



Focus

*Rain, Foot & Mouth, more rain –
the Silly Season, August, 2007*

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Retail sector helps drive economic growth

Data from the CSO show that retail sales in the month of May were up 9.9% on the corresponding month last year and sales excluding the motor trade increased by 9.1%.

Commenting on the data IBEC Senior Economist Fergal O'Brien said that 'the retail sector remains exceptionally strong at present and the SSIA impact is evident in a number of areas. Given that about half of the SSIA accounts matured at the end of April it would have been a major surprise if we hadn't seen a bounce to the retail figures in May.'

Total retail sales in the first five months of the year are up 7.2%, while the volume of car sales was up just marginally higher. Car sales in the month of May were very strong – up 11.4% on the same month last year. Other retail areas performing strongly are clothing and footwear which are both up almost 20% so far this year. The electrical goods sector also appears to have benefited from the SSIA factor in May as sales were up 2.3% on the previous month and are ahead by 14% in the year to date'.

Changes in maternity leave – a reminder

The entitlement to a basic period of maternity leave from employment extends to all female employees in Ireland (including casual workers), regardless of how long one has been working for the organisation or the number of hours worked per week. One can also avail of additional unpaid maternity leave. The Maternity Protection Act 1994 and the Maternity Protection (Amendment) Act 2004 provide the statutory minimum entitlements in relation to maternity at work including maternity leave.

If an employee starts maternity leave on or after March 1st, 2007, they are entitled to 26 weeks paid maternity leave, together with 16 weeks additional unpaid maternity leave. If the maternity leave started before March 1st, 2007, the entitlement is 22 weeks paid leave. If the additional unpaid maternity leave started before March 1st, 2007, the entitlement is only 12 weeks.

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Out-competing the competition

Ever walked through a mall or down the main street and suddenly been confronted with a new product that is the very product you deal in and had that sinking feeling of “*Yet another competitor to outmanoeuvre*”.

But how do you outmanoeuvre competitors? The only way to really get to grips with them is to know about them, how they operate and what they are doing to make themselves attractive to customers – and then beat them at their own game.

In the business world gathering information about other businesses that could have a significant impact on the way you conduct your own business is known as competitive intelligence and two really good sources of competitive intelligence are close at hand and relatively cheap to tap into – the competitors themselves and the people who might use their product.

Find out what competitors say about themselves

Understanding how your competitors are selling themselves and their products is useful to understanding how to best compete with them. There are a number of recommended ways to gather competitor intelligence, some of them quite time consuming and expensive. But by and large you can get quite a good feel for what the competitor is up to by looking at the obvious sources; their own store, their website, their advertisements. As well, your salespeople will have spoken to customers and suppliers about your competitors so get their insights also. You can even order a product from your competitor and compare their packaging, service and quality to your own.

What they say about themselves is often a great insight into what they feel their strengths are, reveals their product range and what features they promote (and so think will be attractive to customers), shows what channels they use for marketing (do they have a website or use email as well as the yellow pages – should you be thinking of following suit?), what product support and guarantees they offer. How do your products and customer service rate against them?

Know what others say about your competitors – and about you

The other great source of information is the consumer of products like yours. Surveying a group of people likely to be in the market for what you supply and getting their opinions about your product and your competitor's version can provide invaluable insights on how to make your offering more attractive. Do they buy from you because you have a wider range? Do they prefer the competition because they

provide free parking or have a customer loyalty scheme running? Those customer decisions affect your profit, so knowing what they value is important.

A focus group can be easily arranged by you or your business advisor. An independent presenter can be an advantage – people are naturally reluctant to be negative to the business owner in person but it's the customer turn-offs that you really need to know. This will collect information you can use to evaluate your own performance against the competition, suggest ideas for exploiting their weaknesses and even identify potential new customers.

Take control of the game

Competition is a fact of life in business and you have to have some type of an edge to be the winner. You may have an excellent product or service, but if everyone else is selling something similar, then just how much of the market can you expect to capture?

Getting to know your competitors is the first step, and the most important, in winning a competitive edge. You can use the knowledge to play the game better yourself by considering what you have learned from customers about what they really value or ways to stand out from the competition. And you can pick up ideas on how to play the game differently, for instance in recognising currently unmet customer needs that would provide market opportunities for you or new ways and places to advertise.

Cross selling ups profits

Cross selling is encouraging a customer to buy a little extra on top of their original purchase. A hairdresser may suggest that the results of the styling, or the overall hair condition, will be maintained longer with a particular gel they sell.

A cross sell item is usually a small purchase that has obvious benefits, insignificant cost and doesn't require much thought to make the buy decision.

Why it works

Many business owners are reluctant to branch into cross selling. They worry that they'll put the main sale at risk by appearing too pushy, but in fact the cross sell offer comes after the hard part of the sales conversation is already over, often after the main sale has been made, and you have already developed a rapport with the customer. Customers are likely to appreciate your thoughtfulness in offering them an added benefit they didn't know about.

How to present your cross sell offer

Attempts at cross selling can go wrong, but not because of any problem with the basic idea. The main problem comes from technique. If you and your employees aren't trained on effective ways to cross sell, chances are you will offend customers by being too pushy or giving the wrong message.

Consider this example. A customer buys a good quality family leather lounge suite on a number of monthly repayments. A straightforward question "Do you want our monthly cleaning service as well" is not likely to get a bite. But an approach along the line of "That's a substantial investment you have made and I'm sure that lounge will really make your room look good. We offer a monthly professional cleaning service for a bit extra that will keep it looking good and ensure your warranty remains valid".

With that substantial investment in mind, the potential for damage and the possibility of protecting the warranty conditions there's very little resistance to cross selling them into the monthly professional cleaning service deal.

In cross selling it's essential to approach the sale by foregrounding the benefits of the added product/service and presenting the information in a standard script.

One of the most effective cross selling techniques is having the customer actually try the product and experience the benefit right away. Our hairdresser might put hair gel in the customer's hand and show them how to apply it themselves. By showing the client how to get the salon look at home they create an immediate value add that will encourage the purchase.

Add-on products can be grouped together to form a bundle with a special discount offer for taking the lot. That works best where the products are related and contribute to the same benefit of the main purchase – in the hairdressing salon it could consist of a discount offer for taking a shampoo, a conditioner and a gel for a package price.

For most businesses, a little thought and a little training using some simple principles can make a world of difference:

- Think through the combinations you can offer
- Work out simple scripts to introduce them that don't cause a negative reaction (present the information in a 'by-the-way' manner and mention benefits)
- Work out any deals that could apply for buying a group of add-on products
- Get your employees familiar with the packages and the script that goes with them

Businesses that have a formal cross selling programme report acceptance rates of between 40% and 60% for their offers. This represents a good return for an activity that adds little extra time to the customer transaction and can be scripted so any salesperson can do it.

Turn a group into a team

A team is a group, but a group is not always a team. The difference: if a collection of people shares a common office address, then it's a group. If it shares a common mission and works together to achieve it, then it's a team!

Smart business owners know that running a business is not a one-man show and that in the workplace having a team is a lot more pleasant, efficient and ultimately profitable than having a group. But good teams don't just happen. They are the result of an intentional effort on the part of the owner to create a work environment in which every person knows how they are contributing to making the business successful and are made to feel appreciated for their contribution.

The most common comparison when talking teams is to think about how a successful sporting team operates. Here are some lessons from sports coaching to help jumpstart the team-building process in your small business.

Set the vision

Sports team members share a very clearly defined goal, or vision and know that the only way they'll achieve it is to cooperate. In business this means sharing your vision and your goals with the employees, your team. Did you choose a primary objective

for your business to achieve this year? Did you share it with your employees so they all know where you want to go and can get behind it? Did you involve them in working out the strategies to achieve it? Let's say your primary objective this year is to stimulate retail sales for a new product line, and you want it to be 20% of overall sales. If that information isn't shared with the people who do your marketing and selling then they'll just go on pushing the same products they always have. To win the game everyone has to be working to the same game plan.

Establish clearly defined roles

In team games every player knows what the role of their position is and the extent of their freedom to operate in contributing to a successful play. And they know what the other team members do so they don't interfere with their game. As the business owner, it's your job to make sure that every employee clearly understands the role they play in the business. That means developing a clear organisation structure (who is responsible for what) and ensuring that every employee has an accurate job description. Tools such as an organisation chart and team meetings provide a way for employees to see how they fit into the big picture and to sort out any time wasting overlaps or conflicts.

Make communication work to improve team spirit

Communication is the building block of an effective business team. Not just open communication, but honest and respectful communication to build regard for each other. There should be no tolerance of abusive, derogatory or sexist language in the workplace. Those just turn people off from thinking of themselves as part of the team.

Resolve conflict quickly and fairly

Inevitably, there will be occasion for conflict among team members. Ignoring a conflict can leave space for it to grow until it becomes a major problem. So instead of ignoring them, develop your conflict resolution skills and create a mechanism for them to safely bring those conflict situations they can't resolve themselves to your attention. If you don't feel up to the task of counselling your employees on how to resolve their conflicts yourself then consider bringing in a professional or do some training to improve your skills and level of comfort with the process.

Celebrate achievements as a team

Since every employee plays an important part in the success or failure of your business it only makes sense to celebrate your achievements as a team. Match the size of the celebration to the size of the accomplishment. Be careful to be inclusive – most wins are the joint effort of many people including those not directly involved in the final sale or whatever the achievement was.

Turning the group into a team

A lot can be done towards building a team through the application of experience and common sense but it can be helped along the way by the use of a business coach with particular skills in the area. It can be very useful to employ an advisor – particularly in the initial stages – to run a review and establish just what needs to be done.

Behave like a captain

What you need always to remember as a business owner/captain of the team is that your team will look to you for guidance on how to behave. Your behaviour will be a model for theirs and if you are positive, upbeat and respectful of them, then team members will tend to act the same to you and each other. Demonstrate a negative or critical attitude and the team will fall apart into a group. Strong tone at the top is essential to hold a team together.

Don't lose out to fraud

SMEs are particularly vulnerable to fraud. While most SME owners probably take a somewhat paternal view of their employees and tend to place a lot of trust in them, statistics suggest that that trust is all too often misplaced.

What's more, the impact of even a small loss can be extremely damaging to an SME. Cash flow is interrupted, productivity slows while the mess is sorted and the reputation of the business can even be effected.

Small businesses can make themselves a lot more fraud proof by implementing a few simple and inexpensive procedures.

Hire carefully

It's people who defraud businesses, so the first step in avoiding fraud is to hire people least likely to be tempted. Typically, in SMEs pre-employment screening is rare and haphazard. References aren't investigated and statements of previous employment are taken as read. It's small wonder that in many cases of internal fraud the employee concerned had been dishonest with previous employers but their past misdeeds went undetected.

Writing in *The CPA Manager*, senior forensic accountant Thomas A. Buckhoff cites the case of 'Paula Ross' (not her real name) who claimed on her resume that she possessed a bachelor's degree in management information systems and an MBA. Based on these qualifications a regional law firm hired her as their information systems director.

Nearly two years later the law firm discovered that Ross had embezzled US\$2,035,232 by creating two fictitious suppliers. A belated background check revealed that Ross had neither of the two degrees that she claimed she had received. Knowing that would have been an early warning sign that this was a risky hire at the least.

Research indicates that one-third of all CVs used to gain employment contain false or misleading information. It can be anything from academic degrees that don't exist to the fabrication of a previous period of employment to replace a time when the person was unemployed. While a pre-employment check is no guarantee that an applicant is all they claim to be, it is a good first line of defence.

Develop procedures based on separation of duties and use internal controls

A primary area of concern for SMEs should be their accounts setup. It's usual for one person to manage the accounts of a business with little or no separation of duties. Having just one person to maintain the books, do the banking, count the cash and manage payrolls (not uncommon in a small business) creates the opportunity for fraud.

Procedures for such common, but fraud vulnerable, areas of operations such as handling cash, purchasing and goods receipt are generally less formal than in larger firms and often have no inbuilt safeguards. Poor or easily circumvented internal controls are the main contributor to enabling fraud in SMEs.

Ensure that accounting work is never the responsibility of just one person. Do periodic counts of stock and cash and regularly reconcile bank records. Follow up anything suspicious immediately and don't accept excuses.

Your business advisor can offer a raft of information on reliable internal control procedures used by SMEs.

Watch for red flags

Look for warning signs that something's not right. These include changes in cash flow patterns, stock shrinkage, variations in accounting ratios and customer complaints.

Finally, watch for employees living beyond their means, avoiding holidays and never delegating any of their work. They could have something to hide and it could be costing you money.

Fraud can't be ruled out completely by internal control practices but the harder you make it for employees to cover their tracks the less likely anyone will be tempted to try out the system.

Regular Pieces

How to Make the Most of your Newsletter

Be sure to read each article with the mindset ‘How could this apply to our business.’ Thinking of it that way will guarantee that you get value. Better yet, take notes as you read and commit to having the ideas implemented by the time the next edition arrives. Also, make copies for each team member. To really make sure something positive happens, work with your business development specialist to talk your team through the ideas and how to set a schedule for getting them implemented. We’re here to help you get started.

Memorable Quotation

“Nothing focuses the mind better than the constant sight of a competitor who wants to wipe you off the map” – Wayne Calloway

An Important Message

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Do you have a question you would like to put to one of our advisers? Why not get a free opinion – simply email us at; enquiries@focusbusinessadvisers.com. We’ll respond as soon as we can and hopefully be of assistance to you.

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