

The Power of One™ The Ultimate Business Growth System™

Growth Session #7

“The Power of Strategic Endorsement”™ “How to Double Your Sales Force without Spending a Dime”

Hi, this is Scott Hallman and Welcome to this month’s Power of ONE Growth Session

Back in 1992 I received a letter from Tony Robbins introducing and strongly recommending that I attend a powerful but incredibly expensive three-day marketing seminar.

Since I had been positively exposed to Tony Robbins, from the purchase of his Personal Power Tape series, I immediately read his two-page embellishment of Jay Abraham and the seminar. Tony’s letter was highly stimulating and motivated me to read Jay’s letter which was 19 pages long!

*Now, I **never** would have opened the envelope if it hadn’t come from Tony Robbins. And I certainly would not have read 19 page, written on plain stationary with black ink, if Tony had not rambled on about the virtues of Jay Abraham.*

The amazing thing was when I arrived at this \$5,000 per person seminar there were 250 other business owners there as well!

This is the Power of what I call “Strategic Endorsement™”!

Let me ask you a question. Have you ever purchased a product or service because someone you do business with endorsed this particular business? For example, if you went to the home decorator store to purchase paint or wallpaper and the clerk recommended 3-4 painters or wallpapers, do you at least call one? Do you make your selection without ever going outside this list?

*I mean does it make sense that **The Money Store** is one of the top personal loan companies in America – because it is endorsed **not** by a banker but by a baseball player!*

So let me ask you another question. If referrals and endorsements of people you know and trust influence you, are you using this power within your company?

By the time you finish listening to this tape, you will have a systematic, powerful strategic endorsement program that can *easily* increase your profits by 5%-20% or more, almost immediately. And, as with every session, you will need to play full out during this growth session in order to be assured of these results.

And I must warn you that this growth session is longer and a little more work than previous sessions. You may want to break this session up into two listening times in order to assure you remain at your peak development state.

And since you have evolved in your marketing knowledge and skills over the last several months, I will merely touch on many points that we have made in the past to speed things along.

You should have your workbook in front of you and a pen handy as well.

Now, to prepare for this month's session, I assigned you a simple exercise to answer a few questions in Interactive Workshop 7-1. Did you do the exercise? If not, turn off the tape and take 2-3 minutes to do this simple assignment and increase your effectiveness by 80%. If you did exercise tape for as well and review your answers.

Go ahead and stop the tape.

Welcome back.

Do you have a formalized endorsement system in place where you **earn profits** by recommending other businesses' product or services to your customers? And do you have a formalized system in place where you profit from **other** businesses recommending your product or service to their customers?

How Successful Businesses are Using this Growth Strategy

In the previous growth session, "Providing Your Customers with a Continuous Stream of Products and Services", we discussed how to offer your customers more of what you sell; whether it is the same product or service or whether you had "expanded" their purchase patterns to include items they hadn't previously purchased. This growth session involves the elements of **Endorsement** and **Strategic Alliances** with other companies. It enables you to gain access **other business's** customers and therefore leverage **your** business enormously.

Combining strategic alliances and endorsements can get rather complicated. Therefore, in order to stay consistent with our **Guiding Principles** of only teaching proven strategies, which you can immediately implement by yourself and your staff, and that require little time, money or effort this growth session will be focused on a few simple but profoundly powerful programs.

American Express is a master at offering their customers constant money saving, time saving, quality enhancing, convenience serving products and services. Once or twice per month they are offering some potential benefit, and their customers buy these items on a massive scale!

There are a few dynamic things at work here. **First**, the companies they include in their mailings save enormous amounts of money by jumping on **American Expresses** loyal customer bandwagon. **Second**, if these companies tried doing their own direct mailing, they wouldn't be able to get a fraction of the people to open and read their mail!

There are two types of opportunities we will discuss for leveraging off of Strategic Endorsements.

One is where you are the **endorsee**, which is where other businesses are recommending you to their loyal customers. And **two** is where you are the **endorser**, which is **you** are recommending other businesses to your loyal customers.

Essentially they are sort of two sides of the same coin, depending on whether you are the endorser or endorsee. So in order to avoid repeating essentially the same things twice, I will be using one type or the other to illustrate specific examples and implementation steps as we go along. These can then simply be reversed.

The **critical distinction** here is that the customer is the real winner. They gain access to other products and services that meet their needs **and** you help other customers meet their needs as well.

Let's look at both sides of the endorsement coin.

Strategic Endorsement Opportunity # 1 – Get *Other Businesses* to Endorse *You* to Their Trusted Customers

How can you gain access to the customers of other businesses that sell products and services that compliment yours? If you could point a laser beam at your targeted prospects and then get someone they trust to refer them to you, this would be the ultimate in leveraged marketing, wouldn't it? It is like having a separate sales force that you don't have to manage or pay unless they produce profitable customers. Effectively taking advantage of this opportunity can double or triple the number of customers you can sell to, **without any risk or cost to you!**

In addition, the cost to reach these "ready to purchase" prospects is a fraction of what it would cost you in advertising to find such prospects. **Why?** Because the "strategic endorsement partner" you align with already has the trust of your target prospect – namely **their customer**. By them introducing your business to their customers, you instantly create a "warm" feeling before you even make your offer.

Let's discuss three (3) ideal situations where other businesses can endorse you to their customers.

1) They can endorse your product or service to their customers that have a need, but which they can't fulfill.

By them helping their customers to locate top quality companies with favorable prices and terms, they are really providing a service to them. And by you performing a quality service for these customers you are performing a valuable service for this strategic endorsement partner as well – that is you are helping them maintain a lifelong relationship with their customers. Make sense?

The second situation where other businesses can endorse you is...

2) When specific purchases trigger related purchases

Many purchases are "linked" to other purchases. When these subsequent purchases occur shortly after the initial purchase it creates an incredible timing opportunity for endorsement.

For example;

- **The homebuyer** must choose a home inspector and mortgage broker within 48-72 hours after the offer has been accepted.
- A person buying **tickets to a play** will often call for a restaurant within minutes.
- A person **booking a hotel for their wedding reception** will certainly be selecting a dress, invitations and so on within days or a few weeks.

Wouldn't it be of untold value to the home inspector if the Realtor informed them that someone just signed a contract? **Or better yet,** referred this buyer to them – **Boom, instant sale!**

The third situation where other businesses can endorse you is...

3. When inquiring prospects don't convert to customers

These prospects represent someone that took the step to inquire, and you and your strategic endorsement partner can both win by helping these prospects purchase from you.

What are the situations that cause someone to inquire but not purchase?

The businesses' product or service is either too high or too low in quality.

Perhaps the prospect wants to build an elaborate room addition and your strategic endorsement partner exclusively does framing. In the past he turned down the job, but now he can refer this work to you – the master builder – and in turn get both the framing job and a referral fee as well.

The business is too busy to service the customer timely

What do most businesses do when someone inquires about their service and they are currently buried with customer orders? Right, they say *"I am sorry but we are booked or can't get to that repair for six weeks or can't*

install your landscaping until next year". Do we, the "I want it now" generation, wait? **Heck no** – we find someone else, don't we?

This brings up a **critical distinction**:

The prospect that calls a hotel to book their wedding reception, only to find out that it is unavailable until after their wedding date, is really called what? **An absolute guaranteed customer!** After all, they will most certainly call other hotels until they find a banquet hall and 50-100 rooms won't they?

If this hotel created a strategic endorsement with another hotel or similar quality, they now can say to the inquiring prospect "*I am sorry we are booked but The Plaza Hotel is quite elegant (if a high end buyer). Their Grand Ballroom is filled with crystal chandeliers and beautiful mahogany decor. Louise has been a master wedding specialist for over 25 years. I can call to see if they have availability and have them call you or you can reach Louise at 555-1212. They could also say "If I call I can save you 10% on the entire package because of our affiliation."*

Wouldn't this motivate these inquiring prospects to at least call?

Profoundly powerful stuff, isn't it?

Interactive Workshop 7-2a (Located at the end of this session)

Ok, let's take a breath and define where you have strategic endorsement opportunities in which you can leverage off of other company's client list.

What I want you to do is write down 1-2 opportunities that you have to provide your product or services to other competitors. Also, list which products or service would be the best fit. For example, the hotel could link up with wedding coordinators, churches, wedding gown shops and so on.

Go ahead and shut off the tape and take 3 minutes to do this now.

Welcome Back

Ok, now as you have identified 1-2 opportunities for getting your product or service introduced to other businesses' customers, let's look at the other side of the coin.

Strategic Endorsement Opportunity #2 - Endorse *Other Businesses* Products and Services to *Your Customers*.

This involves offering your customers additional products and services, which you don't sell, but which they purchase or plan to purchase from someone else.

By identifying quality businesses that can fill your customers needs, you can dramatically increase your profits without having to do a thing. A **designer clothing store** would love to know the names and addresses of the customers who purchase the \$399 boots from you. **Why?** Because this is **their** target customer as well. They understand that it costs them perhaps \$50 or more just to get their message read by them.

Why does it cost over \$50? When you are advertising to the entire market, how many people are looking, that day or week, to purchase the product or service you are selling? How many of those have loyal relationships with one of your competitors and therefore will probably ignore your ad? This leaves you with only the dissatisfied customers of your competitors and a small percentage of new residents, that your ad can impact – and what percentage of those will actually see your ad much less read it?

Mass advertising for most businesses is simply not economical. The methods we will cover in this growth session are **far, far more effective and efficient** in influencing these prime prospects to purchase from you. And, they require no risk!

Let's take a look at five (5) situations that create great opportunities for you to endorse other businesses to your customers.

1) You can endorse their product or service to your customers that have a need, but which you do not fulfill.

People love to do business with businesses they are comfortable with and trust – **and this is you!** Therefore, you are in a position to provide them with other related products and service thereby saving your customers money, time, effort, frustration and so on. Does that make sense?

By continuing to fill your customers needs, you are cementing a habitual lifetime pattern of purchasing from you. This is a **critical distinction** so let's go deep here by using a personal example from my healthcare services business.

My **accountant**, who was great at taking care of my needs, referred me to our **insurance agent**. Although we shopped rates, we went with this broker because of the referral – now we had over 800 employees and 13 fully equipped offices, so this agent made substantial commissions over the years.

My accountant also referred us to our **corporate attorney**. Being in a litigious business, dealing with medical information and attorneys, we spent millions of dollars over 10 years in legal fees.

My accountant also referred me to a **national accounting firm** when it came time for our business sale audit.

Do you see how powerful their endorsement was!

Now they could have taken it a step further by continually and methodically recommending other providers to me as well. Office supply companies, copy machine companies (*we bought 500 of them every two years*), computer system companies (*we owned 600 PC's and spent hundreds of thousands on outside consultants and developers to link them together nationwide*), a payroll service, a commercial realtor and so on.

Do you see where this would have been an enormous benefit to me as a client – saving me time, money, and the headache of searching for the right vendors? Whether the accountant derived any compensation or not, the benefit of a lifelong customer alone it is worth its weight in gold!

The second situation where other businesses can endorse you is...

2) Timing – As when you are the endorsee, timing is a powerful element for you as an endorser.

As we discussed, many purchases are linked to other purchases that occur almost immediately. If you have knowledge of a sale that is about to take place, that is if you are the Realtor in the above example, this is priceless to the home inspector.

The third situation where other businesses can endorse you is...

3) When Customers Move

Approximately 20% of the population move each year. Over 25% of those move out of state and another 40%+ move out of your immediate community.

If you are a local type business, say a dry cleaner or an auto care service then your chances of retaining the 40% that move outside of your service area are slim to none. But if you had a network of out of the area businesses such as yours, then why not recommend your clients to these businesses? You can define both the geographic coverage and the number of businesses you will set up these cross endorsements with.

If you have a regional business then the 25% that move out of state represent tremendous opportunity as well. *For example*, when a customer is moving out of state their bank could refer them to another bank complete with a officer contact and a special “welcome service pack” – so could an accountant, an attorney, a contractor, a landscaper, a home builder, a realtor etc.

As when you are the endorsee, the endorsement opportunity is not limited to your customers, it can also include your...

4) Inquiring prospects that don't convert.

The same reasons apply as when you are the endorser as they did when you were the endorsee.

- **Your product or service is either too high or too low in quality.**

How many times have you gone into a clothing store, a boutique, a car dealer or a garden center and didn't see what you wanted? Perhaps it was not the level of quality you were looking for? If you own a *discount baby furniture store* and someone comes looking for a crib but wants higher quality merchandise then you carry, tell them about your *strategic endorsement partner* who carries the quality baby furniture they are looking for.

- **Your product or service is not exactly what they are looking for.** Perhaps you don't have their size or color or perhaps the items you carry are not in their style.

For example, someone looking for a painting in an art gallery is generally looking for something unique, right? If you engage in a “needs analysis” you may find that you can direct them to one of your *strategic endorsement partners* – either a direct competitor that paints your same style or another painter that specializes in say Impressionism. If you determine that the prospect is not going to buy from you anyway, why not profit by simply asking a few qualifying questions and then directing them to meet their needs.

Critical Distinction - This prospect that you helped find the right artist for can become your customer forever. How? Well first, since you took a few moments to qualify their needs, perhaps they may be interested in **your art** on their next purchase **or** in five years when their taste change. Has this ever happened to you? Is the style of furniture you have today the same, as it was 5 or 10 years ago? My wife's tastes have changed 6-7 times in the 13 years. I wish someone would develop inexpensive disposable furniture that looks great, but is made to last 2 years max!

The second distinction is that you did them a service by directing them to someone that fulfilled their needs, didn't you? Therefore, you can send them a letter, after they purchase from your strategic endorsement partner, saying something like this:

“ I am glad you found the perfect painting at Supreme Gallery. Enclosed is our catalog of painting and sculptures we carry in case we can be of service in the future. We also, have access to over a dozen other artists, ranging from western to enclitic.

PS Do you know of any friends, family members or co-workers that are interested in traditional art? If so, please fill out the enclosed postage paid card with three names and we will gladly pay you \$50 or take 10% off any purchase when one of them purchases from us“

Taking this one step further, you now have a valuable fact about this customer don't you? You now know that they have purchased a new painting and probably will do other decorating as well. What else might they purchase? Furniture, wallpaper other art? Couldn't you now endorse other such providers to these customers?

The fifth area to consider when identifying opportunities to endorse other business' products or services to your customers is:

5) Refer prospects that you can't service.

“What do you do when someone inquires about your service and you can't service them timely or don't have the item in stock? If they can't wait, do you refer them to someone else that can help them? If so, do you receive compensation? After all, it was your marketing investment and efforts, your customer satisfaction efforts, your referral efforts that brought this prospect to you instead of them – now it is only proper for you to profit from your time and investment isn't it?”

Interactive Workshop 7-2b (Located at the end of this session)

Ok, let's take a break and define where you have strategic endorsement opportunities in which you can provide other products and service to your customers.

What I want you to do is write down 1-2 opportunities that you have to provide other businesses related products or services to your clients or a specific group of clients. Also, list which products or service would be the best fit.

Take 3-4 minutes to do this now.

Welcome back

Ok, there are three broad categories of endorsement systems for you to consider as both an endorser (where you recommend businesses to your customers) **and an endorsee** (where others recommend you).

1) Passive Endorsement Systems

These include:

A verbal recommendation to the client where the endorser controls the way your business is recommended. For example, when a **pool contractor** says he will refer your masonry and stonework contractor and you say, “Great I will refer you as well”, that is passive.

The pool contractor probably will have five such non-committal arrangements with your competitors. Therefore, you will get 1/5 the referrals when the customers inquiry about getting stone work done. You want and can easily make this 3 or 4 or 5 times out of 5.

The problem with this type of passive arrangement is that the pool company has no real motivation to refer just you or to suggest that every customer incorporate some stone work into their design.

In this type of passive system, you really have no idea how or **if** they are presenting you to their customers.

In the **Home Decorating Store** example, where the wallpaper person was recommended, you have no idea if they say “Well Tom is OK and Mary is about the same I guess – either one will do”. Or worse if they ever mention your name at all!

Another type of passive endorsement is really not an endorsement at all. It involves **renting a mailing list** from a business that has your targeted prospects as customers.

What this does for you is help target the prospects you desire and reduces your cost of reaching these customers. What it does **not** do is help you to get the prospect to open and read yours offer. From the prospect's perspective, it is still considered mass mailing and carries with it no real endorsement quality.

The second type of endorsement system is a...

2) Semi-Active Strategic Endorsement System

This is where a business utilizes their strong customer relationships to include another business' promotional material to their clients but does not overtly recommend them.

The **American Express** method is really a **semi-active strategic endorsement system**. In fact, it can be argued that it is really just a strategic marketing system. What I mean is that they are not controlling the offers made or the description of the businesses. Instead they utilize the power of getting their customers to open their envelope and at least peruse the contents. In this process, they are controlling their customer list. This is very different than simply renting a list. In that case, you are mailing to prospects that don't know you from Adam. In contrast, with a semi-active mailing, your chances of getting your piece read go up dramatically.

A semi-active system can also include a business putting you on their preferred provider list.

The Home Decorating business did this informally when they provided the inquiring customer with 4-5 wallpaper contractors. Many software companies do this formally by publishing a list of several local authorized service technicians for you to choose from.

I call this semi-active program because the process involves linking needy customers with qualified service providers. But that's it – nothing about what makes you special or why they should select you over any of the others on the list.

Let me illustrate the hierarchy of endorsement methods we are climbing.

If you have an insurance business and you **rented (passive)** the accountant's list of their small business clients, your costs to reach the targeted prospects would be quite low – especially if you narrowed it down to service businesses within 25 miles that had sales of over \$250,000. This certainly beats the pants off of sending out thousands of letters to businesses in general. But as a small business, I will probably read this piece if I am dissatisfied with my current insurance broker or have yet to select one, and that's ok, a well crafted letter will get some clients from this list.

Now if you have the accountant **send your promotional piece (semi-active)** to these same clients, the vast majority will open the envelope and at least skim through your material – probably increasing readership and response 500% or more! How hard is that process for you or the accountant – piece of cake!

There is a way to increase the reader interest and response rates another 500%. How? Simply by having the accountant **actively endorse you to their clients (active)**. What do I mean by this? I mean actually tell their clients, in the form of a letter or at point of purchase, about your unique benefits.

The letter would tell the trusting clients:

“How you have access to over 100 different insurance companies and therefore are able to search for the best rates from top companies. How you perform a free annual review to ensure these rates are still the lowest. How you find creative, but ethical ways to write the policies so you get the same protection for 20% less. And how you work with a contract attorney who reviews all policies before you will write them to ensure there is no damaging “fine print”.

The accountant can then go on to tell the client how you reduced her rates by 21%, and how they have negotiated a special discount or bonus for their clients, and how you will guarantee satisfaction or allow them to cancel at any time and pay no further premiums (something required by law but not commonly known).

They further share several testimonials that talk about the incredible service you provide and about how they used an agent in the past that got them into a policy cheap but then elevated these rates 25% in the first year alone.

Now, if the accountant provided valued service to her clients, would this letter influence not only those that are looking to switch agents but even those that are indifferent about their agent – wouldn't it raise questions in their mind about how they should be treated? Wouldn't the endorsement and the savings offered by the accountant be both powerful and appreciated by their clients?

And what did this method cost over the accountant just sending your promotional piece to their clients– **not a nickel!** What would be the difference in response rate – phenomenal, wouldn't it? What would the financial or other benefits the accountant derives– **five to ten fold or more!**

This is the Power of Active Strategic Endorsement Systems.

So an *Active Strategic Endorsement System* involves you *controlling* the endorsement activity and the *content* of the endorsement message whenever possible.

Let's go back to our stone installation contractor to illustrate.

“What if the pool company suggested every customer incorporate some stone work into their design”.

What a simple but awesomely powerful statement!

By the pool company simply raising the question of stone work to their customers they stimulate the buyer's imagination, and in turn cause a percentage of them to add this feature?

If the stone guy positions it right, he ends up being a consultant to the pool company. He does not charge the Pool Company for this \$100,000 idea, but only hopes for reciprocation in the way of referrals.

How is that for win-win?

Applying a real life example to this, my neighbor installed a pool at the same time we did and decided to add \$15,000 in stone work after seeing our plans. Now in this case, I was the one that did the cross selling. But if the pool guy had employed our strategy, he would not only have gotten my neighbor to purchase but several other customers as well.

Do you see how the Stone Business can provide valuable benefits to the Pool Company that makes them different from all other stone companies? If he also taught them how to *up-sell*; how to get continuous revenue by securing the pool maintenance agreement; how to implement *active referral* systems; how to *increase customer retention*; and how to *increase purchase frequency*, don't you think the pool contractor would actually feel honor bound to enthusiastically endorse the Stone Guy! Don't you already have a specific, simple tool for doing this in the form of this business growth program?

By the way, the Stone Business in this case is the *endorsee*, that is, he is being recommended by the Pool Company, the *endorser*.

The other side of this coin is that the Stone Contractor becomes the endorser and recommends the pool guy. How does the stone guy know what prospects would be interested in a pool? Awe, good question. Do you think that people who would put in a pool would also want to landscape as well? Do you think that people ever start off landscaping and later decide to install a pool or plan a pool initially but are waiting until they can afford to do it? If so, do you think that perhaps they may be clueless about who they would use for a pool down the road? What if our Stone Company built a strong relationship using our customer retention techniques and ©1998-2002 by Scott Hallman and Business Growth Dynamics, Inc., All rights reserved. Reproduction, in whole or in part, without written permission is prohibited.

followed up until the customer was ready to do a pool? **Might they call him to both get more stone work done and ask for a recommendation on a Pool Company as well?**

Also, do you think that someone looking to install a pool ever meets with several pool companies and perhaps then decides to do stone work? Might they call a Stone Company to get design ideas and cost estimates? Doesn't this give our stone guy an opportunity to endorse a **particular** Pool Company – especially if they motivated him to do so?

Now I am really firing off a lot of examples and going really deep to stimulate your imagination for your own applications. Remember to constantly ask yourself how these examples can apply to your business. My goal in this introductory phase of each growth session is to stimulate your mind so when we get down to designing your custom program you can do so easily.

How strategy applies to the various different businesses.

Ok, let's quickly apply these strategic endorsement techniques to our three business types – as I have really gone deep in several examples, I will just give some quick bullet ideas here – unless of course I come across a **Critical Distinction**.

Repeat businesses

Orthodontist

Since he is really an “Appearance Enhancer”, as he straightens people teeth, his clientele will probably be interested in dental services -teeth whitening, caps, general dentistry, and also these people are high users of other appearance enhancements, plastic surgery, cosmetics, hair, etc. The Orthodontist can endorse a host of other “appearance specialists” to his clients and have them reciprocate as well.

Infrequent and Random Repeat Business

A/C-Heater Company – I heard a great story about a guy that provides duct cleaning in an area where his competitors don't. Rather than try to get all the business he instead leveraged off of his competitors' customers by offering to outsource his duct cleaning service to those competitors. They in turn offered this service to their clients as if they did it themselves – yet they did not have to do a thing except collect the fees!

This A/C-Heater Company derives 30% of their work from this program.

Single Purchase Businesses

Home Inspector – a home inspector represents a group of businesses whose job it is to evaluate either compliance or business/home condition or deficiencies. This group includes the computer systems consultant, the telecommunications consultant, a safety specialist, the auditor, the repair service, the handyman and so on.

These businesses have the unique advantage of seeing and hearing about problems that need to be solved and upcoming needs of their customers as well. They are also in the unique position to recommend companies that can solve these problems. If the home inspector ethically determines that you need a new roof or termite repair or electrical work to be done, isn't it a service to you if they recommend a reliable and reasonable source (assuming there are no professional or legal restrictions)?

Ok, now that I have thoroughly illustrated the possibilities, let's get down to the business of implementing a strategic endorsement system in your business.

Steps to Implementing this Strategy

Step 1 Determine which endorsement methods you will employ

Now as I have explained the passive, semi-active and active systems let me share with you the **six techniques for applying these strategic endorsement opportunities** within your business. I have put them in order of difficulty and will build on the implementation steps as we go along.

An important distinction is that it is much easier to be the **endorser** than the **endorsee**. After all, what business would not be thrilled to have a customer dropped into their lap?

Here are the six leveraging techniques for you to consider. The first one is the simplest.

Leveraging Technique #1 – Arrange with a strategic endorsement partner to have them verbally recommend you to their customers that have a need for your product and service and you will reciprocate as well.

We mentioned this technique a moment ago. And you will remember that I said this is the least effective because you can't control the delivery of your message. But, if you do not have a system in place, and want to start with the basics, this is it.

You can dramatically increase the effectiveness of this type of system simply by adding some valued incentives for your strategic partner, and educating them on the benefits you provide to their customers. This includes **arming them** with your brochures or videotapes if your product involves demonstration. This dramatically increases the consistency of your message.

To illustrate: If the paint store typically gives the customer 3-4 wallpaper installer names, but you are the only one with a helpful and educational brochure wouldn't this increase the probability of them choosing you?

The implementation of a verbal recommendation system involves simply contacting businesses, with your targeted customers, and offering them an incentive to recommend your product or service to their customers and visa versa.

Leveraging Technique #2 – Rent your customer list to other business that desire access to you customers or visa versa.

As we previously discussed, this is a passive system. When you rent your list, you are authorizing the business to sell to your customers. This can include all your customers or a certain subset that are prime prospects for this business. You can either allow them to mail once or multiple times to your list or you can control the mailing so you are not sharing the names with them, except those that inquire about their offer.

If you are the endorsee implementing this system involves simply asking, in person or via letter various businesses to let you use their list for a fee - either per name or per order.

If you are looking for a general business category, you can look in the Standard Rate and Data Publication, which has a list of every mailing list and trade association. This is available at the library. You can find incredible specific groups of people, for example, "Members of Gardening Clubs" in a particular city.

If you are the endorser, renting your list involves informing your targeted businesses about the availability of your list, the cost, and a detailed description of the benefits they can expect to derive. You can also list your names with a list broker but you lose control of who gets the list – I discourage letting the world have access to your "Gold Mine". Also as I'll discuss later, never let anyone else have access to your list. You must control the mailing process.

Leveraging Technique #3 – Provide other businesses with the ability to be included in your customer mailing without endorsement (semi-active).

In the American Express example, we demonstrated how this is very different then simply renting a list, because of the power of piggybacking off of your strategic endorsement partners goodwill with their customers.

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In this semi-active system you are controlling your list and whom you will introduce to your customers to. Basically, you want to stick with items that compliment your product or service and add value to your customer.

The principle advantage of this leveraging technique is that you do not have to do a single thing – the strategic endorsement partner provides the product promotion material and you merely send a mailing to your list -*which you can outsource!*

If you are the endorsee, implementing this method simply involves offering your targeted businesses a fee to simply include your promotional piece in their mailing. You may want to limit the mailing to your specific service area or to your specific buyer group if they have a sophisticated customer database. For example, “All bicycle customers that live in the Northwest Suburbs”.

If you are the endorser, this method simply involves offering to include the business promotional material in your mailing. Again you will have to educate them on the benefits.

Leveraging Technique #4 – Refer your customers to other businesses at the point of purchase and visa versa

The point of purchase is perhaps the most powerful of all the methods for influencing purchase. However, you reduce the number of contacted customers enormously because of the inability to reach the inactive or sporadic purchase customers. In addition, rather than reaching your entire list in a week, it may take months or even years to reach all the active customers in this way. However, if your business finds compiling a customer list is not practical or at best, spotty, then this is a valuable technique. An **insurance broker** may ask the client if they have an alarm system since this reduces their premium by 15% - if the customer showed interest he could then recommend a quality company that has an effective system at a reasonable price.

Remember that this is absolute found money and once set up, requires very little effort. Plus it is of enormous benefit to your clients.

If you are the endorsee, implementing this method involves finding strategic endorsement partners that have customers who will logically need your product or service, and again showing them the benefits of referring their customers to you –money, better service to their customers etc.

However, since this is an active system you will need to educate the strategic endorsement partner on the benefits you offer and how you are different than the competition. You will also need to provide written material; a brochure or booklet or single fact sheet, that the partner can give to the customer, and develop a simple script as well– don't expect or encourage your partner to sell your service.

If you are the endorser, this method is really easy – what business would not want to get an automatic order. Again, in order for this to be an active system, you will need to put some effort into it. You will want to design the script so you can embellish your partner's attributes. This means that you will need to get any written promotional material they have and/or interview them to determine their benefits.

Leveraging Technique #5 – Endorse other businesses to your customer list via a letter and visa versa.

This method is a purely **active system** where you totally control the endorsement language. There are three (3) powerful advantages to this technique.

- 1) It eliminates inconsistencies with you or partner's staff delivering the offer to the customer.
- 2) It allows you to tell your whole story – it is really the opportunity to give a written sales presentation that a busy customer may not listen to at the point of purchase.
- 3) It enables you to reach all customer types at once - active, inactive and inquired but did not purchase.

However, these advantages come with a price and that price is additional effort. This method requires the most effort because it requires you to write a letter to your customers embellishing your partners product or service.

If you are the endorser, implementing this program involves you insisting on editing rights of the letter. You cannot afford any outrageous claims or lack of compelling benefits to go to your clients. These offers should make it sound like you have negotiated a better price, terms and guarantees in order to protect your clients. You should make a 30 day, no questions asked, guarantee mandatory.

You should also try to get the partner to let you write the letter; otherwise it may never get done. This means that you will need to get any written promotional material they have and/or interview them to determine their benefits.

I don't want to make this sound difficult, just a little time consuming at first. The implementation itself is quite easy.

If you are the endorsee, this method involves providing your strategic endorsement partner with the exact letter they are to mail – and then letting them have editing rights. Remember that they may never get around to writing the letter and probably never write it as well as you will.

Leveraging Technique #6 – Refer other businesses to your customers triggered by specific purchase or actions.

This is similar to both the point of purchase and endorsement by letter except it specifically applies to certain purchase actions.

To illustrate, when a business customer purchases or inquires about say **computer network** they will almost certainly purchase new software and hire a software engineering firm to install the system – in other words, the act of purchasing a new computer system **triggered** the purchase of the software.

So simply by identifying these triggers you can reach these customers at prime purchasing time, before the purchase decision is made. This applies to point of purchase, phone orders and mail orders.

If you are the endorsee or the endorser, this method involves simply identifying these logical triggers and then employing one of the methods above.

Let's determine which leverage technique is best for your business.

Interactive Workshop 7-2c (Located at the end of this session)

Go back to Interactive Workshop 7-2. You selected 1-2 ways you could be both an endorser and an endorsee and write down 1-2 leveraged techniques you can apply to each of these opportunities.

- Would you like to have them send your promotional material to your targeted prospects or
- Embellish you when they give the 3-4 names to their customers or
- Recommend their product to your customers whenever certain purchases trigger the need?

Stop the tape and take 3-4 minutes to do this now

Welcome Back

Step 2 Determine why both the strategic endorsement partner and the customer would benefit from the strategic endorsement

First, why should the customers want to purchase these items? What is the benefit they get? Does the client improve performance, health, save time, money, earn a special bonus, gain a convenience, improve appearance, or receive priority service?

Second, why should the strategic endorsement partner want to offer your item to their customers or have their item offered to your customers? Do they gain new customers, earn higher profits, help cement client relationships or keep clients as a result of their one stop service?

Interactive Workshop 7-2d (Located at the end of this session)

Under each of opportunities you listed write down 2-3 benefits your customers and strategic endorsement partner will derive.

Take 2-3 minutes to do this now!

Welcome back

Now, as with every session, let's get clear on the profitability of each choice so you can then determine which ONE to focus on over the next 30 days

Step 3 Determine marginal profitability of each choice

Going back to our stonework contractor example. Let's assume that he had strategic endorsements with few pool installation companies that did say 100 pools a year.

Let's further "guess" that of those 100 installations, 10 people decide to add stone work as a result of their own preference, and as a result of the suggestion by the pool guy.

Let's further "guess" that they spend an average of \$5,000 each. Ok, that's equates to \$50,000 in found business, and say \$7,500 in profit for being an *endorsee*. Make sense?

Now, let's "guess" that the stone guy directs 10 of his customers or inquiring prospects to one of those pool companies. Since the average pool is say \$40,000, 5% of this is certainly fair – that equates to \$2,000 referral fee per pool or \$20,000 in his pocket for being an *endorser*!

So the total in his pocket profit from these strategic endorsement relationships is \$27,500 - Not bad for just 3-4 arrangements.

And remember that is just for one year, the lifetime value of these arrangements over say five years is **\$137,500!**

So let's determine your profit potential

Interactive Workshop 7-3 (Located at the end of this session)

What I want you to do is fill out the worksheet, for each of the endorsee/endorser opportunities you have identified, to determine your marginal profitability per year and over the lifetime of the arrangement –you can use five years for this.

I have provided four columns, one for each of your selected items.

What is the marginal profit, that is for review, the price you will sell your product or service for, less any discounts, incentives, and bonuses, and less the **direct** labor and your **actual cost** to buy the product. The worksheet will guide you through the process.

Turn off the tape and take 5 minutes to do this workshop now.

Welcome Back

Now, quickly record the profit numbers on the appropriate space provided in Interactive Workshop 7-2d.

Ok, you now should have a list of 2-4 endorsement opportunities, with specific leveraged techniques you can apply. Further, you have identified the reasons why the customer and the partner would benefit from the program and you have determined the profitability of employing each.

Step 4 Crunch down to ONE

Next, it is time to crunch your list down to the ONE strategic endorsement opportunity and the ONE specific leverage technique that you will implement over the next 30 days.

Interactive Workshop 7-2e (Located at the end of this session)

So go back and quickly review Interactive Workshop 7-2

What I want you to do is evaluate the expected profitability and the compelling reasons why you have written under each of your opportunities.

Then, select ONE. You should end up with ONE product or service and whether you will be the endorsee or endorser – and remember that it is easier to be the endorser.

Then finally, which leverage technique will you use? Verbal endorsement? Rent a list? Point of purchase? Send a letter?

Take 2-3 minutes to do this workshop now

Welcome back

Now the rest of the implementation steps can be focused on your ONE opportunity and ONE specific endorsement technique.

Step 5 Determine Specific Businesses in Which You Can Form Strategic Endorsements

Who has relationship with your targeted customers? Who has the exact customers you want to reach? Who else do you create a customer for when you get a new customer? Who wants to reach your customers?

The purpose of this step is to get you to begin thinking of actual businesses you can approach. You may or may not know right away but at least want you to take a few focused minutes to list either specific businesses or specific types of businesses you will pursue.

If you need to reference the *Standard Rate and Data* publication for trade associations, trade publications, and available sources for mailing lists, then write these down. **But** I would rather see you start with businesses you already work with or local businesses you can easily approach. Then you can expand out from there.

Another technique for finding businesses is to cut out ads in trade magazines, or direct mail you receive.

You may also want to consider looking into local Network Groups or your local Chamber of Commerce to find partners as well.

Interactive Workshop 7-4 (Located at the end of this session)

Make a list of 4-5 businesses that you can immediately approach to discuss your strategic endorsement opportunity. Who has relationship with your targeted customers? Who has the exact customers I want to reach? Who else do I create a customer for when I get a new customer? Who wants to reach our customers?

Stop the tape and take 2 minutes to do this now

Welcome Back

Step 6 Designing Your Program

Now, before we go any further, I need to establish four indelible rules that you should strictly follow when applying the strategic endorsement strategy to your business.

- 1) You must make sure that whoever you endorse or recommend to your clients is of similar quality and integrity to you or they will feel sold out.**

If however, you help them link up with a quality company, that meets their needs and treats them well they will be indebted to you.

- 2) You must always control and guard with your life your customer list.**

Remember that this list represents a lifetime continuous stream of profits for you. You can elect to use a bonded mailing service to send the mailing. They guarantee to keep your list confidential.

- 3) You must control the endorsement activity and the content of the endorsement message whenever possible.**

First of all you want to ensure how your business is described to others and second you want to make sure that the quality of the marketing message is as strong as it can be.

- 4) Always “test drive” any relationships before you get more serious.**

I am not advocating forming any long-term relationships – play the field and keep your relationships a bit off balance, while keeping your options open.

Now before you design your specific endorsement program, there are a few “tools” you will need to get most out of this growth strategy

Customer database:

As with each of the previous growth strategies, obviously you need to have your customer database in order so you can both determine which of your customers to make your offer to, and be able to easily mail them your offer. Once again, if you need to review how to do this, go to *“The Ten Fundamentals of Marketing”* tape and review this section.

Testimonials:

If you are going to have others endorse your product or service, testimonials are helpful (but not necessary). If you endorse them, try to get testimonials as well or abstract quotes from reference letters they have on file. However, don't insist that they go get testimonials they don't already have, as you will never get the program started.

Ok, let's custom-design your implementation program. There are 5 elements of the program you need to customize. In designing your system, there are two separate customers that you need to address. This is why this growth session is a bit timelier.

The first is the **actual purchasing customer** and the second is the **strategic endorsement partner** “customer”.

So what I am going to do is to have you first design your customer program entirely and then focus on the strategic endorsement partner program which will include specific offers and scripts, how to construct your deal and how to monitor the results.

You may want to complete the customer section, then take a break (no more than one-day) and then proceed with the strategic partner section.

Ok, let's get started with the customer program.

The Customer Program

Element #1 - For the Customer -*Determine what the offer will be*

At what price will you offer the product or service?

If your product or service contains incredible benefits in and of itself then you won't necessarily need an incentive. *For example*, if you are an auto care service and the customer needs a wheel alignment, simply offering them the convenience of taking care of this for them is benefit enough to get them to use your recommended service.

However, in most cases, you are trying to get the customer to expand their purchase patterns by purchasing an additional product or service that you or your partners don't typically provide. In this case, a compelling offer loaded with benefits and risk avoidance is crucial.

So from a pricing perspective, you should be sure it is deemed as a special price you or your partner have negotiated on the client's behalf.

The next thing for you to consider in your offer is including “value added benefits” or a bonus’ to motivate the purchase.

Remember that when using value added services or bonuses you should select items that both have a high-perceived value to the client and a low cost to you. *The accountant* that has available time can provide *a free tax return or free basic tax strategy consulting* for effectively no hard cost, **but** the perceived value is several hundred dollars.

The next consideration in your offer is how will you reduce or eliminate the risk of the purchase.

We covered guarantees and risk of purchase assessments in detail on **The 10 Fundamentals of Marketing** tape. Once again, you may want to review this section.

Remember that offering a guarantee is of virtually no risk to you **if** you first scientifically test the offer and measure the product returns. If the increased profit exceeds the cost of returns then you only win with the guarantee. Since we always implement our test before expanding the programs we can make aggressive offers safely.

For the physician that offered his patients the premium vitamins, she can also include a special travel pack and a 30-day money back guarantee if the patient doesn't feel more energetic and healthier. Once again, we are stacking the deck. In this case the physician should insist on the manufacturer extending the warranty so it really cost her nothing.

The critical distinction here is that when you generate revenue from strategic endorsement relationships, this represents “found revenue” you would **not** have previously received! Therefore, any marginal profit you earn is money in your pocket.

Interactive Workshop 7-5 (Located at the end of this session)

Ok, let’s determine your specific offer you will make to the customers you have selected to sell your ONE item to.

Write down your offer to the customer. Be sure to include pricing, value added products or services if applicable, and any risk aversion elements you wish to provide. We have put these elements in the template to help you along. Don’t worry about the language, just list in bullet form.

Take 3-4 minutes to do this.

Welcome Back.

Element #2 For the Customer - *Determining Your Script.*

What are you going to say?

As with each offer we design for these growth sessions, your offer should contain:

1. A specific ***self-serving benefit*** headline (and sub-headline), or first paragraph
2. The ***specific benefits*** and outcome they will receive
 - Product or service benefits and feature
3. The ***reason they should purchase*** the item and why from you
4. The specific actions **you** will take
5. The specific action **they** are to take (price, terms)
6. A compelling incentive or bonus, if applicable
7. How you will minimize or **eliminate their risk**
8. **PS** to emphasize key points in the body

The basic script is the same whether you are the endorser or endorsee. The only difference is who is delivering the offer.

The physician offering the premium vitamins might write a letter as follows:

Dear Bill:

I have seldom been so utterly impressed with a product for improving health and vitality that I felt compelled to recommend it wholeheartedly to my patients. (Self-serving headline – who doesn’t want health and vitality) Over the last year I have been recommending state of the art nutritional supplements to my patients that have had specific health related conditions. It recently occurred to me that I am doing a disservice to all my other patients that want to improve their general health.

These supplements represent a scientific breakthrough in my opinion. Why? Because typical vitamins, including most you find in the health food stores, only have an absorbency rate of 20%. That means 80% of the benefit is lost. However the Supplements 2000 line achieves a remarkable 50%-85%. In addition, they are coated so they are easy to take and have no bad taste. (Specific benefits of the product-reason to buy)

These supplements are available only through physicians – so you can’t buy them in a store – which by the way I feel is ridiculous. Therefore I have gotten the folks at Supplements 2000 to agree to let me offer them to all my patients. (The reason they should purchase the item and why from you)

In addition, so they are affordable to you that I have gotten them to allow me to offer them to you at 25% off. (Incentive-benefit from ordering from you)

Although, from the results I have experienced with other patients I have the utmost confidence that you will be thrilled with these supplements, I insisted that the company unconditionally guarantee 100% of your money back if you don't feel noticeably more energetic and just plain healthier. (Risk avoidance)

*Enclosed is an order form for you to fill out and send back to us. We will then order these for you so you get the full 25% discount. You will receive your order in about two weeks. (The specific actions they should take and the actions **you** will take)*

Plus, for the first 100 of our patients that order the company will throw in a \$25 travel supplement pack for free. (Value added bonus)

Let me take this time to share with you how much I value your business and hope my discovery can help you and your family live a healthier life.

To your health,

Dr. Raymond Johnson

PS. The incredible thing about these supplements is the fact that they are so much more effective and yet cost less than the premium supplements you find at the health food store.

Pretty powerful, isn't it?

Now, I am making up this letter on the fly and the facts and circumstances are purely fictitious – but I want you to get the gist of the letter – you will embellish the benefits you listed about your product or service.

If you are delivering the offer at the point of sale or via communicating by phone, you will need to crunch down this script so it is shorter but hits all the same points.

Interactive Workshop 7-6 (Located at the end of this session)

Write out your script. We have provided a template to ensure you touch on each of the key points. Remember that the script can be rather short or somewhat lengthy if you need to explain your business in detail.

Don't try to perfect the script, just get it outlined the way you feel comfortable.

Go ahead and take 5 minutes to draft your rough script now.

Welcome Back

Did you make sure you included all the elements?

Incidentally, I know I mention this **every session** but I feel compelled to say it again, most people feel that it takes a special talent to write a good offer. **This is garbage!**

As long as you include the key elements and write to one customer at a time, your offer will be better than 98% of the so-called copyrights that don't know your clients or business like you do. If necessary have someone edit the letter for grammar and punctuation if it makes you feel more comfortable.

Element # 3 - Delivery/Communication Method

The third element of your customized customer follow up program is to determine which delivery method(s) you will use.

That is, if you are making the offer at the time of purchase will you ask the client yourself or will your staff? Or will you mail the postcard? Or send a direct mail letter? Or will you communicate by Phone?

Since we have covered these methods in detail in past sessions, you may want to review *“The 10 Fundamentals of Marketing”* tape.

Incidentally, your program can and should encompass multiple delivery methods.

Interactive Workshop 7-7 (Located at the end of this session)

Take one minute to decide which method or methods you will use to communicate your offer to your clients.

Stop the tape now

Welcome Back

Element # 4 - Determine the Timing

Now, you have identified your specific offer, what you will say and what method you will communicate it. So what about timing? Well for the nutritional supplements the offer can occur anytime. But for the home inspector, the endorsement from the Realtor better be at the point of sale. And for the patio furniture store being endorsed by the pool guy, the timing might be 30 days before the pool is done.

Element #5 -Follow Up

To build on the timing exercise, you will need a follow-up system in place.

Remember from previous growth sessions that you need to follow up routinely on your offer.

It may take two or three mailings or point of purchase offers before the timing is right for the customer. Perhaps the patient that received the doctor’s letter had a month supply of expensive vitamins and therefore did not act the first time.

Also, remember that your customer’s needs continually change. The patient that passed on the supplements before may become open to them if they get sick or are feeling fatigued.

Ok, now you have your customized program for the customer.

You must next test it, teach your staff if applicable, monitor the results, and set up an incentive program for your staff. If you are the auto care shop, it will be imperative that your mechanics are motivated to look for the additional items, such as transmission, or auto detail or alignment on every vehicle. If you don’t have an incentive program in place, this simply won’t happen.

Interactive Workshop 7-8 (Located at the end of this session)

Design your test, monitoring, and incentive plan.

- 1) Decide on the number of customers to test.

If your arrangement involves a mailing, then take a representative sample of the targeted customers. How large is that, probably 5% or so. The statistical accuracy will be rather poor but you will get valuable feedback from this mailing.

If you are endorsing at the point of purchase then as always I encourage you or your hands on manager personally test the program on your customers until you get the script and offer the way you want it.

- 2) Determine how you will role the program out to your staff or to all the targeted customers.
- 3) What will you use as an incentive to keep your staff or partners focused on the program?

Take 3 minutes and do this workshop.

Welcome back

Now as you have completed your custom designed program for the customers, it is time to design your Strategic Endorsement Partner Program.

By the way, how's your energy and focus level? If you need to take a break do it now, otherwise we have about another 20-30 minutes to go, including your workshop time.

The Strategic Endorsement Partner

You determined 4-5 potential partners earlier. So how do you set up the relationship with these strategic endorsement partners? Let's go over five (5) elements of customizing your approach.

Element #1 - *Determine what the offer will be to the strategic endorsement partner*

So what is in it for the partner? Money or customer benefit – i.e. price, bonus, guarantee, or services or simply convenience. You determined this in an earlier Workshop. These benefits will be the foundation of your offer.

Now the automatic benefit offered is typically money, but this is not always necessary. I will cover the fee considerations in the second element but first here are three alternative arrangements to consider.

1. Barter

Now I don't like the "*You rub my back and I'll rub yours*" type of arrangements – this is both a passive technique and generally leads to one partner sending five times more business to the other. Instead, you can offer to service each other based on the volume of business you get.

For example, if a dentist is sending five families a month to the orthodontist, then he ought to handle the braces for that dentist family or extended family for free as long as it is justified.

Now in reverse, the dentist may only get one family per month from the orthodontist. So the dentist may provide free dentistry for **only one** family member based on this volume.

The second non-money arrangement involves...

2. Convenience

Sometimes simply the convenience you offer the partner is enough to motivate them to endorse you. **For example**, the if the auto care business currently has to take their customer's car to the alignment shop of choice, then the *strategic endorsement alignment shop* can offer to pick up and deliver the car back to them as an additional value added service. This may be all they require.

3. Charge Higher Fees

If the customer gains the benefit of comfort or convenience or reduced effort or the service is of a high-perceived value, you can charge full rates instead of competing on price. Therefore, any fees paid to your endorsement partner are really at no cost to you.

For example, say you have a transcription company, a business that types doctor's dictation. If a hospital is looking to switch their transcription company because of the continuous problems with quality and complaints from their doctors, then they emphasize shifts from price to quality. Does this make sense?

If your strategic endorsement partner has a strong relationship with the hospital, then their endorsement of your Transcription Service will enable you to charge your published rates instead of competing on the lowest bid when they are satisfied.

Fee Arrangements

Now if you are using a fee for compensation what fee is appropriate for the endorsement? Again, this is dictated by the lifetime value of the customer for that product or service. If you are gaining access to hot customers that you could not economically reach, then you should be willing to pay a considerable fee.

Let's continue with or physician example.

The first thing she must do is to determine at what price she will offer the supplements to her patients. This first involves determining how much profit she will be satisfied with per patient. Once this is established she then must negotiate with the supplier for the best price based on projected revenue. The combination of these two dictates the price.

For example, let's say the Doctor wanted to earn \$10 per month per patient. If the monthly cost of the supplements were \$50 retail, and she had a \$30 cost basis, then she could offer them for \$40 and earn the \$10 profit.

Now if she could get the company to reduce her cost to \$25 due to volume, then she could either lower the price to \$35 or pack the offer with \$5 in value added bonuses.

Let's take a look at four types of fee arrangements.

1) Percentage of Revenue

When you base fees on profits, the formula should be fixed and communicated up front. Basing the fee on "20% of Gross Profit" is a nebulous term that will lead to conflicts down the road. Instead, I recommend determining the profit formula and then converting it to a **percentage of revenue**. If the product marginal profit is 50% and you want to achieve 20% of that figure as your fee, then base the fee on 10% of revenue.

2) Fixed Fee per Customer

A hair salon could pay \$50 for each new customer you send to him or her. You on the other hand may be willing to pay \$250+ if you are the hair salon. Why? Because if you have determined that the average customer has a Lifetime Value of \$1,650, then you can really motivate your strategic endorsement partner, can't you?

3) Fixed fee per transaction

This is where you or your partner has a repeat business product or service and you want to avoid paying out large up-front fees for potential lifetime customers. Alternatively, this arrangement applies to one time purchases as well. In these cases, you can agree to pay a fixed fee per purchase.

For example, if you are a Chiropractor and the average patient generates \$75 per visit and uses you for 20 visits over their life, then you have a Lifetime Value of \$1,500. Now if you are willing to pay 20% to your partner, that's equates to \$300. But you may be unwilling to pay \$300 cash up front, so alternatively you can do this on a fixed fee per visit basis in two ways:

- Pay \$15 per visit for each of the 20 visits, with no guarantee
- Pay \$45 per visit for 12 months up to the \$300 cash amount.

4) Monthly Retainer

If you are sending or receiving a steady stream of customers from your strategic endorsement partner, then a monthly retainer may be best. Incidentally, you need to be sure you check the local laws in your area to make sure endorsement fees are allowed for both your profession and business in general.

If you are the **endorsee** and feel confident in the number of purchases that will result from strategic endorsement partner endorsing you to their list then you may want to suggest a monthly fee. One that sounds really attractive but is substantially less than if you paid a percentage of revenue or per transaction fee.

For example, if the Nutritional Supplement Company was the one that set up the arrangement with the physician, the physician may feel that a monthly retainer of \$500 per month is great but has no interest at \$15 per patient.

However, if the Supplement Company **knew** from other physician arrangements that at least 50 patients would participate then they would earn \$750, leaving both parties happy.

In all these compensation arrangements, it is valuable to show the strategic endorsement partner the marketing and sales cost they save by your arrangement.

Interactive Workshop 7-9 (Located at the end of this session)

Determine what your compensation arrangement will look like. You may want to glance back at your selected items to see both the benefits and the marginal profitability you projected.

Stop the tape and take 2-3 minutes to do this now

Welcome Back

Element # 2 The Script – What do you say to the Targeted Prospect?

Well, you will want to educate the partner on the benefits you provide to both them and their customers and on the quality and integrity of your business. In addition, you will want to educate the partner on the size of and quality of your customer list so they can see the potential.

As an illustration, lets go back to the *transcription company*, but in this case the **endorser** (the one with the strategic relationship) is the Health Information Management Company who has 500 hospitals nationwide, with an average client term of 7 years.

Say this Health Information Management Company, (**endorser**) is looking to leverage off of their strong hospital client relationships and has identified transcription as a great complimentary service.

This **endorser** could write a letter to the 10-20 transcription companies that they deem of higher quality as follows:

Dear Business Owner:

Our company has strong relationships with over 500 hospitals nationwide and we are often asked for referrals on transcription companies. Therefore, we have decided to endorse a company that has exemplary quality and service. (Self serving benefit and compelling reason why they should read this letter)

Since our average hospital client has been with us for over 7 years, our goal is to provide them with a transcription company with validated satisfied customer and the best price available. (Specific qualifications we expect)

We anticipate that approximately 50 of our hospitals will take our recommendation. (Telling them what is in it for them). We are looking for a price of \$.14 per line and a quality audit rating of 99%. In addition, we are looking to provide free pick up and delivery (bonus), and up to 10 rush jobs per month at no cost. (Value added)

It is important to note that we want to establish a continuous relationship in which we both benefit.

If interested in being considered, you can call Mary Johnson at 1-800-555-1212.

PS. The marketing and sales costs you will save by being the exclusive transcription service to be endorsed to our 500-hospital client list will more than offset the price and services you will be providing.

Interactive Workshop 7-10 (Located at the end of this session)

Let's have you now design your script. Once again I have included a template to ensure you include all the critical components.

Take 5 minutes to do this now

Welcome back

Element #3 Who Handles the Direct Mailing Program?

The two criteria to consider are the crafting of the letter and the cost of the mailing.

1) Crafting the Letter

I said earlier that if you are comfortable with drafting the letter then you are better off doing it yourself since you know your product and your customer far better than the partner does. In addition, if you wait for the partner to draft the letter or the script or the brochure, they may never take action and therefore you lose. Alternatively, you can have them draft it but you always want editing rights before it is mailed. In turn, you will generally want to offer them the same rights to help them feel comfortable.

2) Funding the Mailing

This is purely a negotiating item. If you are the **endorser**, it is more than reasonable to ask for the partner to pay half or all of the mailing and in turn you will want to offer the same to your partner. Remember that this should be of little risk since you will do a small testing – with maybe \$100-\$200 at risk.

If your lifetime value is high, you should be prepared to pay for the mailing, but of course this subject should only come up if they address it.

Element #4 Agreement* - How Do You Set Up Relationship with Strategic Endorsement Partner?

Now as you have clearly defined the benefits that both the strategic endorsement partner and their customers will receive it is time to address the **agreement**. I strongly urge you to keep these simple and short term or easily and immediately cancelable. Many and in fact most of your arrangements should be verbal, especially in the beginning. Also, a written agreement will turn off most potential partners who find this marketing method a bit uncomfortable to begin with.

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The wallpaper contractor that pursues an exclusive or preferred endorsement for the home decorating store would not want to suggest a written agreement as it would be a impediment to getting a deal done. In addition, if the partner turns out not to perform as promised, you want to be able to terminate the relationship immediately.

If you are the **endorser** then your agreement is simple, “As long as you provide high quality, the best prices, and service my customers well, I will recommend you to my clients.

Once you are comfortable with each other you may want to look to formalize an agreement. Now I am not an attorney or intend for the following to represent anything other than an illustration (I have to say that).

Now let me clarify that I am not saying you should not document your arrangement. When I talk about agreement, I am addressing a contract. It is a good idea to write an informal outline of the arrangement to avoid fee disputes and “memory lapses” down the road.

*I encourage you to consult an attorney for professional advice.

Here are four situations to consider in your level of agreement*

1) Per Individual Transaction Endorsement – As I just mentioned with the wallpaper contractor example, these arrangements should be verbal unless there is a substantial cost to setting up the arrangement.

2) Per Mailing Endorsement – When you do your test mailing, you can operate on a verbal agreement to eliminate any resistance to the concept.

The doctor that is endorsing the Nutritional Supplement Company could do a test mailing to a small group of customers to test satisfaction and response. However, once they roll out the program, a written fee arrangement may be appropriate to avoid fee payment conflicts especially if she is being paid a monthly or per continuous transaction fee. The level of agreement will depend upon both the amount of money involved and the payment term.

The third agreement consideration is...

3) The Level of Commitment

In the case of the Transcription Company, once the test period is up they would have to invest substantial time and resources to gear up for handling 50 hospitals. In this case an attorney written agreement is both expected and prudent.

The fourth agreement consideration is...

4) The Ability for You to Be Replaced

If you create a profitable relationship with a strategic endorsement partner, they may be in a position to now shop for the best deal; an agreement may be appropriate once you have validated the program.

For example, if you have a relatively generic product, say the carpet cleaning business and **you educate** the carpet store on the benefits of endorsing you; **you draft the offer** and letter and **you pay for the test mailing**. You may want to get a written agreement for a term that is reasonable or a termination fee. **Why?** Because it is easy for them to now use your letter and get bids from other carpet cleaning companies as to what they will pay them.

Interactive Workshop 7-11 (Located at the end of this session)

1. Write down what type of agreement you will pursue and how you might want this agreement crafted.

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That is, is it verbal, or written? And if written, how formal is it?

2. What are 4-5 components you feel need to be included in such an arrangement? Would you have editing rights, would you have to control your customer list, would you have to be the one to sell the customer, who will draft letter and who will fund the mailing?

Stop the tape and take 2-3 minutes to do this exercise

Welcome back.

The final element is...

Element # 5 - Ensuring you are getting paid fairly

First of all, I want you to assume that you will not get paid 100% of what you should. Sometimes tracking is difficult, costly and a pain in the neck.

*I encourage you to consult an attorney for professional advice.
There are **6 ways** of controlling you get paid:

1. “Gut” Expectation

That is, what do you feel is a reasonable response rate?

If you refer 25 people to the wallpaper contractors and they tell you they converted only 2 – *that sends up a flag*. If you are getting paid on 10-15 then that is reasonable.

2. Have at least two partners per product

If the home-decorating center recommends two wallpaper contractors and one is paying 5 referral fees and the other 15, *this raises a flag as well*.

3. You can also randomly follow up with any of your customers that you referred to see if they purchased

4. You can also have a separate 800 number or a PO Box that the orders go to

If the doctor wants to control the purchase of the supplements, he can either have the orders directed to his office, which in turn submits to the company or use an 800 number in which he receives a copy of the itemized bill. In this way his office is spared any work but he can easily see how many people ordered.

5. Dual Reports

In a big deal such as the transcription deal you may want to require copies of all invoices from both the hospital (that pays the fees) and the Transcription Company so you can compare.

6. Audits

You can also control payment through a right to audit their records, exclusively pertaining to your transactions.

Ok, let's have you determine what fee arrangement you would be comfortable with and is also compelling to the partner.

Interactive Workshop 7-12 (Located at the end of this session)

Write down a brief description of the fee arrangement you will pursue with the targeted partners you have listed.

Take 2-3 minutes to do this now

Welcome Back

Step 7 Test the Program Yourself and Modify

You will want to test your offer to your targeted strategic endorsement partnership before rolling it out – regardless of how juicy the deal looks.

For the targeted strategic endorsement partners just test your offer on the 4-5 you identified. Then based on the feedback you can modify and then expand your targeted list of companies.

Critical Note: Only pursue ONE arrangement during the next 30 days. If all 4-5 say yes – great-tell them to wait for a month or so.

Step 8 Set-up Measurements/Tracking Systems

We discussed the monitoring of the fees due by the partner. You will also need to keep accurate track of your customers' purchases so you can provide them with the fees due from you. A simple one-page report of the number of transactions or revenue and the calculations of the fees should be adequate.

Financial impact of implementing the strategy

Now because of the length of this session, I will skip the ROTI and ROI portion. But as you have consistently witnessed the return on time invested is easily \$1,000 to \$10,000 per hour or more.

1-800 Consulting Service

If you need any help implementing this strategy within your business, simply call our growth consultants at 1-800-206-6557. This inexpensive service can help you quickly clarify how to best implement the strategy within your business

Homework

1. Implement your test that you designed over the next 30 days.
2. Answer the questions in Interactive Workshop 8-1 before next month's session. It is called, ***"How to Reduce Your Cost of Acquiring New Customers by 50-80% Through the Use of a Laser Marketing System™"***

Stop wasting time and money trying to convert low value, low probability, and low quality prospects. Winning new customers requires repetition but most businesses stop their marketing and sales efforts long before they have a chance to work.

In this session you will learn how to pinpoint your best prospects and then concentrate your marketing efforts so you can afford the repetition that will guarantee success.

Really go for it over the next 30 days and I look forward to speaking with you again next month.

To your success!