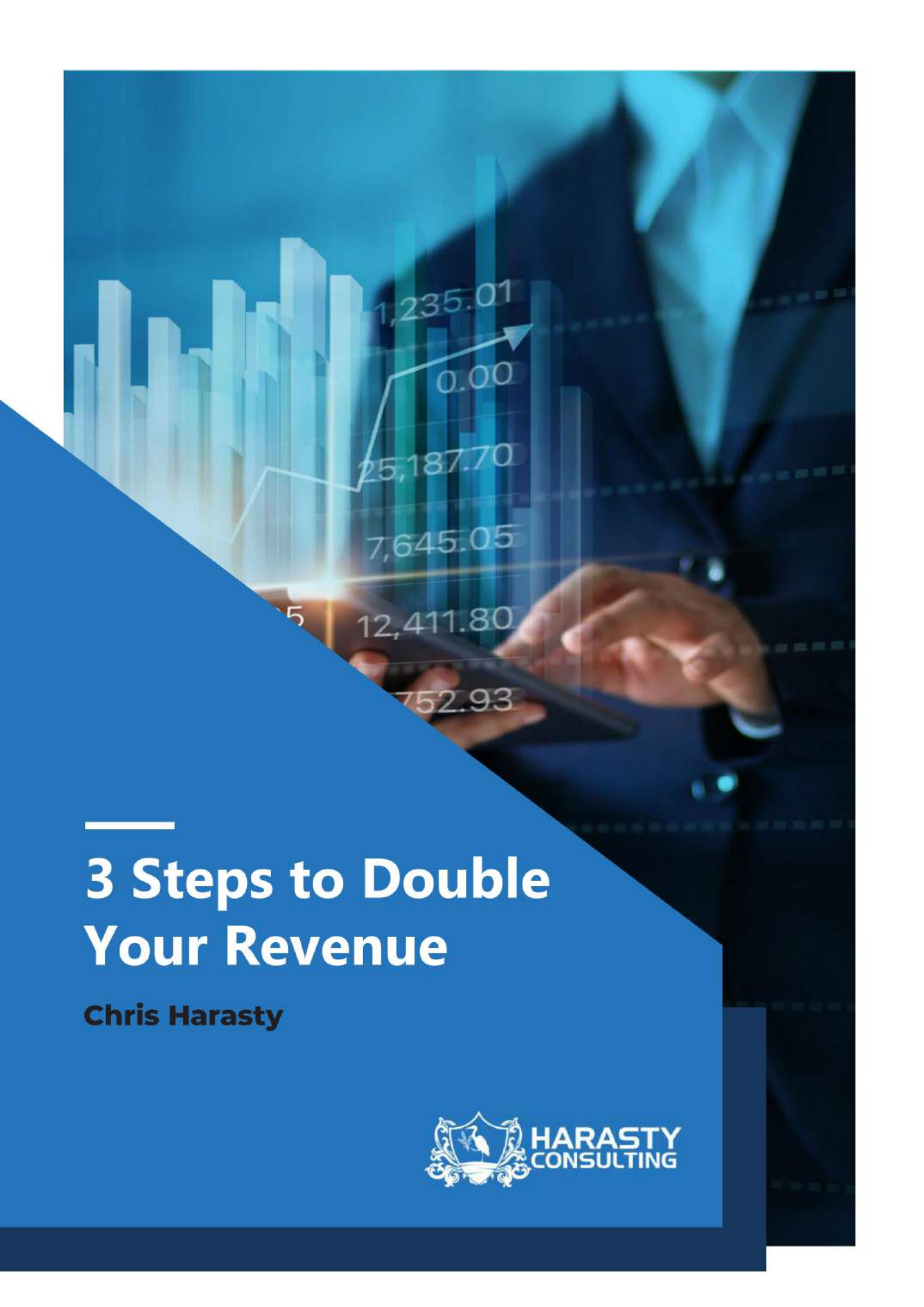




3 Steps to Double Your Revenue

Chris Harasty



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About Chris Harasty

Chris has over 30 years' experience in consulting and coaching with a broad range of skills including information technology, human resources, sales, marketing, finance, and management. Since 2004, Chris has focused on creating simple, bullet-proof training and coaching solutions with a focus upon delivering sales and profit growth for organisations. Chris derives satisfaction from assisting individuals in corporations to achieve their potential so that organisations achieve seemingly insurmountable business goals and prospers.

Previously Chris established a software development company and grew the business to over 20 team members across multiple functions with annual turnover exceeding \$2 million per annum. After successfully operating the business for almost 20 years, the business, which serviced the corporate (national and multinational corporations) and government sectors, was acquired by an ASX listed public company in 2003.

Who is the e-book written for?

The e-book is designed specifically for businesses that sell B2B products and services, although the core concepts also apply for B2C businesses. It is suitable for individuals with the following work responsibilities:

- » Sales Professionals
- » Sales Managers
- » Sales Directors
- » Marketing Professionals
- » Marketing Managers
- » Marketing Directors
- » Owners and Directors responsible for sales growth and profit.

1. Introduction

“The secret of change is to focus all of your energy not on fighting the old, but on building the new.”

By Socrates

Over the last 20 years, the trend in business-to-business (B2B) commerce has seen significant adverse changes to the business environment. It is becoming increasingly difficult for B2B businesses to survive.

In my business coaching practice, I advise my clients that:

“95% of business problems vanish if you double your sales at a 10% higher margin.”

My clients would reply, “Yes, of course, but how?”

After 15 years, I decided to write a book to answer this question. This e-book is a summary of the book ***Turning Your Business into a Success Monster: The B2B LinkedIn Lead Generation Revolution*** that is available on IngramSpark and Amazon.

Experience teaches that increasing sales while simultaneously growing the profit margin is a challenging endeavour, typically achieved only by the elite. Unfortunately, businesses that are not able to increase sales and profit margins at the same time tend to struggle. We present a simple practical process that enables businesses to achieve this difficult goal.

The core of the solution is to create a cold sales and marketing system that automatically and continuously generates an oversupply of interested, warm leads willing to pay a premium for your products or services. In this system, the salespeople become ‘order takers’, and they can double their sales at a 10% higher margin. Typically, most of our clients double their revenue in 12-24 months.

With the experience of working with more than 3,000 clients over the last 15 years, I have learned that although the business and industry change, the issues remain the same.

2. Why is a new approach required?

“To improve is to change; to be perfect is to change often.”

By Winston Churchill

The traditional B2B sales and marketing methods are becoming less effective each year. The recent industry trends suggest a rapid decline in the effectiveness of the traditional techniques, making them unviable within the next five years.

The Traditional B2B 1% Rule

For traditional B2B cold sales and marketing campaigns, a 1% response is typical.

- » Sales function (cold calling): typically generates a 1% response rate
- » Marketing function (cold direct email): typically generates a 1% response rate

The 1% response rate includes responses that are: positive, neutral, and negative. The positive response rate is usually significantly lower than 1%.

Cold calling with a positive response rate of < 1% is often soul-destroying for many salespeople. The continual rejection is difficult to withstand, and many salespeople give up, defeated.

Social Media

The advent of social media promises an amazing renaissance in B2B sales and marketing. The potential to communicate with a global audience and deliver a marketing campaign that goes *“viral”* promises a revolution in lead generation. The reality is more mundane. Standard social media practices have focused on B2C communication, and these practices are much less effective in the B2B marketplace.

Large social media platforms like Facebook, Instagram, and Twitter are designed for public and B2C communication. They can be used for B2B marketing; however, the campaigns tend to be expensive. They are not effective because the targeting functionality of the platforms is not suited to B2B segmentation.

LinkedIn has emerged as the best social media platform for the B2B sector. However, there are some challenges, including:

- » LinkedIn was created as a professional networking tool, not a sales tool.
- » LinkedIn aggressively protects its members against standard cold marketing methods, and members using cold marketing methods will have their accounts restricted by LinkedIn.

3. The Double Process

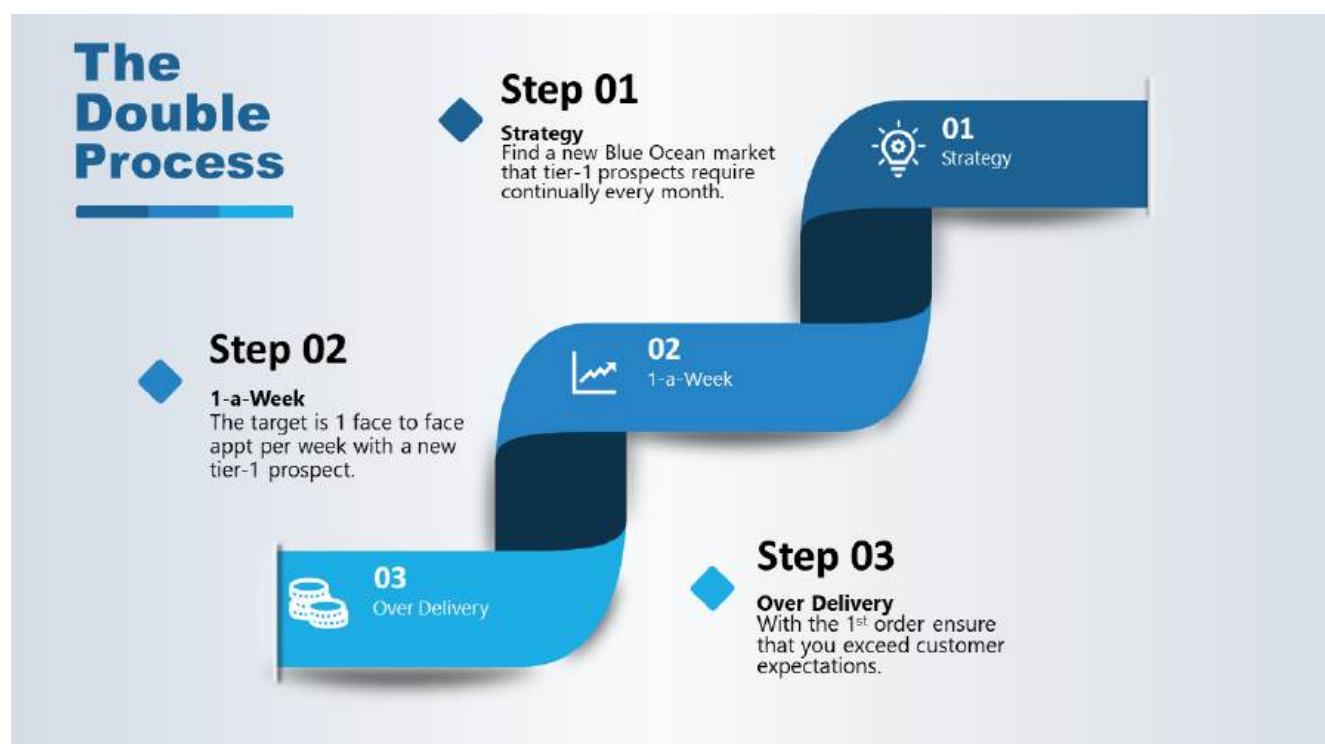
“A bad system will beat a good person every time.”
W. Edwards Deming

For a process to work effectively in the small business environment it needs to be simple and practical. Most small business are under resourced and chronically short of time, they are not able to implement anything that is complex or time consuming.

Expressed in 1 sentence the objective of the Double Process is to:

Create a targeted customer acquisition and retention system to win 10 new tier-1 customers.

The simple is described in diagram below.



Although the process is simple, it does require good implementation and high quality work at each step of the process, for success.

4. What is Strategy, and Why is it Useful?

“Nothing is more critical for business success than creating a good strategy.”

By Chris Harasty

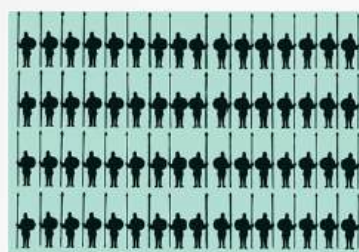
People often confuse the two terms: strategy and tactics. Rather than provide a formal definition, we will explain the meaning of strategy with a powerful example.

Hannibal was a Carthaginian general who lived from 247 – to 182 BC and became known for his brilliant and creative military strategy.

Hannibal fought the Romans in the famous Battle of Cannae in 216 B.C. Outnumbered by almost 2 to 1, he developed a new revolutionary battle formation. The victory is still regarded as one of the best military victories of all time.

Conventional military tactics required that the soldiers would line up next to each other in a straight line with multiple groups of soldiers aligned behind each other. The soldiers would march forward in a straight-line formation and fight the enemy who had the same formation. As the first line of soldiers fell, the line behind continued the fight on both sides. Therefore, the side with the largest army would always win the battle.

Traditional Battle Formation



Romans
80,000
soldiers



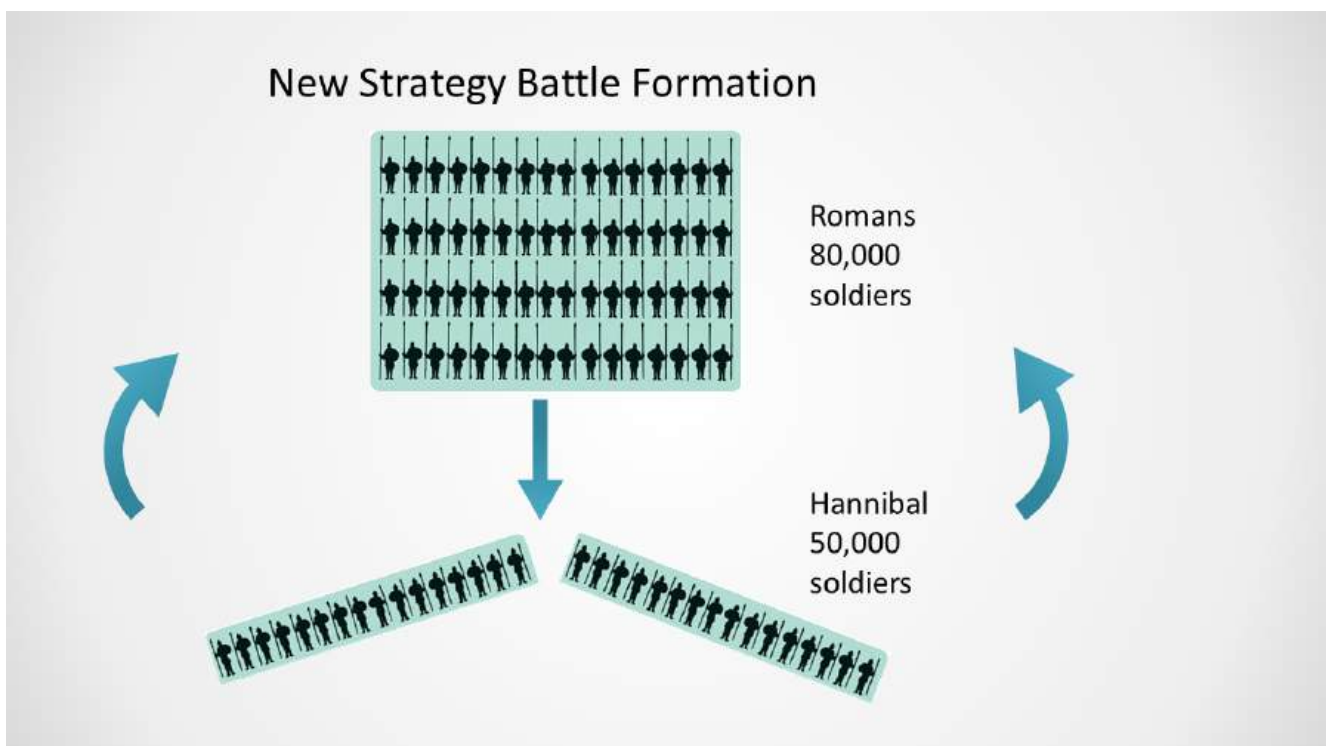
Hannibal
50,000
soldiers

Note that the structure of the traditional battle formations were static straight lines of soldiers engaging in battle.

Hannibal faced inevitable defeat with half the resources if he used the same traditional formation. Instead, he created a new battle formation that had never been used before.

Roman military training dictated that soldiers pursue the retreating enemy. Thus, when Hannibal's first line of soldiers appeared to retreat, the Romans marched forward, leaving their side flanks exposed to Hannibal's army.

In contrast, Hannibal's army did not pursue the retreating Romans. Instead, they attacked the rear of the Roman army. The Romans, confused by being attacked from both sides, were slaughtered.



5. The New Strategy to Double

**“However beautiful the strategy, you should occasionally look at the results.”
by Winston Churchill**

The Pareto Principle, also known as the 80/20 rule, states that roughly 80% of outcomes are derived from 20% of the inputs. For example, 80% of sales come from 20% of customers.

Customer Segmentation

Customer segmentation refers to separating customers into groups for analysis and business improvement. The segmentation is often based on revenue spent and symbolized with a letter of the alphabet.

- » A – The top customer segment that spends the most with the business
- » B – The 2nd best customer segment
- » C – The 3rd best customer segment
- » D – The bottom customer segment that spends the least

Businesses tend to use the classifications to determine which segment to target in marketing campaigns.

Common Business Chaos

Businesses tend to accept all orders for any customer segment. The customers will be geographically and demographically diverse. This approach may maximize revenue, but it may not profit because different customer segments will have different delivery cost structures. The wide range of orders from different customer segments creates a challenge in developing an efficient and profitable delivery system.

A more effective method is to plan which customer segment generates the most profit and focus on this segment. Subsequently, this helps businesses expand to other customer segments after optimizing the delivery system.

The business needs to plan the business model in detail and understand the following information:

- » Which customer segment adds the most value to the business?
- » What is the ideal customer profile?
- » How does the business compare with the competition?

- » How does the business differentiate?

A simple optimisation scheme is described below using the Pareto principle. Using the Pareto principle, it is often the case that:

- » The A customer segment provides 80% of the business's total revenue
- » The D customer segment accounts for only 20% of the revenue but accounts for 80% of the problems in the business

Over-discounting is where the price charged by the business is overly influenced by the D customer segment, neglecting the fact that the other customer segments could pay more for the same product or service.

The D customer segment is often very price-sensitive and vocal. The common mistake businesses make is that they listen to the D customers and base pricing for all customer segments on the opinion of the vocal, price-sensitive D customers. This strategy will significantly reduce the total revenue earned by the business as A and B customers pay considerably more than D customers.

D customers consume more resources per transaction than the other customer segments and, therefore, are less profitable.

Discounting practices need to be applied with caution. For example:

- » Assuming a business has \$250,000 revenue and a 50% gross margin, a 10% discount means that the business needs to sell \$62,500 more to achieve the same amount of gross profit.

Often, when the business increases prices by 10%, the bottom D customers drop off, but the same amount of sales revenue and profit is generated. However, a fortunate side effect is that the business loses the customer segment that causes the most issues.

With a 10% higher margin, the business has more resources to provide better quality customer delivery. Therefore, customer satisfaction will increase when the business earns a higher margin (sells at a higher price).

6. The 1-a-week Approach

“Concentrate all your thoughts on the work at hand. The sun’s rays do not burn until brought to a focus.”

By Alexander Graham Bell

The 1-a-week prospecting approach is the second step to in the Double system. It uses a simple and effective prospecting strategy that enables salespeople to double their sales in 12-24 months. Expressed simply, after 30 weeks of implementing the 1-a-week approach, the salesperson should have developed a sales pipeline that is four to six times the size of the typical sales pipeline. Over the next 12 months, the salesperson will be able to exceed double their sales quota without discounting or implementing any special closing techniques.

Identify the Ideal Prospect

Prospecting is time-consuming and identifying the ideal customer profile is necessary to guide the process to save time efficiently. The ideal prospect is the same as the ideal customer, and it is where the business can deliver the most customer value and solve a critical customer need.

Independent market research is often used to determine the:

- » Specific target market
- » How the product meets customer requirements
- » Perceived benefits of the product
- » How much the customer is prepared to pay
- » The viability of launching new products

Other helpful information includes:

- » Strategic goals of the prospect
- » Business priorities
- » Budgets
- » Industry trends

- » Market trends
- » Competitive environment

Once you have identified the ideal customer, you will be able to focus time on prospects who are more likely to become your customers.

The Tier-1 Target

Assuming a salesperson's annual quota is \$1m per annum. A tier-1 prospect is a business with the following criteria:

- » Has the requirement to spend over \$200K per annum on your products and services
- » The prospect spends approximately \$20K per month every month.
- » The \$200K purchase is not one large transaction, but rather the spend is split relatively evenly over 12 months.

Tier-1 Prospecting Approach

The Tier-1 prospecting approach is composed of five components:

1. Big Target
2. High-Quality Communication
3. Low Volume Activity
4. Demonstrating Expertise
5. Conversion Patience



The objective of the 1-a-week approach is to book one face-to-face sales appointment with a tier-1 prospect every week. After 30 weeks, the salesperson has met with thirty tier-1 prospects.

Assuming that the salesperson is adequately trained in the product and can execute a good sales process, the average close rate is approximately 1/3. Therefore, about ten prospects will purchase and become customers.

These ten customers will spend approximately \$200K per annum with the business, and over the next 12 months, the salesperson will sell over \$2m worth of new business.

7. Over Delivery

“Customer satisfaction is worthless. Customer loyalty is priceless.”

By Jeffrey Gitomer

The cost of new customer acquisition is high compared to servicing existing customers. New customer acquisition costs are often more than the gross profit derived from the customer purchases in the first 6 or 12 months. Therefore, if the business expends its effort to create new customers, it should develop customer retention and repurchase systems to maximize the return. The simplest and most powerful strategy to achieve customer longevity is to understand the lifetime value of the tier-1 customer and make sure that the business over-delivers to tier-1 customers in the first 12 months.

Customer Retention & Repurchase

Customer retention systems are processes that encourage customers to stay loyal to the business and continue to purchase products and services. For example, a coffee shop may issue a loyalty card that enables the customer to get one free coffee after purchasing ten coffees.

A useful rule of thumb is:

- » Increasing retention rates by 5% can increase revenue by 20% and profit by 10%.

The importance of customer retention and repurchase systems can change the structure of a whole industry. The software industry moved from a one-off capital purchase revenue model to the Software-as-a-Service (SaaS) subscription-based revenue model over the last 20 years. Research by BMC found that the SaaS market is currently growing by 18% each year, and by the end of 2022, over 95% of businesses will be using one or more SaaS solutions. Nearly 78% of US small businesses have already invested in at least one SaaS solution.

Customer Retention Strategies

Great customer experiences – A common customer retention strategy is to provide consistently excellent customer experiences. That could include:

- » Fast support
- » Regular customer meetings
- » Friendly and responsive staff

A better customer retention strategy than great customer experiences will focus on building strong business relationships and delivering outstanding value.

The core principle is to:

- » Put the customer first and continually add real value to the customer

Simple hygiene behaviours are essential, including:

- » **Show genuine interest:** Be proactive and ask for feedback
- » **Fast and responsive:** Makes sure salespeople return calls and answer questions promptly.
- » **Be engaging:** Ask customers questions about themselves.
- » **Anticipate:** As the customer relationship develops, understanding the customer requirements should also deepen.
- » **Follow up:** Thank you notes, and phone calls help customers feel appreciated.

It is important to be professional, including:

- » Be courteous (say please and thank you)
- » Dress appropriately for the role
- » Avoid the three controversial topics:
 - Religion
 - Politics
 - Sex
- » Show Reliability and Integrity
 - Customers trust businesses and individuals when they show reliability and integrity. Reliability means that the customer can expect a consistent experience when dealing with the company.

Monitor Customer Retention Metrics

Three important customer retention metrics should be monitored:

- » Customer Retention Rate
- » Churn Rate
- » Lifetime Customer Value

The customer retention rate is the percentage of customers that stay loyal to the business over a specific period.

The churn rate (attrition rate) is the number of customers leaving a business over a defined period. Businesses that struggle with customer retention tend to have a high churn rate. Low retention rates or churn rates are an early warning sign that the business may be headed for misfortune.

The customer's lifetime value is the total revenue the customer spends with the business until they leave.

Over-Deliver to the Tier-1 New Customers

The simplest and most powerful strategy to achieve tier-1 customer longevity is to understand the lifetime value of the tier-1 customer and make sure that the business over-delivers in the first 12 months.

After 12 months of over-delivery, the business relationship will usually translate into a stable level of customer loyalty. Insulating the business against the most competitive threats. The two most important factors are:

- » Build a strong business relationship with the customer
- » Put the customer first and continually add real value to the customer

8. Conclusion

“The first step towards getting somewhere is to decide you’re not going to stay where you are.”

By J.P. Morgan

Research into the B2B sector reveals that new customer acquisition is one of the top priorities for small to medium-sized businesses. The main obstacle to sales growth is generating an oversupply of interested, warm leads. This e-book describes a simple and practical new approach that enables B2B businesses to double their revenue in 12-24 months.

The easiest and fastest way to implement the system is to hire a qualified coach or professional consultant familiar with the program to lead the project. The consultant can help tailor the system to your industry and business requirements. Alternatively, you can contact the author Chris Harasty by email at: chris@harasty.com.au.

For people who prefer the do-it-yourself approach, please take note. Coaching yourself is difficult, and it requires sustained effort and persistence for success. It is essential to develop a detailed plan and maintain consistent effort to overcome the inevitable obstacles faced in the journey ahead. The detailed scripts are included in the next section. Good luck in your journey, and don’t hesitate to get in touch with us if you need help.