

Paddi's Systems Applied in Business

The first of two parts of a Consultation Transcript between Fletcher Potanin and Kurt C., proprietor of a mail order Health and Safety Equipment business in the United States.

In this consultation transcript, Fletcher Potanin, publisher of Solutions Press is helping Kurt C. to apply Paddi's referral concept, system and ideas to his business.

Kurt runs a mail order safety products company, and he first heard about Paddi from Jay Abraham and Mike Basch at an *Abraham Marketing Summit*. In Kurt's own words,

Over the last 18 years we have seen ourselves as following this mission: To provide products that enhance the well-being, health and safety of people at work, at home or at play, around the world and around the clock.

We supply products that protect people who are food handlers and food processors, like disposable gloves, hair nets and aprons, etc. Those same products are sometimes used in other manufacturing settings like in laboratories for people doing research.

In addition, we have a complete line of first aid products and our full line of safety products which include hair protection and safety spectacles, respirators, hard hats, foot protection and signage, signs and labels and just about anything else you can think of in that arena.

Kurt's business is definitely more mainstream than Paddi's dentistry. This consultation is primarily about Referral Systems, and yet you'll read how easily and sensibly each of Paddi's systems in its turn fits right into Kurt's concept of what is possible and desirable in his business...

Rule 1: Know the Customer You're Trying to Reach

F: The first step in a successful referral system is this: you have to clearly be able to identify and articulate the kind of person your customers should be looking to refer. Only when you can clearly identify your ideal customers, can you then ask your current customers who fit the mould to recommend your business to people just like themselves. So, Kurt, who's your ideal customer?

K: I think we narrowed it down to about 20 SIC codes in the US, so we have defined it to a degree.

F: That's good. I've seen your catalogue and it's a tremendous range of different products. It looks as though your clients could come from several different industries.

K: Yes, we've also defined our customers geographically by their area of the country, and also by the number of employees.

F: Ok, here's the key to this first point. You need to know exactly who is your ideal customer, not just demographics about your current customers. You see you only want to attract the best, most ideal customers to your business. So the more clearly you understand who is your ideal customer, the more easily you are able to attract that person. Or, in your case that business. Do you deal with mostly larger businesses?

K: Actually, we're probably more in the 50-250 size, which is more small to medium sized business. The large ones over 500, we've kind of shied away from because they are just too low a profit margin, and I guess more or less a de-personalised service.

We have one client who is a large business, but I've told them that I don't want their whole contract, just a small portion. I'm going to show them how, with expert product recommendation, we can actually save them more money and reduce their time off for injuries.

So, that'll be kind of exciting, but that's a huge deviation from what we've done in the past.

F: Have you been able to identify what are the product categories that are the mainstream of your ideal client?

K: Yes, we have. Our best products are disposable in nature, the biggest ones being the disposable shoe cover, cap and disposable gloves.

Birds of a Feather...

F: Interesting. It's very important to clearly define your ideal customer – this is really one of the keys to a good system – because 'birds of a feather tend to flock together' and you should only ask ideal people to bring others like them. Not only that, if you can't define your ideal customer, you won't be able to tell your existing customers who to look for.

And when you ask your customers for the referral, if they know exactly who your ideal client is, if you're able to define quickly and easily exactly who they should be referring to your business, it will make your referral system a lot more successful. Does that make sense?

K: Absolutely! So first of all you find who is the ideal current client and then you ask who else is like them?

F: Exactly!

K: Or other companies that might be like them? It might be their competitors probably but not only right?

F: Right, most people know others who are interested in the same things. Invariably, you know people in your industry or similar industries, and they're not always direct competitors. Most people work in conjunction with others who are in similar businesses, and most people like to talk about things they're doing well or services they've been resourceful in securing. Not always, but for me it's this way.

K: Oh I agree. I like to look at it as us being creators not competitors because it's a much more prosperous consciousness to have.

F: That's an interesting philosophy. In fact, it's likely your ideal customers will share some of your philosophies. So part of the definition of your ideal customer might be those people who love what you do, love what you provide, love your focus, and enjoy the people that you have in your business.

Your customers have particular personalities, and you have a culture in your business that is particular to you and your team. So your customers really do have to like what you do and your view on life.

As well, they must be happy to pay the prices you ask. They pay you on time, they don't delay with their bills, their purchasing departments are actually efficient and it's not hard to be paid for what you've sent.

So I would suggest that you consider adding a few of those type ideas to your definition of the ideal customer.

K: Ok.

Referrals to Specific People

F: Now you may or may not want to actually say those things when you're talking to a client – "pay what we ask, pay it on time, enjoy what we have to offer" - but those things your ideal client will at least innately understand.

Now in Paddi's business, clients refer their friends back to their specific Care Nurse. And it's amazing the way it works, but it happens consistently in other businesses, too.

When a referral system is refined and is working very well – and your clients are referring to specific individuals who develop good relationships – you'll find that people who are your existing clients are going to be very careful about referring someone. They will tend to be selective about whether that client will be a good client for you. Because the quality of the person they refer reflects directly back on to them in your eyes.

As it happens, the same applies to you – you have to offer a great service before your clients will feel good about recommending you – but it is great for you because gently educated your clients will tend to filter the people they bring to you.

Filtering Customers

It may sound strange, but when your ideal clients are well educated, they will tend to ask the person they're about to refer something like,

"Well you know before I send you to Kurt, because he and I have a good relationship and I don't want to mess that up by sending a bad client, what is your accounts department like? Are they going to mess these people around because they're good people and I don't want to do that? Are you going to buy enough from them where it's going to be worthwhile having a good in-depth relationship because Kurt actually goes out of his way and he'll spend a lot of time looking and researching things that you really need."

That's the sort of thing that will happen when your referral system is really refined and working well. Do you understand where I'm coming from?

K: Oh yea, that's great!

F: And so, to work towards that goal the most important step is to find that ideal customer. And

when you do find them, gently educate them to bring you more people like them. I suspect that you probably have a lot of customers like that – but not all of your customers are like that?

K: Uh huh.

Don't Ask Everybody – A, B, C, D

F: So if you really, really, really Kurt want to have more of these perfectly ideal customers – with whom you can have great relationships, who will pay the prices that you ask and are really a good source of your business – then ask only those people for referrals. Because if you ask everybody for referrals you're just going to be getting more people like you've currently got – good as well as bad.

As Paddi has done, I suspect that if you looked at your entire client database you could probably segment your database into A, B, C's and D's. As Paddi did, you could probably pick out those clients who are really great to deal with ... and those who aren't! You know, you send them their stuff, but sometimes their credit cards don't go through, or their cheques bounce, or they only order little bits of stuff here and there. Maybe they're not your best clients but they're there anyway and it's difficult to resist their business. But unfortunately they're often the people who give you the most hassles when things don't arrive on time – do you know the people I'm talking about?

K: Absolutely!

F: So it might be of benefit to you to actually grade your clients and deliberately not focus on those C and D clients. Certainly only ask for referrals from your more ideal A and B clients, and so that the clients that have relationships with your sales reps are really only A Class clients because it's not worthwhile spending your time with someone who's a B or a C Class client.

K: Right!

F: So it's very important in creating a referral system because you have to be asking only good customers for referrals. Bad customers well, they don't like you enough to refer people anyway. And it's only those people who really enjoy doing business with you who are going to be your best advocates and give you lots of referrals.

So, I think you've got the 'define your customer' down. And you should particularly define the type of client who you want to ask for the referral. Just make sure you define it so that you

and your sales reps can easily say it very quickly – in a few sentences that you can also put on paper – so that your customers clearly know who your ideal client is as well. That way, when they're gently educated they'll go hunting for those people for you.

Rule 2: Know the Value You Add in Your Customer's Terms

F: Now, the second point requires defining the specific value that you add to your products and services, and in your customer's terms. Now, Kurt, you're not planning on doing business only by referral like Paddi, is that correct? You will still have your large-scale catalogues and your mass mailings?

K: Correct, true – absolutely. But our reps could use this idea. Usually we work on about a 35% gross profit margin which is high for our industry that averages maybe 20-25%. We do that just by developing relationships with these small to medium sized companies.

F: Kurt, it sounds as though you want to add value to your relationship with your clients as opposed to reducing your prices.

K: I think so, I'm comfortable with that.

Reducing Prices vs Adding Value

F: Philosophically I'm averse to reducing prices. It puts a great strain on you and your business when you do, and it doesn't allow you the leeway to do nice things for your customers.

K: That's a great way to put it, and I think I'll use those exact words in my negotiations. So thank you.

F: You're welcome. It might be important for you to gently educate your customers to understand that. If they want to have a good relationship with you, they can't screw you down in price because you may not be in business next year to handle their orders. And if your clients are interested in efficient transactions, it's not in their best interests in the long-run to screw you down to a margin which is unreasonable.

K: Exactly right! We've got a great number of catalogue accounts but our reps are only able to develop a good relationship with 2 or 3 hundred clients at a time. So our reps might specialise within a certain industry group, and then the special value they add would be a specific relationship they have to bring their

clients the latest most innovative products that will reduce or minimise injuries and time off against productivity.

F: Wow! Kurt that sounds very powerful! I think what you've just said is you have individual customer or sales reps who have specific clients and they keep and maintain advisory type relationships with those clients – is that correct?

K: Correct.

F: Then you have the wonderful opportunity in that the rep who has built the relationship with a contact at that company can ask that person or contact to refer someone specifically to them. It makes the referral much more powerful when to a specific person.

A Sample Script

So if I'm a customer of yours Kurt, and you're the sales rep, you would ask me for the referral and you would say,

“Fletcher, would you please refer someone who is just like yourself (and briefly describe your ideal client). Because it means we can continue to be in business and will be here for you the next time you need us. It also means we can continue to give you excellent service and advise you about the new products that will help you preserve health and safety standards in your company. And if you will, I'd like you to please refer that person directly to me so that we can develop a relationship just like the one you and I have.”

K: Are my clients referring people within their company or from a different company? Because we find that there's different purchasing centres throughout many of our clients' companies.

F: Excellent! Yes of course, if you have someone purchasing from you in a 250-person business, they may be only purchasing for their little area you're saying?

K: Correct.

F: Excellent! Yes, that's a great idea! In fact that maybe something you will need to make certain your reps ask each of their clients – “Are you purchasing for the entire company?” You may even include that in your definition of an ideal client – a company that has multiple divisions that require health and safety products or equipment.

K: Ok great.

Care Person System

F: So, Kurt, it sounds like your sales reps are developing specific relationships with your ideal clients. And that's the value that you're adding. You may be a little bit more expensive, but many people crave the relationships in business that used to be more common. Not everybody, but there are some people that do – and they'll go out of their way to find you.

I think that will be part of the definition of your ideal customer – and you'll actually say it, too. “People who don't mind paying a little bit more for an excellent advisory type relationship with a qualified health and safety consultant.”

K: Ok, great!

F: So the ideal client is most important, and the specific value that you're offering your A class customers is the relationship that you've told me that you'd like to build with those customers. You only want small to medium sized business where your reps can have personal relationships and the customers don't mind paying a little extra for it.

And so if they are going to pay a little extra for it, you've got to define very clearly those things that you're able to offer that add value to your service and warrant your prices. And justify the relationship that people enjoy.

K: It could be like personal product solutions and development, working with clients specifically to reduce their number one time off injury. Asking questions to find out what they need to be doing differently instead of just quoting them a lower price on the same product that they've used for the last 10 or 20 years.

F: There you go. I think you understand these things innately.

K: Yea – I think so.

F: You need also to define and clearly articulate those things in your customer's terms. You probably would do that in your catalogue because I suspect that most people find their introduction to your business in your catalogue. Is that right?

K: True – well I think we do that through trade shows and the like and through the phone as well, but the catalogue of course helps supplement all those things.

Paddi's Welcome Book Training Customers

F: This is an interesting area that ties in closely with your referral system. Have you heard of Paddi's ‘Welcome Book’?

K: Well, no I haven't.

F: Ok, Paddi has created a rather elaborate practice brochure that he calls his 'Welcome Book'. He sends it to every client before they come to visit with him for the first time. It's an exceptional sales tool and education system for Paddi. He wouldn't do business without it.

In this book, Paddi basically articulates all the things he feels his clients want to know about coming to a new business for the first time. He introduces his business family first of all, who they are and what are their interests, and there's a picture of them. The book also describes where the building is and directions on how to find it so that people coming for the first time don't get lost. Paddi's practice is a little bit outside of Brisbane and so it's a bit hard to find.

Paddi also describes in detail the general philosophy of the business and the particular way they like to do their dentistry – they prefer to use gold instead of amalgam because of these reasons...

They have a long term preventative care approach to dentistry as opposed to short term fixes – so that's why the prices here are usually 25% higher than other businesses in the local area for the same procedures (They're not actually. Paddi just says that so that when clients receive their bill, they are delightfully surprised!)

Anyway, they basically define what it means to a client when they come to do business there.

And here is where the 'Welcome Book' ties into their referral system. In the 'Welcome Book', Paddi strikes a bargain with clients ...

"Here is what we feel we owe to each other. It is what we would like our relationship with you to be built upon. If you have any concerns at all with this, we are happy to discuss with you what you feel would be fair.

We must tell you in advance the cost of any major treatment.

We must do our very best treatment for you.

We must listen to you when you talk.

We must apologise and make amends if we don't perform as we promise, and you can be the judge of our performance.

We will do our absolute level best to keep to time because we know everyone hates to be kept waiting."

And in return these are the things they ask of their clients:

"You must complain if there is something that upsets you. That way we have a chance to put it right, apologise and give you appropriate compensation.

You should pay your bills on time.

If we ask, (we don't ask everyone) we would like **you** to try to refer at least one person whom you feel would like the things we offer. In this way we can continue to have a flow of new people and be here for you when you need us next time."

Introducing the Referral Early

And then when somebody comes in for the first time, they actually sit down and ask, "How do you feel about this bargain? Are you ok with that?"

I haven't used the exact words, but that's essentially what it's like. So they introduce the referral concept in their 'Welcome Book'. A client is introduced to the concept of referrals before they do business with Paddi so that when they do come, they understand what's going on.

Addressing Fears

In fact in the 'Welcome Book' Paddi does a few things critically well. He seems to identify and address all the fears that somebody might have in coming to a dentist – or any business for that matter – for the first time.

Essentially, they are: How do I find the place? What does the building look like? Where do I park? What's it going to cost? Who am I going to meet? What's going to happen while I'm there? Those are the sorts of things that people don't understand when they come to a business or do business with a particular establishment for the first time.

And that lesson applies equally well to your business. So if people find their introduction to you mostly in your catalogue, create a section that describes what you do and how you do it so that it addresses most of the fears that people have about doing business with a catalogue or a mail order business.

K: Great, it's great stuff!

Conditions and Exclusivity

F: So anyway, that's an entirely different area, but it brings us back to the point that it may be important to introduce the idea of referrals early in the piece as a condition of doing business with you.

You will particularly want to introduce the idea that your sales reps enjoy relationships with only your best customers. Not everybody can have that relationship, but it's particularly of benefit because you do all of these extra things... You can only enter into one of these relationships if an existing client refers you.

K: Great!

F: So, that may add some exclusivity to the relationships that your sales reps have. And you might actually want to change the name of the title of that person from sales rep to um ... safety care representative or something like that. Something that positions that person not as a sales person but as an advisor on the health and safety issues in business. An expert from whom clients just happen to place orders for products. Does that make sense?

K: How about buyer safety consultant ... or a health and safety consultant?

F: Bingo! That's it. Health & Safety Consultant. Those words position your sales people in a completely different way. Their focus is not sales. Their focus is making sure that clients have a nice, safe and healthy working environment. It just happens they recommend the creative use of products you can supply.

So that would change the nature of the majority of your business entirely, and that would give clients a reason to do business with you. It also sets up perfectly the way that you can then ask for referrals.

Now, we've come ahead of ourselves and we've sort of deviated and gone different ways again, but I think – and I hope you agree – I've painted a picture of the sort of thing that you might be able to do, the value you can add to your relationships.

K: Fantastic! Oh that's great.

Rule 3: An Unusually Positive Experience

F: Ok. Now, moving on to the next point – deliver an unusually positive experience. This is a really good step, but I think most people understand this one in only a broad and superficial sense. Most people would read this as providing great customer service, but it's far greater than that.

The reason this step is so critical is that when it comes time for you to ask for the referral, your best chance for success is when your client is emotionally feeling their very best about doing business with you.

K: At what point in the relationship do you ask for the referral? Would you ask right at the beginning to set the stage? "Before we do business with you, I think you should know that we do business by referral only." Or do you ask when they're most satisfied, or do you ask only after you've done business? What do you think is the best approach?

When to Ask for the Referral

F: The best time to ask for the referral is when you have completed your transaction and your client is delighted with your service. The more unusually positive the experience, the more emotionally enthusiastic your client will be to tell others about you.

K: Uh huh.

F: Now, in most cases, – well in the business with which we have worked– we encouraged people to make sure that they ask for the money up front. Clients should pay for goods or services before they receive them or as you deliver them. Primarily because when you ask for the referral, it's important that someone is happy with their transaction.

It is very difficult to ask for anything if someone still owes you money, and the longer someone owes you money, the more they will tend to look for reasons why they shouldn't pay you, to find reasons why your product or service wasn't very good. Now in your case, you deal with business where probably a lot of the purchases go through accounts departments?

K: Correct.

F: And the people that you're dealing with aren't actually writing the cheques?

K: That's right.

F: So you may have to look at that situation a little differently to figure when is the emotional high point to ask for that referral. But essentially, once you've delivered an unusually positive experience and in most small businesses people would then pay for – that's the best time to ask for the money for goods and services anyway – it's just at that point that is the best time to ask for the referral.

So my guess would be this. Your Health & Safety Consultants are working with clients and they talk to them about safety issues in a few different areas of their business. They give them some very helpful information, and the clients then make some purchases based on that information. The very best time to ask for the referral

would be when those products arrived to the client's office. Just after they have opened up the boxes and are happy with what you've sent.

Making a Difference, the 'Little Things'

Now I'm not sure what you do in your shipping or packaging, but we do business mostly by mail order, too, and we recognise that the only difference we can make, the only way we can distinguish our boxes from others is the way that we package our products.

K: Sure.

F: So I think you've noticed that when we send things directly from our offices, we like to wrap them and adorn them with a bow and lavender flower.

K: Outstanding, yes!

F: Well we feel that's a nice way of wrapping our packages so that people are particularly impressed with the care that we've taken.

It's important that you do something similar with your packages ... something that reflects your personality and culture so that when your clients receive a shipment from you, it's a real pleasure for them. It's an exceptional experience. It's very different to packages they receive from somebody else.

And that difference doesn't have to be expensive, in fact it doesn't have to take more time or cost more money at all. It just needs to be a little difference, usually not related to the core of your business, that shows clients the care you take in paying attention to detail.

Now finding that difference depends on what you do, your margins, the volume of the things that you do, and the culture of your business. But I've known for example, a company that does audio tape reproduction that includes in every box they send out a nice little note, and attached to that little note is a little zip lock bag with 5 or 10 jelly beans in it. And it's always just a nice thing to get those jelly beans. I've seen people in our office race to open the boxes just to get the 5 cents worth of jelly beans.

K: Sure.

F: Now that's a very simple example of a way of differentiating yourself, and I'm sure there will be much more potential in the things you do to simply and easily set yourself apart. You probably have lots of opportunities to explore those little things.

And ironically it's really those little things that will show you care in the way that you deal with customers. They will give people the perception that your products are really worth something. That they're valuable – that you've taken the care and attention in selecting them.

In the 'Paddi in Las Vegas' audio publication, Paddi talks somewhat of the little things.

K: That's right.

The Quality of Paddi's Dentistry

F: Paddi discusses how in his business the little things – his Critical Non-Essentials or CNe's – make all the difference. That the quality of dentistry really doesn't have much impact – Paddi could do his dentistry one way or another and people wouldn't really know what quality of care they've had.

And yet, they have a high perception of the quality of dentistry because the tea is served impeccably. Because their name and their photograph are actually on the door of their personal lounge when they come to visit the practice. Because they're greeted at the door by name by their own Care Nurse when they ring the doorbell. So these are the Critical Non-Essentials, that are the little things that make all the difference in Paddi's business.

Now Kurt, your business is a little different, but the same principles apply. Unlike Paddi's professional service business, you rarely see your customers. They don't visit your offices, and so therefore your opportunity to impress customers with your CNe's lies not in the way you care for customers during an on-site visit. You're dealing with people mostly over the telephones, by correspondence and by mail order. In your business model, it's somewhat more difficult to distinguish yourself or the quality of your services. More difficult, but not impossible. In essence, you have to look at each and every way you interact with your customers to find your CNe's or little things. In terms of customer service these CNe's will make all the difference in how your customers perceive your consultants and your company.

K: Super!

The Critical Non-Essentials in Mail-order

F: Ok. Probably the most important area to consider is the way your packages are delivered and the service that surrounds that experience. It's fair to say that when your clients receive their packages,

they probably opened them up immediately to look through everything and check to make sure it's right. Well it's ideally right at that point that you should be calling your best clients to make sure everything arrived safely and on time. I suspect you do this anyway. Do you usually call?

K: Um, not always. Um, we do if it's a rush shipment or if it's the first time they've ordered from us.

F: Ok. Well if it's the first time they've ordered, that may be the most appropriate or most important time, but with your very best customers wouldn't you want to call for every package? These are you're A class customers. The ones you want more of and the ones your Health & Safety Consultants will be working with in depth. It may be something to consider to actually go the extra mile with those people because they're going to be the bread and butter of your business.

K: I like that! I like that a lot!

Packages Like 'Gold'

F: In which case, there is a particular concept that may serve you to nurture within your team. Teach your team to view your products as though they are 'gold'. If you encourage that sentiment, you will begin to take the care and preparation with your packages and handle them as though you are actually shipping gold to your clients, not just paper, plastic and metal.

Consider your products as gold because it will give you a different perception of what you will do in handling your packages. It will give you a different mind-set about how you're going to handle your products and how you're going to react when you send them to people.

That will help you to realise that, yes, it's very important to pay attention to detail and take care in your work. It's very important to call and ask whether packages have arrived safely. It becomes very important to see that everything is OK and that your clients have enjoyed what you've sent.

Adopting this philosophy will help you to justify making the customer experience simply exceptional. And that's what you have to do if you want to give your clients the incentive to refer others like them, as well as the words and the exciting stories to tell others about your business.

K: Absolutely – great stuff!

... to be continued in Part 2!

In the second part of this consultation transcript, Fletcher explains how exceptional service makes for exciting stories for customers to tell. Fletcher and Kurt also discuss how to make it easy for customers to refer, how to reward customers ... (and how NOT to), how to ask for the referral, and they distinguish between a high-end and a more mainstream referral system.

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To order, call or write to Loretta Cohen at:

Solutions Press

149 Old Cleveland Road

Capalaba, Queensland Australia 4157

Telephone (+61-7) 3823 3230

Facsimile (+61-7) 3390 3610

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