

CLIENT Advisor

July/Aug 2011

How to increase referrals to your business

Ralph Waldo Emerson said, "If you build a better mousetrap, the world will beat a path to your door." If it were only that easy!

Ask anyone in business, and they'll likely tell you that it takes more than having a good product or service to attract customers.



Keep your word. Customers won't refer you if they don't trust you.

Some companies advertise, which helps bring customers in, but most business owners will tell you that they get their best customers through referrals. They only wish they could get more of them.

If you want more referrals for your business, consider the following ideas.

1. Look to the past. Do you know where your best referrals have come from in the past? Maybe they came from current customers, or maybe they came from other complementary businesses. For instance, a call center owner gets many referrals from marketing companies who are setting up advertising programs. Each new marketing company can be targeted to generate referrals from them as well.

If you haven't been tracking where your business comes from, start doing it today. A simple question of "How did you hear about us?" can help you figure out where your best referral sources are.

2. Ask for referrals. If your customers like what you do for them, they are probably more than willing to tell others about you. They may simply not think to do it unless you ask them. Business owners are sometimes reluctant to ask their customers for referrals. They think it sounds desperate or needy. In fact, if you do it right, you can pay your best customer a great compliment in the process.

When you're having a conversation with a good customer, tell the customer why you so appreciate working with them. Then tell the customer that you'd enjoy having more customers like them. Chances are, they know people who are like them, and they'll be happy to pass your name along.

3. Do something memorable. Human beings like to share stories, especially when something unique has happened. When you give your customer a truly memorable experience, they'll share the story, and in the process, they'll refer business your way.

The employees of a dry cleaning company had a knack for memorizing the cars that their customers drove. By doing so, they could have orders pulled for customers before they entered the building. Quite impressive, especially for customers who had been in only once or twice. That's the kind of service people talk about.

There are some basic tenets that you have to abide by if you want to get referrals.

First, keep your word. Customers won't refer you if they don't trust you.

Second, provide value. Whether you offer the highest priced product or the lowest priced, make sure your product provides the value your customers expect. That's something they'll talk about.

Finally, be sure to thank your customers for honoring you with their business. You certainly want referrals, but you also want to keep your existing customers. Don't take them for granted. ■

S E E

Succession planning: What should Baby Boomer owners consider?

Ten ways to increase the value of your business

I N S I D E

Succession planning

What should Baby Boomer owners consider?

We've all heard the news. The Baby Boomers have begun turning 65, the traditional retirement age. Over the next 19 years, all the Baby Boomers will hit that milestone.

While not everyone wants to retire at that magic age, it is a reminder that time is ticking by and that perhaps plans should be in the works to allow for retirement when the individual is ready.

Business owners are not exempt from this issue. In fact, they probably need to plan more carefully than most people so they can effectively exit the business when they decide the time is right, or when circumstances such as health concerns compel their exit. Yet, most business owners seem hesitant to discuss their exit strategy or to plan for it.

They may have their reasons for avoiding the topic, but business owners won't be able to avoid disaster unless they plan for the succession of their businesses. Here are a few points for the Baby Boomer business owner to consider.

1. Most Baby Boomers grew their careers at a time when long hours and "nose to the grindstone" effort reaped the biggest rewards. Likely successors, being from a different generation, may not have the same mentality about work, and the Boomer may see this as a weakness. The business owner may surmise that the successors won't put in the effort necessary for success and use this to delay the selection of a successor.

2. The business is likely one of the Boomer's greatest financial assets. Figuring out how to extract the value from the business can be a challenge. In many cases, business owners may find they are dependent on the business's continuing success to fund their retirement. That can be scary. Planning far enough ahead allows time to put buy-out plans in place. That will help the successors and the business owner in the long run.

3. Finding a buyer may be difficult. If business owners decide that selling the business is the best option, they may find themselves competing with many others in the same boat. The numbers of people reaching retirement age at once mean that many people will be trying to sell their businesses at the same time. That may be better for the prospective buyers than the prospective sellers. When supply is greater than demand, prices fall and terms favor the buyers.

4. Execution takes time. Even if the business owner recognizes the need to plan for succession, the process is a long one. Not only does it take a substantial amount of time to examine options and decide on a path, it takes even more time to execute effectively. Selecting the right people for senior positions, training, transferring duties, and so on don't happen overnight. And, the business doesn't stop running while all of these "extra" issues are addressed. It is important to develop a realistic

plan and timetable. It is sometimes helpful to have a consultant, coach or guide to help keep you on track and hold you accountable. The process will not always be easy, and the temptation to quit will sometimes be strong. The commitment to succeed with succession must be just as strong.

5. The first choice might not work out. Many business owners experience disappointment when their first successor choice doesn't work out. Sometimes the successor decides to leave, and sometimes the business owner realizes that the choice was not a good one. Either outcome should not lead to despair. In every circumstance, the business owner can learn something that will make the next time better. This is, however, just another reason not to wait until the last minute to start. The process will likely take longer than you expect.



Business owners won't be able to avoid disaster unless they plan for the succession of their businesses.

6. Baby Boomers live to work, and entrepreneurs are often consumed with their businesses. Put those two factors together, and you'll find someone who may have very few outside interests. The Boomer business owner may not have anything to retire to. It can be scary to think about having no office to go to, no customers to call and no problems to resolve. Without a plan for what's next, many business owners will have a hard time letting go.

While these issues are serious, they can only be solved by action – and the sooner, the better. ■

Ten ways to increase the value of your business

What is the value of your business?

Most people answer that question in terms of the dollar amount they hope they could sell the business for. That's one definition of value. But, the value of your business can also be expressed in its contribution to the community, employees, customers and vendors. Business owners often "value" their business because of the sense of accomplishment it gives them.

The fact is, you can increase the value of your business in many ways, and with respect to all of these definitions. Here are some ways to build value in each category.

Value in dollars and cents

1. **Market share** – Someone interested in buying your business will likely be looking for a strong customer base. If your company has loyal customers, the buyer will pay for that. Make sure that your sales aren't too dependent on one or two very large customers. That increases risk. A diverse, faithful and growing customer base will drive up the value of your business.

2. **Repeatable processes** – A business set up to run smoothly without being overly dependent on specific people is a valuable business. The buyer can expect the wheels to keep turning after the transaction. That's worth something.

3. **Unique products or services** – If you have patents or other exclusive rights to your products and services, and the market wants those products, you have value. On the other hand, if your products and services are easily replicable, a prospective buyer might find it easier to become your competitor than your purchaser.

4. **Margins** – Top-line sales figures are important, but the bottom line often matters more. Carefully manage your pricing, direct expenses and overhead. Your buyer will want a return, and good margins feed that return.

5. **Cash flow** – Do your customers pay on time? Do you have good payment terms with your vendors? Businesses that generate cash are more attractive and valuable than businesses that are frequently in need of a line of credit to operate day to day.

Value as a good corporate citizen

6. **Providing opportunities** – You already provide opportunities for employees and vendors. Perhaps you can also provide opportunities like internships or mentoring to high school and college students. You can provide content by speaking or serving as a panelist for community discussions. You have a tremendous amount of knowledge and experience in a variety of areas. Look for opportunities to share it.

7. **Giving back** – Why not choose a community cause that fits well within your corporate mission and culture and get your employees involved in a volunteer project? Give funds to help with expenses and outreach for the charity, and help the organization promote the value it brings to the community.

8. **Employee involvement** – Some of your employees may be very passionate about certain charities or causes, while others may not be as interested. Allow employees to take some time off from work to volunteer for their favorite cause. You'll help the community and help your employees feel good!

Value from a sense of pride

9. **Enjoying the moment** – As a business owner, you're likely pretty busy. How long has it been since you sat back and looked at what you've accomplished? Despite the occasional bumps in the road, you've likely been very successful. Take time to appreciate the journey and to acknowledge what you've done.

10. **Groundwork for the future** – Your business can outlast you if you put in place the people, systems and processes that allow it to thrive in your absence. What a legacy to leave those who have worked with you. ■

Value Enhancers

1. Trained, stable work force
2. Established, creative management team
3. Product/service with a clear competitive advantage
4. Stable revenues and profits
5. Clearly defined goals – corporate focus
6. Expanding markets
7. Opportunity for significant productivity increases
8. Well-maintained plant and equipment
9. Effective management information systems
10. Barriers to market entry

Value Detractors

1. Low morale and high employee turnover
2. Dominant, autocratic leadership
3. Highly competitive product/service lacking differentiation
4. Volatile revenues and profits
5. Lack of a cohesive business strategy
6. Stagnant or declining markets
7. Limited productivity enhancement potential
8. Poorly maintained physical plant
9. Lack of management information
10. Ease of market entry

What you need to know about filing an amended tax return

Having second thoughts about your tax return? Realize you forgot to include something important?

An amended tax return allows you to file again to correct your filing status or income or to add deductions or credits you may have missed.

Here are eight points the IRS wants you to know about amending your federal income tax return.

1. Use Form 1040X, *Amended U.S. Individual Income Tax Return*, to file an amended income tax return.

2. An amended return cannot be filed electronically, thus you must file it by paper. Use Form 1040X to correct previously filed Forms 1040, 1040A or 1040EZ.

3. Generally, you do not need to file an amended return due to math errors. The IRS will automatically make that correction. Also, do not file an amended return because you forgot to attach tax forms such as W-2s or schedules. The IRS normally will send a request asking for those.

4. Be sure to enter the year of the return you are amending at the top of Form 1040X. Generally, you must file Form 1040X within three years from the date you filed your

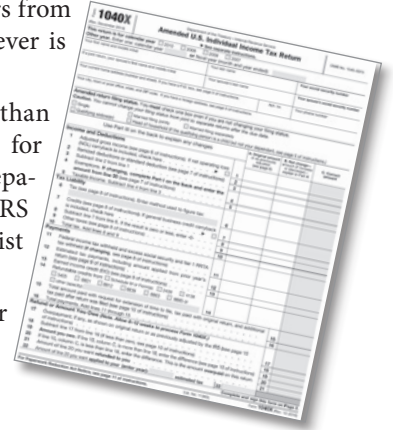
original return or within two years from the date you paid the tax, whichever is later.

5. If you are amending more than one tax return, prepare a 1040X for each return, and mail them in separate envelopes to the appropriate IRS office. The 1040X instructions list the addresses for the campuses.

6. If the changes involve another schedule or form, you must attach that schedule or form to the amended return.

7. If you are filing to claim an additional refund, wait until you have received your original refund before filing Form 1040X. You may cash that check while waiting for any additional refund.

8. Your state tax liability may be affected by a change made on your federal return. For information on how to correct your state tax return, contact your state tax agency. ■



Kushner LaGraize, LLC

CERTIFIED PUBLIC ACCOUNTANTS

3330 W. Esplanade Avenue
Suite 100
Metairie, Louisiana 70002