Chances are good that these customers are marginal at best.

Tough Customers. Again, there are two types of tough customers – the ones with a genuine complaint and the ones that are chronic whiners. Needless to say, you do need to dote on the ones that have a real issue with your product or service. You don't want anyone to have negative thoughts about your business if you can help it. But, what should you do about those incessant squeaky wheels? Have you ever considered the price you may be paying by keeping these customers in terms of bad morale, low productivity, and turnover. If not, maybe it's time you do.

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Strategic Issues. Beyond the obvious issues of payment and pleasantries are a few more strategic issues that deserve mention. What if you have simply outgrown some of your customers? You know you could continue to serve them, but are you really meeting their needs? Would you be doing them a favor by letting them go since you are not as well positioned to serve them as you used to be?

Some company owners, once they gain a comfort level with untying ties with customers, take an across-the-board-approach — such as firing all your customers that generate revenues below a certain number. Think hard before moving forward on this type of general strategy. Your smallest customer, in terms of revenues, may be in an industry that you want to specialize in — a goal established in your business plan. Or, maybe this customer is extremely loyal and constantly sends referrals your way. Taking an across the board strategy is not necessarily the right answer. Instead, establish some minimum criteria and rate each of your customers accordingly.

Replacing the Business. So, you have evaluated your customers, decided to let go of a few, but realize you have a very real need to replace the business quickly. In addition to procuring new business, consider focusing on the loyal customers you already have. What if you could increase the services or products you provide to them? Once you know what your ideal client is, how can you find more customers like this? By taking this approach, you will not have to rebuild your business processes to serve them. They will be a natural fit.

When was the last time you cut ties with a customer? If handled with finesse, it could be the most profit-producing step you take all year. After all, it might be worth your while to spend a little more than 20 percent of your time on those customers that generate 80 percent of your revenues.

Not sure where to start? We can help. Give us a call today. ■

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Krispy Kreme Doughnuts – a Performance Success Story



A Krispy Kreme doughnut — just the thought of one of their signature glazed doughnuts makes just about everyone's mouth water. A recent article in Fortune Magazine said only three types of people claim they don't like Krispy Kremes: nutritionists, Dunkin' Donuts franchisees, and compulsive liars. Founded in 1937, Krispy Kreme Doughnuts, Inc. (KKD) opened its doors in Winston-Salem, North Carolina. The doughnut shop expanded slowly in the early years. By the turn-of-the-century, it had grown to more than 100 franchise stores located mostly on the eastern seaboard.

In April 2000, KKD went through an initial public offering of common stock. Since then, they have grown to 374 stores in 44 states, Australia, Canada, Mexico and the United Kingdom. KKD has also experienced increased offsite sales and along the way, have grown their product line. From 2001 to present, top line sales have increased an average of 30% per year. Net income has grown close to 60% per year during the same period of time.

Paul Harrison, vice president of financial planning and analysis, Krispy Kreme Doughnuts, Inc., discussed the business challenges the company faced during its period of rapid expansion after going public in April 2000. According to Harrison, Krispy Kreme's existing manual, spreadsheet-based financial reporting and consolidation systems were inadequate for managing its increasingly complex and decentralized organization of manufacturing and distribution facilities, franchise and company owned satellite retail stores, factory retail stores, and commissaries. With the opening of more than 250 new stores, Krispy Kreme was forced to compile large amounts of data from disparate sources and make the information available in a concise format to key business decision makers. Harrison described the need for more powerful budgeting, forecasting and reporting capabilities and a search for "an easy-to-use, integrated open database system — capable of handling financial and non-financial data — that provides users with a single version of the truth."

An enhanced performance management solution was inevitable — one that considered both financial and non-financial performance indicators. Remember, financial performance measurements are historical in nature. Non-financial measurements allow for real time review and change. In the end, the issues they considered most

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considered most important for their performance management solution included:

- Selecting the right performance management system
- Identifying measuring, and tracking the key indicators that drive success
- Using budgeting and forecasting as tools to translate strategic objectives into action plans
- Keeping the performance measurement system flexible to meet changing demands over time

KKD selected a corporate performance management suite. It is believed that its single source, highly visual design and built-in analytical capabilities are driving better decision making abilities company-wide.

According to Harrison, the solution has already provided several benefits including improved budgeting and forecasting efficiencies, a better understanding of transactional data, improved data accuracy through integration of budgeting and forecasting systems and a common system for all of the processes. This performance management system provides tools that allow users the unprecedented ability to provide the right information to the right people at the right time.

In a news release on May 7, 2004, Mr. Scott Livengood, CEO of KKD, indicated the company was also taking aggressive measures to address several operational initiatives. The initiatives include a focus on core business and enhanced store-level productivity and profitability.

Every company can benefit from implementing some performance management initiatives. The larger the company, the more variables, yet the concepts are the same. Focus on key performance indicators and fine tune until they deliver consistently. Krispy Kreme Doughnuts is a great success story. Their performance measurement systems will allow the organization to make ongoing changes in real time. They have one other advantage as well. They simply have the best product on the market and quality almost always sells itself. In the end, excellence in all areas of performance will surely result in the “bottom line” taking care of itself.

When you are ready to ensure your bottom line takes care of itself, give us a call. We can put you on the fast track to peak performance. ■

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Maximizing Resources

Every day, companies just like yours employ all kinds of strategies to increase efficiency. After all, efficiency improvements ultimately lead to greater profitability. What if you could use resources to enhance efficiency, productivity and, in the process, your bottom line? When you stop and think about it, you do have lots of great resources on your side – your team members, their ideas, time, money, etcetera. Could these resources be leveraged to your advantage? Absolutely.

Your Team – The Value of Training and Networking. You hired each and every member of your team because of the unique skill set he or she brings to the table. Having the right team in place is essential to your success. But, have you considered the benefits of enhancing their respective skills sets through advanced training? Improving an employee's skill set not only increases their efficiency on the job but improves morale which, in turn, can reduce turnover.

In addition to that skill set, what else do your employees bring to your company? They bring relationships! Many of the people within your organization have outside relationships — both professional and personal. Have you ever considered leveraging this wealth of knowledge to your advantage? Networking can be an invaluable resource. Are there other business people that your employees know that can help your company? Do those people know others that you want to know? You have to ask to find out. Sharing industry trends, business success stories and the like might just keep your company from reinventing the wheel.

Ideas – The Basis for Strategy. The knowledge, ideas and experience your employees have is sometimes referred to as intellectual capital. The combination of this intellectual capital, when used strategically, can enhance your business a great deal. Do you have a strategic plan in place?

Many companies today still operate at a tactical level. So if this describes your company, you are not alone by any means. For these businesses, the primary concerns are short term and reactive. It all boils down to getting the big order that came in last week, out on time.

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New employees bring new skills and fresh perspectives to your every day challenges. If you want a new look on the old, ask the new employee about how they see ways to improve. Let's face it, the business environment is constantly changing and you need to change with it. Tap into the wealth of information at your fingertips and see what happens!

Money. What about capital expenditures? Do you know what your ROI (Return on Investment) really is for each of them? You have a responsibility to yourself and to your organization to gain the highest possible yield at all times. To do this, you must develop a system to monitor, measure and compare results. Evaluate the performance of your current capital activities with how they could be performing if deployed in a different way. Often, once the capital expenditure is made, it is forgotten. What can you do today to improve your return?

Etcetera, Etcetera, Etcetera – Marketing Your Business. Consider this. Your company has set aside a significant amount of money exclusively for marketing your business. One activity detailed in your plan is a direct mail campaign. In this scenario, the direct mail piece is a sales letter. Now, doesn't this cost you the same amount of time and money no matter what kind of response the letter generates? In other words, don't you still have the same amount of resources into the direct mail campaign regardless of whether it generates a 0.5 percent response rate, a 1 percent response rate, or better? What if you could devise a way to move that response rate from x to $2x$?

What if you could move your customers who buy your product or service once per year to buy twice per year? What if you could sell them a complementary product or service? What if you could get your current clients to refer new ones? What if you investigate when you fail to make an expected sale to see what you might do better? Have you considered calling on lost prospects to see if their needs have changed? Suffice it to say, there are many ways to maximize marketing efforts that have either taken place or that fall into your current customer communications.

What if? It's a good question to ask in many areas of your business. Reconsider doing things because they have always been done that way. Maximize your resources to yield the best possible result!

We can work with you to spot great opportunities that can have a dramatic impact on your company. Give us a call today! ■