Know More news...

fkm GLOBAL · *fear know more...*

Welcome to our June Newsletter!

After a successful May newsletter we are back for more with our June edition. With some more helpful articles, we wish you continued business success as we head into the new financial year...

Upcoming Events:

- **Friday June 19ᵗʰ – Client Day – Ballarat – Budgets**

Remember: go to the website to register your attendance

- **Sunday 28ᵗʰ June Run Melbourne ½ Marathon.**

Will the FKM Global Team make it to the line or will injuries take their toll!!! Stay tuned...

Shoppers get smarter and faster!

Author: Kevin Moore on 18 May 2009

Numbers always paint pictures in our minds, and the pictures painted by scan data from retail sales is a thing of rare beauty. (Retailer loyalty scheme data is even richer, but we'll leave that for another day).

Scan data is a record directly from the cash tills in the store, and when shared widely and quickly, provides analysts the world over with the detail needed to understand changes in shopper behaviour and make changes to product displays and merchandising to harness these behavioural changes and evolve sales.

It won't be news to anyone that while 12 months ago a shopper wandering around a mall would have ended up with a handful of shopping bags, with different logos and containing many impulse purchases, now we shop with a list and a purpose. The climate has made us feel both time poor and cash poor, even if really we are neither.

With new focus on budgets and cost control, shoppers have changed their old habits, including the way they walk around a store. They no longer meander through store or mall, instead they shop fast, stick to a list, and do so with a very clear purpose. This trend is feeding growth in retail via "category creep", from confectionery in pharmacies to movies in phone shops.

Our shopping list today stops us spoiling ourselves, and lets us do the best we can for those we are shopping for - greater quality, less quantity.

Basket sizes have shrunk, even though average cost per item may have grown. And going one step further, if you were to follow shoppers via GPS you'd find they are visiting fewer stores, but spending more time in each one. In fact our time in our favourite stores is growing. Why?

In the face of actual job losses and fear around job losses, we have grown to be more disciplined in our spending. We've all sat down and re-learnt the art of financial planning in different parts of our lives. When it comes to

shopping, our "financial plan" is a shopping list. Whether in grocery, technology, pharmacy or automotive, we are entering the shopping environment with a pre-researched list. We're writing weekly menus again and shopping only for the ingredients in those meals.

We aren't taking weekend drives around car dealerships with a wide price band to see what's out there, but instead writing a list of new and demonstration models available at specific dealerships.

But, despite all this discipline, we're seeing a category creep. Customers are buying things in places that they previously wouldn't have. This is a result of retail marketers looking at the numbers, spotting the trends and reacting with merchandising in store to help us accelerate along the journey we've already begun. Time poor and cash poor customers will be more inclined to buy in the one store, the store they are in and that they trust.

A shopper might go to the pharmacist each week for a script, thinking "let me buy my sugary snack at 10am while I'm here - it will save me a walk to the newsagent, where I would inevitably buy a magazine I don't really need".

Similarly in phone stores, consumers can download movies while they're there, saving a trip to the DVD hire store and the inevitable up-sell of more movies and confectionary.

More and more manufacturers and retailers are shifting their offering into adjacent, usually lower value, impulse categories, to help us "linger longer" and spend more.

My Dad is always fond of telling me that where there is change, there is opportunity. Right now we're in the early days of the most fundamental social, economic and political change in a decade. Watching the numbers, spotting the emerging trends and then riding the wave will be prove very successful for retailers and brands that invest time in reading the signs.

I've made some poor sales recruitment decisions. Help!

Author: Sue Barrett on 18 May 2009

Have you ever done the maths on how much sales recruitment costs you, especially when you get it wrong?

If you are like most managers then chances are you haven't. So let's consider the costs, overt and covert, involved in sales recruitment.

If you don't know it already, sales recruitment is one of the toughest assignments around. I know this first hand, as I was in this role for over eight years with a leading consultancy and recruitment company. During this time, I interviewed about 8000 salespeople face-to-face in the technical, industrial, medical, and scientific industries. Remember, this is not counting all the resumes I screened manually, as my experience was before the internet and we had to do everything manually - no "word search".

My time in sales recruitment gave me a great grounding and honed the skills to select good sales performers, but not everyone has had the chance to practice. It was a fascinating social study on what makes a great sales performer.

Upon reflection, it was a catalyst for my research into illuminating and defining the elusive qualities that make for highly successful salespeople and the development of IP, specifically in the Australian sales competency space.

It also led me to map out and demystify the sales recruitment process by putting in place relevant content and a structure people can follow. What this structure and the right selection content does is place control back into the hands of the managers who are responsible for recruiting salespeople for their businesses. It also made me plainly aware of the costs involved.

The problem is that, for most managers or business owners, sales recruitment happens sporadically and too many managers still use unstructured recruitment practices that are the least predictive of sales performance. Most are just winging it, relying on gut feel, and never getting enough experience to give them something to fall back on when they need it.

It's recruitment by hope; recruitment by chance.

Taking this ad-hoc approach adds to the cost of sales recruitment, because even if you get it right you don't know why you got it right, therefore making it difficult to repeat the process.

With everyone being so focused on cost management, it's also important we do the maths on the cost of sales recruitment and the cost of getting it wrong. We do this so that when you look at your sales recruitment you can make sure your actions will give you a better return on investment and that you hire the right salespeople.

Any action we do has a cost (monetary, energy, time etc) associated with it. Whether that action propels us to profit from it or costs us more than we intended is the issue at hand.   Getting sales selection wrong can cost you more than you have probably imagined.

What are the overt and covert costs associated with these issues?

- Keeping a poor sales performer on too long who is not producing and not having a better performer to replace them (and you should always be on the look out for top sales performers, and keep a list).
- Sales territory vacant for too long.
- Poor fit: Not selecting the right type of person for your business culture, strategy and task.
- Taking too long to make selection decisions thus losing good potential recruits.
- Little or no structure to your sales selection process.
- Using the wrong recruiters to get you the right people (sadly too many recruiters do not know what a "good" salesperson looks like).

All these equal lost revenue, lost profits, lost market share, lost customer relationships, customers' business drying up, loss of reputation, internal disharmony, team issues etc.

Let's now look at it in stark terms.

Case study: A salesperson who earns a base of $60,000 a year plus extras stays with a company for three months and doesn't work out.

Overt financial costs

(based on a conservative estimate)

- Advertising and recruitment agency costs = $10,000+.
- Candidate travel costs (if applicable) = $500.
- Induction training costs = $5000 (in-house and/or formal/external training).
- Salary and benefit costs = $15,000 plus super, work cover, etc.
- Additional costs (car/car allowance, phone, travel, etc.) = $3000.
- Severance pay (two weeks notice) = $1600.
- Manager's time to recruit 40hrs @ $60/hr ($100,000 salary) = $2400.
- Administration costs: $2000.
- Sales lost due to poor performance (2.5 times salary is the average) = $37,500.
- Estimation of overt cost total for three to four months = $67,000

Then add:

Covert financial costs

Potential litigation costs	= ?
Lost sales opportunities due to vacant territory	= ?
Manager's coaching time	= ?
Team morale	= ?
Customer loyalty	= ?
Reputation	= ?

While I may have missed some things or overestimated others, the maths clearly shows that getting sales recruitment wrong is very costly.

Do an audit and check out where you have made the most of your actions and where you may need to tighten up.

Remember that it's all in the preparation and execution of the right activities, and to make sure you act wisely and in your best interest.

My Customers Keep Begging For Discounts. Help!

Author: *Trent Leyshan* on 21 May 2009

When a customer begs you for a discount you can simply reply with yes or no, or you can employ a strategy to address the request and reposition your offering in a more valuable light.
How? By asking why it's important to the customer they receive a discount?
Their response will tell you what they're really seeking and why it's important to them.
A request for a discount is a "stated" or surface level need, but there is always a silent undercurrent motivating the request beneath the surface.
Here are a few examples:
Stated need: *I would like a discount on this product.*
Unstated need:

- I can't afford it - but would like to try and buy it anyway.
- I think you're charging too much - give me peace of mind
- I can get this cheaper somewhere else - I'm competitive and like to shop around first.
- I don't trust you - I really don't trust you!
- I love a bargain - I want a sense of accomplishment.

What's motivating the request for discount? This is critical to understand before responding. How you address the request and frame your response will determine your potential to make the sale. If you have a structured selling approach it will mean leading your customer through your sales process and ensuring your customer has buy-in at each stage before proceeding to the next.
Getting to the heart of the unstated need is the tricky part, this is because the customer is uncomfortable revealing themselves too much, particularly to a stranger, so this is were building rapport and developing a sense of commonality becomes essential. The most effective way to do this is to understand what factors are motivating their buying decision.
What is really important to your customers should be important to the salesperson. This is called demonstrating "empathy", and it takes a thoughtful approach to selling.
1. Does the customer have all the available funds to make the purchase? Maybe they really want to buy it but can't quite afford it? In this instance, perhaps a simplified version of your offering is more relevant and they can upgrade later. Alternatively, you could explore structuring the payment terms - that is, finance or in-house payment plan.
2. If your customer thinks you are charging too much, then explain all the extra features and after sale service you offer, and how important that is to them. If you don't have any of these services in place, perhaps think of similar ideas that will benefit your business and customers.
3. If your customer can buy the same product cheaper elsewhere, and this is true, ask yourself why? Do you need to rethink your pricing and tweak your selling-process?
4. If the customer doesn't trust you, there is probably good reason, either directly related to your own personal communication style, or perhaps your company's reputation, or a negative past experience. If this is the case, you need to know exactly what is driving their thinking, and then package more value accordingly.
If you customer just loves a bargain, again sell them more value. The most effective way to package more value is to offer something of high perceived value and low cost to the business. This can be used effectively to overcome the customers need to feel special and come away feeling a sense of accomplishment.
All of these things are important to your customer, so as a sales-person you must make it important to you. How? Ask them, yes it's that simple. Engage your customers in meaningful conversations by taking a genuine interest in them and their best interests.
If all of your customers are begging for discounts there is probably good reason for it.
Is your offering priced in line with fair-value - that is, market value and competitive forces?

- Are your salespeople communicating effectively in benefit terms?
- Are you salespeople providing customers with all the right information?
- Are your salespeople lacking confidence to lead your customers through a process?
- Does your sales process need rethinking and restructuring?
- Do you even have a best-practice sales process?
- Are your sales people asking for the business assertively or merely presenting ideas?
- Are you talking to genuine customers or tyre kickers?

There is no right or wrong answer to discounting; the answer lies within your customer's perception. The adage "the customer is always right" is true.
However, the customer's perception may be limited by an unclear understanding of what your value really means. If that's the case, then show them. Talk to them. Engage them. Listen to them. They will tell you everything you need to know about your business and more, including the appropriate strategy to employ when discounting.