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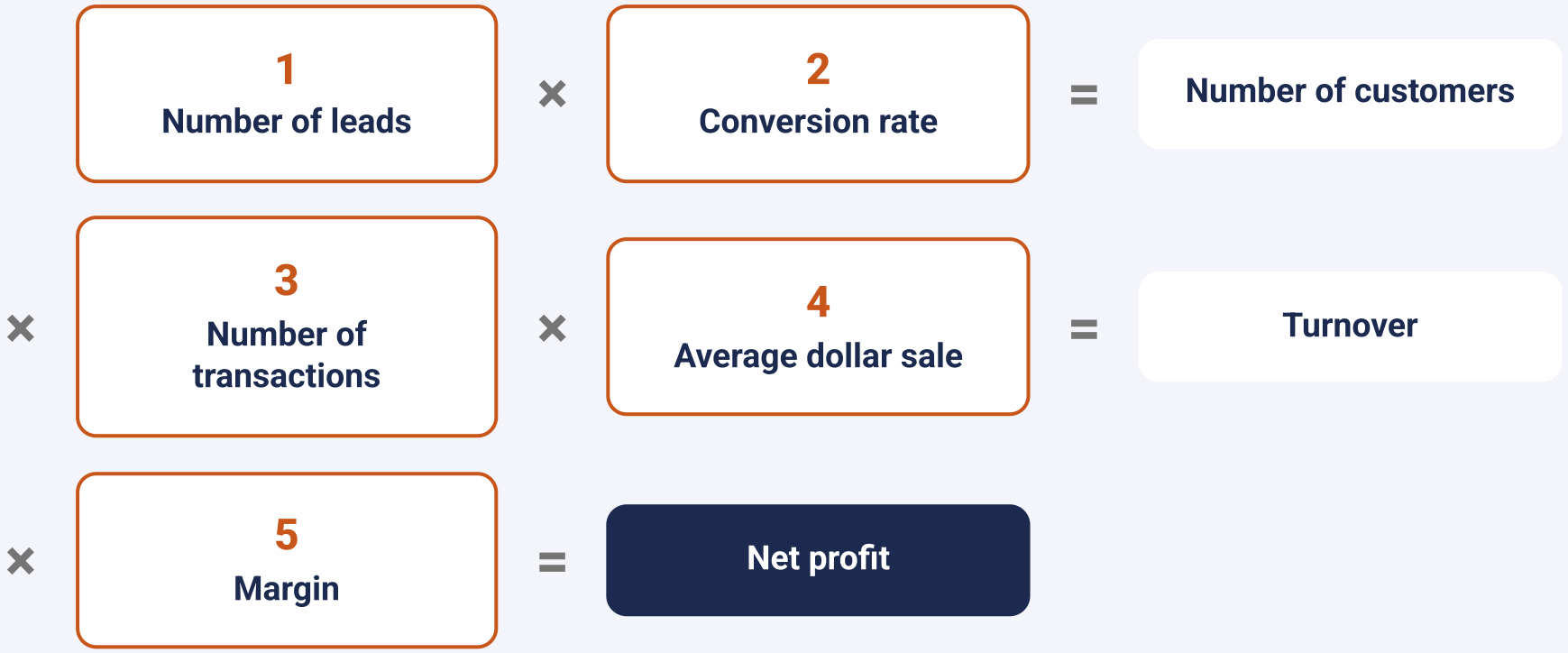
Strategic marketing: the five-step method.

Five numbers drive every business's profit. Improve each one a little and the result multiplies.

The five steps.



Only the five numbered steps can be influenced directly. Everything else, including how many customers you have, is a result of them.

STEP ONE

Number of leads.

The first variable you can influence is the number of leads you are able to generate. To do this, you must identify the primary target market for your goods or services.

Leads are then generated by appealing directly to this group, rather than the scattergun approach used by many advertisers. So we use specific strategies that will be seen directly by these people.

Ten ways
to generate leads.

1

Strategic alliances with partners who are likely to have the same type of clients you are targeting.

2

Partnerships with large member-based organisations such as trade associations, clubs and interest groups.

3

Direct response campaigns in areas of demographic significance.

4

A systemised referral system that gives satisfied customers an incentive to provide new leads.

5

Direct response advertorials in trade magazines and journals that reach your target market.

6

Sponsorship of school newsletters in specific target areas.

7

Information-based websites with automated email follow-up and places to capture contact details.

8

A 24-hour automated messaging system that gives information and captures contact details.

9

Seminars and information sessions.

10

And more. There are more than 30 low-cost, repeatable direct marketing methods for attracting new leads.

Direct response advertising and a systemised referral system can provide a constant flow of qualified prospects into the top of your sales funnel. Develop these methods and make sure there is a systemised approach to generating leads. Then make sure those leads are turned into customers, by improving your conversion rate.

STEP TWO

Conversion rate.

Provided your lead is qualified, you should be able to convert a significant percentage of these enquiries into customers. There are numerous ways to do this:

1
Training to make sure you instantly engage your prospect.

2
A step-by-step process for demonstrating value and leading the prospect to a solution.

3
A CRM system to follow up leads that may not be ready to buy.

4
Incentives for leads to take the next step.

5
A 100% money-back guarantee, which removes the risk from the customer's mind.

Most businesses cannot accurately work out their conversion rate, because they do not keep accurate records of all enquiries and where they came from. In fact, most businesses will significantly overestimate their conversion rate.

This is a critical stage. Once a person has got to this point, it is highly likely they will use someone's services. You need to make sure that someone is you.

STEP THREE

Number of transactions.

Once you have a customer, you need to create opportunities for them to do more business with you. Then build your system to make sure:

1

Point-of-sale techniques are effective and efficient.

2

Automated email follow-up keeps customers on track and engaged with your business.

3

Your CRM system gives you regular prompts to follow up customers.

4

Campaigns built around events in the year (Christmas, birthdays and so on) create chances to get back in touch.

The number of transactions you have with a customer can make a significant difference to your bottom line. You have invested a lot in getting a customer, so why throw the baby out with the bathwater and not develop an ongoing relationship?

The most famous example of this strategy is McDonald's line: "Would you like fries and a drink with that?" That one-line system has been responsible for millions of dollars in additional profit.

If you can't develop more products or services of your own, you may be able to offer the services of other companies that your customers need, and take a percentage along the way. Done well, this lets you invest in the long-term development of your customers.

STEP FOUR

Average dollar sale.

There are numerous ways to influence the average dollar sale. This may include offering different terms and conditions on your existing services, or simply repackaging what you sell to add perceived value.

Most companies don't have a regular pricing policy, even though inflation increases the cost of doing business every year.

Most companies do not charge enough for their services. In most cases, increasing prices does two things:

1

Attracts clients looking for quality goods and services in the niche you serve.

2

Gets rid of annoying penny-pinching customers, who take lots of time and deliver lower returns to your business.

STEP FIVE

Work on your margin.

Once you have increased revenue using steps one to four, you only have one more thing to do.

Margin is a function of revenue and costs: satisfying customers in the most efficient way. Most businesses have systems to manage margin and work to a monthly budget to make sure they are on track. Even so, there are often improvements to processes and systems that can have a big influence.

Today's technology allows any business, no matter how small, to run very effective checks and balances.

Small improvements have big results.

When asked, most business owners believe they could improve the outcome of each of these steps. Some think they could make a big change. Others would be happy with an improvement of 5% to 10%.

Using the five-step system, and making small increases in each of the five steps, can lead to a dramatic improvement in your bottom line.

Let's consider a small improvement in each step. The example is very basic, but it shows the effect.

The same small lift
in every step.

Steps	Existing	Up 5%	Up 10%	Up 20%
1 Number of leads	10	10.5	11	12
2 Conversion rate	60%	63%	66%	72%
Number of customers	6	6.62	7.26	8.64
3 Number of transactions	1	1.05	1.1	1.2
4 Average dollar sale	$1,500	$1,575	$1,650	$1,800
Turnover	$9,000	$10,940	$13,177	$18,662
5 Margin	25%	26.25%	27.5%	30%
Net profit	**$2,250**	**$2,872**	**$3,624**	**$5,599**
Profit increase		**28%**	**61%**	**149%**

A worked example, not real figures. Customers are leads × conversion rate; turnover is customers × transactions × average sale; net profit is turnover × margin.

A 20% lift in each of the five steps means 149% more profit.

Surprised? Most people are. We don't often sit down and think about the key drivers of business profit and how we can influence them. Use this model with the numbers in your business and you will get the same percentage results.

Next steps.

Even in a strongly performing business, most people would admit they could make small changes to increase at least one of the five steps. We all need to take the time to work on our business rather than simply in it.

It is not possible to show the exact steps every business should take in one document. What you have seen shows the scope of what is possible for your business, and for you as a result.

Systemising your business and marketing gives you time to improve it even more, until you have what I call a real business:

> **A profitable, commercial enterprise that works without you.**

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