BUSINESS INTELLIGENCE REPORT

Strategies and Trends for the Successful Business

BARRINGTON AREA CHAMBER of COMMERCE

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IDEAwatch

Tips for Growing Your Business

■ **How long has it been since you researched competitors?** While it's unproductive to be constantly concerned about your competition, it's smart to schedule some time once or twice a year to investigate other offerings similar to yours. Don't just look at the same factors each time. The longer you're in business, the more you'll understand about what's important to your customers. Maybe you'll spot trends you'd better catch up with, identify customers that you're better equipped to serve compared to the competition or have fresh insight on how to pitch your unique advantages.

Source: www.yudkin.com

■ **Make a memorable impact on people you talk with** at networking events by asking for two business cards — one for yourself and one to pass on to a friend or colleague. You'll be remembered as the person who asked for an extra card to pass along.

Source: www.constructionbreak.com

■ **If your salespeople are always giving discounts** in order to get the sale, chances are you're paying commissions on revenue and not profit. The problem with paying on revenue is that a discount has little impact on a salesperson's commission, but it can have a big impact on your bottom line. In order to base commissions on profit, you'll need to share variable profits with your salespeople. This action in itself will often result in them pushing higher profit products since that would result in higher commissions. It also reduces unnecessary discounting. In addition, consider setting commission tiers. For example, once transaction profitability exceeds a target level, offer a 50% bonus. This raises the payoff for pushing for even more profit.

Source: blogs.hbr.org

ENTREPRENEURSHIP

Beware the Entrepreneur's Recoil

by Jonathan Fields

I WAS RECENTLY giving a keynote before a room full of entrepreneurs and from the audience a voice yelled, "Why are you telling this to us? We're not the people who need to hear this. This is a waste of time." Pin drop….

Beyond the fact that a good percentage of the eyeballs in the rows in front were rolling, it was my first official keynote heckle. I was talking about mindset and entrepreneurship. More specifically, how we need to embrace uncertainty and recognize the creeping emergence of decision-making based not on optimism and opportunity, but on fear and the desire to prevent loss.

Are you the same entrepreneur you were when you first started, or have you lost something along the way?

My friend in the audience was bothered because he'd assumed that, in a room full of successful entrepreneurs, this simply wasn't an issue. They all got where they got by taking risks. They were the ones without fear. The idea marauders, innovators and envelope pushers.

And, indeed, when they started, nearly every person there was. But what about now? What about a few years into their ventures?

One of the biggest misses in the entrepreneurial process and mind is the assumption that mindset and willingness to embrace risk and creativity are fixed traits. In fact, the more successful most people become, the more they abandon the very mindset that fueled their success.

I call this the "entrepreneur's recoil." Here's how it works:

When you are just starting out, especially if you're earlier in life and you don't yet have significant responsibilities, it's much easier to be hyper-creative, to innovate, put everything you have on the line and take risks. Because you have very little to lose. At least very little that isn't fairly easily recoverable.

So when you start a business, you adopt a do-or-die, all-in mindset. You come up with and are open to crazy ideas in the name of creating breakout businesses. And you're willing to act on them. Because, beyond ego, even if you fail, the fall really won't cause that much pain.

But, then something happens. You succeed. You begin to build a real business. You have offices, assets, overhead, inventory and employees. People and families are counting on you to pay their rent and send their kids to school. Your own family begins to expect a certain lifestyle. And so do you. You get comfortable. And, along with your success, you now have the perception of so much more to lose if you fail.

Instead of continuing to take risks, your mindset begins to shift into what famed psychologist and winner of the Nobel Prize for behavioral psychology Daniel Kahneman calls loss aversion mode.

Rather than being driven by what you can build, create and have, you are overwhelmed by a fear of losing what you've already amassed. Being an entrepreneur, and innovator, an artist or a creator does not make you immune to the often irrational pull of loss aversion. Because, as Kahneman's research points out, it's simply a part of human nature.

There are two problems with this when it comes to creators and entrepreneurs:

1. The switch from seeking gain to loss avoidance cultivates a strong negative creativity bias that makes us say no to innovative ideas. Ones that come from our own minds, as well as from those around us. And ones that, embraced, could have been key drivers of innovation and growth.

2. Because we set the tone as entrepreneurs, when we pull back, stop innovating ourselves and rebuff innovation and creativity from employees, we create an idea-killer emotional virus that destroys the very culture that got us where we are.

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Tips for Growing Your Business

■ **Help customers feel the results of your product in advance.** People buy when they can envision themselves owning, using and enjoying what you sell. You can help them form these positive mental images by asking the right questions; for example, "How would this help you if you owned it?" or "How much do you think you'd save if your waste percentage decreased by 15% this year?"

Source: www.ithinkbigger.com

■ **Make the most out of Facebook's new timeline format.** Even though Facebook's new layout forced businesses to update the look of their pages, the new format does offer advantages. For example, timeline is a great tool to tell stories to your fans by allowing your company to showcase its history, achievements and growth in a chronological order. Also, since some updates are more important than others, the format allows you to highlight an update, which expands it to full width and increases the size of the update. You can also pin posts to the top of the page. This feature can be used to send fans to the place where you want them to go. Pin updates that are a part of contests, sweepstakes or any other call to action. Finally, the tabs that used to appear on the old format will be referred to as "apps" on the timeline format and have a bigger thumbnail, which can help foster engagement. Activities like contests, sweepstakes and RSVPs can be run using apps.

Source: www.smallbiztrends.com

■ **Boost creativity with the color green.** If you are finding it difficult to come up with a creative solution to a problem, try looking at plants or something green on your computer. New research published in the *Personality and Social Psychology Bulletin* suggests a glimpse of green appears to activate the type of pure, open mental processing required to do well on creativity tasks. The researchers found this effect with different groups of people, different tests of creativity and differently designed experiments. Participants exposed to green outperformed those exposed to white, gray, red and blue, respectively, suggesting there is something unique about the color as a creative catalyst.

Source: www.miller-mccune.com

NEWSwatch

News and Developments Affecting Today's Business

Study: Lay down the law on company policies

Management experts have long touted employee buy-in as the key to organizational change. Yet new research suggests that when new rules seem bendable or changeable, people are more likely to revolt. Alternatively, when rules are definitive and absolute, people are more likely to support them.

This response may be a coping mechanism, claims Gavan J. Fitzsimons, the study's co-author and a professor of marketing and psychology at Duke University's Fuqua School of Business. "If there's no chance you can change the rule, it's not really functional to have those feelings of resentment, because you're going to be miserable," he says. "But when there's a small chance it can be reversed, a backlash could lead to the outcome you want."

Business owners should make decisions authoritatively and broadly. For instance, if you want to change the sales team's pay structure from commission to salary based, don't make exceptions, says Aaron C. Kay, an associate professor of management and psychology at Fuqua and a co-author of the study.

But that doesn't mean you have to leave employees out of the decision-making process, says Fitzsimons. You can gather input from workers before an important change is made. Just make it clear that your decision is final.

Source: *Inc.*, April 2012

How the JOBS Act will impact raising capital

The new federal JOBS Act was recently signed into law and will make it easier for small, private companies to raise capital. According to the law, startups can raise up to $1 million a year by pitching to thousands of small-dollar investors online with little disclosure beyond a rough business plan. They can also raise up to $2 million if they provide audited financial statements.

Up until now, startups that seek to raise capital on crowd-funding sites are limited to offering only token gifts — such as a mug or T-shirt — in return for contributions. Under this new law, they can offer equity.

Investors with incomes or net worth below $100,000 would be restricted to putting up just 5% of their annual income, up to $2,000. The cap for wealthier investors is 10% of their income or net worth, to a maximum of $100,000.

Private companies, which are currently limited to 500 investors, will be able to take on as many as 2,000 investors before triggering securities regulations.

Though crowd-funding is designed to ease the process of raising cash for startups, some professional early-stage business investors worry that the new rules might boost the costs of capital by making later-stage, and much-larger investments, that much more risky.

Source: *The Wall Street Journal,* Mar. 29, 2012

External hires get paid more, but perform worse

Should you promote from within or hire outside talent? While business owners often hire outside talent in order to bring new skills and perspective to the company, they may get more bang for their buck by looking at their current pool of employees.

According to Wharton management professor Matthew Bidwell, "external hires" get significantly lower performance evaluations for their first two years on the job than do internal workers who are promoted into similar jobs. They also have higher exit rates, and they are paid "substantially more." About 18% to 20% more. On the plus side for these external hires, if they stay beyond two years, they get promoted faster than do those who are promoted internally.

Bidwell notes that external hires need about two years "to get up to speed" in their new jobs, including building relationships. During that time there is a much greater risk of being let go, mainly because they may not develop the necessary skills and thus will not perform as well as expected. Then, too, they might decide to leave voluntarily.

While doing his research, Bidwell noticed that people hired into the job from the outside often have more education and experience than internal candidates, which is at least part of the reason they are being paid more. He explains that "when you know less about the person you are hiring, you tend to be more rigorous about the things you can see," such as education and experience levels. And yet "education and experience are reasonably weak signals of how good somebody will be on the job," he said.

Source: Knowledge@Wharton, Mar. 28, 2012

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■ **Look at your email campaigns on a mobile phone.** Recent studies show that 27% of marketing emails are opened on mobile devices, an increase of 36% since last year, and includes both consumer and business-to-business messages. What's more, emails on mobile phones are rarely saved for future access on a desktop computer. Therefore, it's extremely important to optimize your email content for mobile devices.

Source: www.internetretailer.com

■ **Get more qualified job applicants by making it easy to screen out the unqualified.** Start by making your career advertisement as specific as possible. Reveal the good points as well as the negative ones. Talk about the skills needed, what a typical day is like, what kind of hours and anything about the job environment that might be helpful. If you scare people away with the negatives, then it means you scared the right people away. Of course, some people won't bother to even read the description and will send in a resume anyway. To screen them out, instruct the candidates to answer some specific questions in their cover letter, such as "What are your greatest strengths?" or "How would you handle a situation where (insert situation)?" The laziest applicants can't be bothered with this, so they will just skip to another position to apply for. You can also just delete all emails from people who apply but don't follow the instructions.

Source: www.openforum.com

■ **When giving referrals,** make sure your positive commentary isn't too enthusiastic. It could actually reflect badly on the person you are trying to send business to. For example, let's say you tout enthusiastically about a friend to someone. The person meets your friend and is impressed, but not that impressed. Now you have set your friend up to be "less than" in the other person's eyes. Try to stick to just the facts and let people form their own opinions.

Source: www.sherrylowry.com

TRENDwatch
Forecasting the Changing Business Environment

Cash-strapped Millennials pinch their spending

Millennials were supposed to be the next golden ticket for retailers, but economic change has pinched their spending. No group was hit harder by the Great Recession than the 70 million consumers between the ages of 18 and 34, also known as Generation Y. The wealth of this age group is down 68% since 1984, their careers have stalled, they have educational debt at about $23,000 and an estimated 24% have moved back home to live with their parents. Almost a quarter of them describe lives of financial desperation, not having enough cash to buy basic necessities. A reported 20% have postponed marriage for financial reasons, while 22% have put off having a baby for similar reasons.

Millennials' lackluster financial state has disappointed clothing retailers, movie studios, home improvement chains and car manufacturers that hoped for better. Additionally, with the Internet as their guide, they are pickier and less brand loyal than their parents. They also came of age amid eroding respect for institutions, including corporations and brands. They crave authentic products, such as TOMS Shoes, which donates a pair of shoes to poor children for everyone one it sells. The Millennial credo is "buy less and do more."

Getting 18- to 34-year-olds in the door increasingly means offering discounts and sales promotions, so companies that want to attract them are forced to cut prices. The hope for these companies is to stay relevant and be patient as they wait for Millennials' eventual return.

Source: Businessweek.com, Mar. 26, 2012

Boomers already retiring in droves

Despite the popular belief that baby boomers will continue to work well past the traditional retirement age of 65, those born in 1946 are retiring in droves, according to *Transitioning into Retirement: The MetLife Study of Baby Boomers at 65*.

The study reports that 59% of the first boomers to turn 65 are at least partially retired. A full 45% are completely retired and 14% are retired but working part-time. Of those still working, 37% say they'll retire in the next year and on average plan to do so by the time they are 68. Half of those who are retired say they retired earlier than they had expected.

Of those who retired early, 4 in 10 say they did so for health reasons, although the majority of respondents consider themselves healthy. Almost all retirees say they like retirement at least somewhat, and 7 in 10 are very satisfied with their retirement.

Source: Workplacemag.com, Apr. 11, 2012

Beware... continued from page 1

It breeds loss-aversion, fear and scarcity, which is death to innovation and expansion.

So, what do we do about it? If you're an entrepreneur, or you work with an entrepreneur or a team charged with innovation, create a monthly mindset circuit-breaker check-up. Take a step back, preferably leave the office and take a few key creators with you. Maybe get out into nature and ask a big question:

"Am I operating from a place of creative opportunity or loss aversion?"

Be honest, and task your team with a "no-repercussion" opportunity to call you out on a shift to a prevent-offense when they see it. Because very often the person least well equipped to notice this shift is you.

Most important, never assume that the mindset that got you here is the same as the mindset that guides your efforts today. It may be. But, for many, once you're sitting atop a mountain of success, possibility long ago morphed into fear.

When you see that, own it. Then do something about it.

Jonathan Fields is a former private equity attorney turned lifestyle-entrepreneur, blogger, marketing consultant, speaker and author of the book, *Uncertainty: Turning Fear and Doubt Into Fuel for Brilliance*. He writes about the crossroads between family, passion, entrepreneurship, social media and marketing at JonathanFields.com.

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