



Successful Times

Growing Your Business Together

Profitable Service Pricing

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How do you calculate the service pricing your organization has to charge a client to drive out a reasonable bottom line profit? A common metric in the application software industry is called **billable markup rate**. BMR is defined as the total revenue contribution of an employee divided by the fully loaded cost of the employee. BMR can also be calculated as an average by taking total service revenue for a firm and dividing by the fully loaded cost of all employees that deliver the service revenue.

You can calculate your firms BMR and compare it to the table on the right to see how your firm stacks up. BMR should be calculated each month as part of the financial package and metrics the management team reviews.

Billable Markup Rate	
< 2.0	Poor
2.0	Marginal
2.5	Good
3.0	Very Good
3.0 >	Excellent

As a rule of thumb, a higher BMR drives a higher EBIT (Earnings before Interest & Taxes). An EBIT% of 15 to 20 percent or higher is the target.

To calculate customer service pricing use the calculation formula in the table below. Employee comp is fully loaded (annual) with taxes and benefits included. Utilization, the subject of another Issue, is the actual number of annual hours an employee bills.

Sample Calculation	
(1) Employee Comp	\$100,000
(2) Utilization	1280
(3) Desired BMR	2.5
Formula	(1) * (3) / (2)
Hourly Rate	\$195

Firms have different approaches to pricing. Some use a single blended hourly rate while other vary the rate by the category of service. Using either method, the principals discussed here hold true.

The Importance of Business Positioning

The definition of positioning is the story told to clients and prospects that differentiates your company, products, and services from the competition. Positioning is the common vision and message delivered by your employees and marketing materials to your prospects, customers, and vendors. The message is not hype, but rather tangible and believable. Positioning is the differentiator that compels people to do business with your firm instead of the competition.

Does the following story sound familiar? You receive a lead for a software solution. You talk to the company by telephone and qualify them as a real opportunity. The rapport you establish with the contact is excellent and the prospect agrees to a meeting and the key decision makers are all

present. You have several meetings and things could not be better. The solution meets all of the prospects needs and requirements. The demo goes really well. They ask for a proposal and you promptly prepare it and present it to them. They inform you that they will make a decision shortly and lead you to believe this is a done deal. You plan on how you are going to spend your commission. You follow-up in a week and there is no return phone call. Finally, after repeated frantic calls you learn that they will buy your solution, but it is from your competitor, not from you!

Does this sound familiar? I hear it all the time. The prospect found no compelling reason to buy from your firm because there was no tangible differentiation between you and the competition. Business positioning maximizes your chances of success.

- Checkout our new website at www.sdbt.com
- Billable Markup Rate is one of the keys to a profitable bottom line
- If your close ratio on submitted proposals is <50% positioning may solve the problem
- Positioning is the differentiator that compels people to do business with you

Hiring Methodology for Sales Professionals

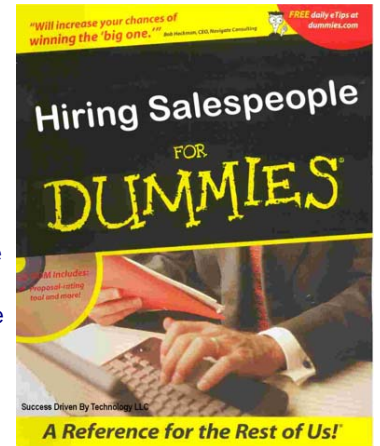
Continued from Successful Times Issue 2

This Issue continues the discussion of the skills and methodology for selecting and hiring top performing sales professionals. Three vital skills of accomplished sales professionals include:

- Listening Skills
- Communication Skills
- Presentation Skills

Most salespeople talk too much. In fact, it is an epidemic. Listening attentively during each contact with the prospect is critical. First, you will hear and uncover important needs, requirements, and political information. Second, you appear attentive and interested in understanding the prospects pains and problems. Talking too much gives the prospect the impression that you are trying to sell while listening shows an interest in understanding and advising. There is a famous saying a sales trainer once taught me, "GOD gave you two-ears and one-mouth, use them in proportion to one another". If you still doubt the importance of listening in the sales process, check out the website at www.highgain.com. This is an entire business dedicated to developing listening skills for high profile people and organizations.

During the interview process, it is important to evaluate listening, writing, presentation, and interaction skills. First, arrange a telephone interview with the sales candidate on a specific date and at a precise time such as 10:15 am. Ask the candidate to send you a **brief** email or letter describing the qualities that have led them to success in sales. Use this to judge their written communication skills. It needs to be first class. Have them place the call to you. At the beginning of the interview, remind them that you only have 15 minutes. If they call, you past the designated time do not take the call and discard the candidate. Use the time during the interview to judge their ability to listen, interact, and communicate. You are trying to find reasons to disqualify this candidate. If you have, any doubts as the call progresses do not go any further. Settling is not an option and your gut feel is generally right. If they pass this interview, invite them for an on-site interview. Ask them to prepare a 20-minute PowerPoint presentation about themselves. Do not give them any details. When they arrive for the interview start with their presentation. This discussion continues in our next Newsletter.



Hiring effective salespeople requires time, effort, patients, and a good methodology

Marketing and Lead Generation

Continued from Successful Times Issue 2

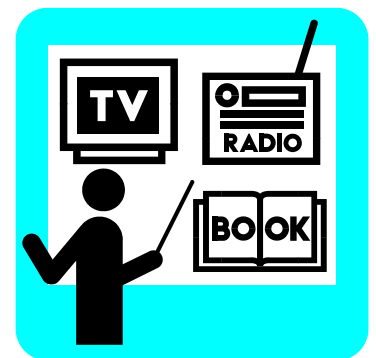
This Issue continues the discussion of marketing and lead generation and focuses on the effectiveness of direct mail as a source of lead generation. There are three basic methods of direct mail, they include:

- **Direct Mail - Blanket** M
- **Direct Mail - Targeted** M/S
- **Direct Mail - High visibility targeted** S

Blanket direct mail is generally a large mailing targeted at a variety of companies and titles with in an organization promoting a product, service, or seminar. Most C-Level (CEO, CFO, CXX) people we want to reach are saturated with direct mail. Unless your company has high brand awareness (i.e. IBM, Microsoft,) direct blanket mailings only yield between a .1 and .25 percent response. A 10,000-piece mailing at a cost of \$1.25 each would provide between 10 and 25 leads at a cost of \$12,500. I rate this as a poor cost-benefit method of marketing.

Targeted direct mail is small batches of mail more precisely focused and followed-up with a telephone call by either the account executive or inside sales. A typical campaign might be targeted at a VP of Manufacturing. The mailing piece would specifically discuss pains and problems that manufacturers face today and how we have helped similar companies address these issues. We mail 25 pieces a day for two weeks and diligently follow-up by telephone. Targeted direct mail can return a 2% to 3% success rate.

High Visibility Targeted (HVT) mail is unique, expensive, but highly effective in getting the attention of a specific individual. A few years ago, I wanted to talk to the Managing Partners of the largest CPA firms in New Jersey. On April 2, we mailed a small bottle of wine glued to a handwritten piece of green-ledger paper asking if their client's lack of automation was causing them to drink. You may question the message, but we got through to 70% of the targeted people.



Source of Leads Color Code

- RED POOR
- BLUE Marginal
- GREEN GOOD

Responsibility

- M Marketing
- S Salesperson
- V Vendor
- T Technical Services

SDbT News and New Services

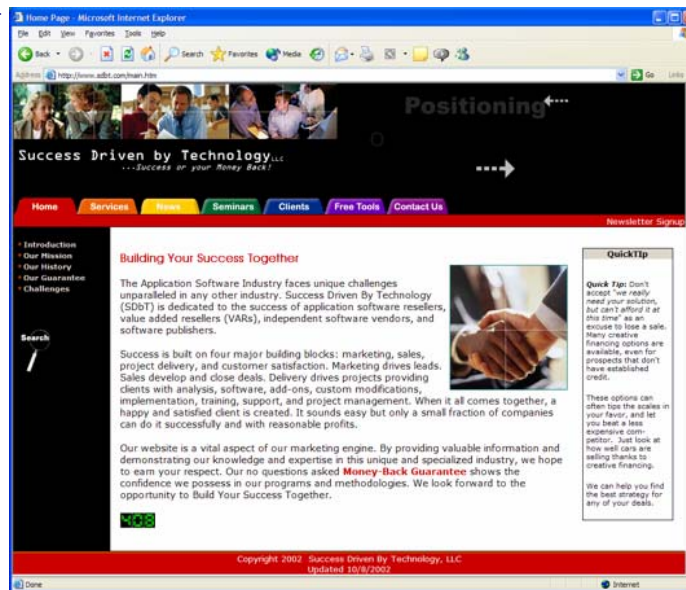
Successful Times Readership Tops 5,000

Since the inaugural issue in mid-September, Successful Times readership has grown to 5,000. The comments have been terrific and we thank you for the feedback. If you find this Newsletter of value, please sign-up a colleague on our website at www.sdbt.com.

Do you want to express a different point of view? We would like to publish your thoughts and experiences. Submit articles or comments to skralstein@sdbt.com.

Looking to Sell or Acquire a VAR Practice?

SDbT provides a free confidential listing on our website and in our Newsletter. VAR mergers, acquisitions, and consolidations are taking place at a rapid rate. If you have an interest in either acquiring or selling a VAR or software practice, you can get the word out here. Give us a call to discuss this free listing service.



Telemarketing Services ... Coming Soon

Telemarketing represents one of the most effective means of lead generation. Few services uniquely target the business software marketplace. In a few weeks SDbT will roll out this new service for companies looking to outsource.

Freebies ...

www.presentationuniversity.com

This website offers articles, courses and tutorials on effective presentations. Free PowerPoint templates, clip art, and software is available to download.

www.salesproposals.com

This site offers tips and articles on writing effective proposals to win big deals.

www.sdbt.com

Free tools and downloads

www.hoovers.com

Free and subscription based information with significant detail on corporations and businesses.

www.sellingpower.com

This is an excellent site for salespeople and sales management. It offers articles on sales skills, motivation, management, and incentives.

www.justsell.com

This site for salespeople has numerous free articles on sales methodology and selling skills.

Newsletter Production Service

Newsletters are a great way to market your products and services to both clients and prospects. SDbT now provides a full service electronic newsletter creation and distribution service. Keep your name in front of your clients and prospects by providing meaningful content and information. This marketing tool is a low cost investment for a high quality and professional image.

Typical cost is a \$3,000, one-time design and set-up fee and \$1,500 per issue thereafter. Each newsletter is customized and client specific. Call Sheldon Kralstein at 732.536.8288 for a discussion on how Newsletters can improve your sales.

www.sdbt.com is Here!

Visit our website. It is packed with great information including many free tools, prior issues of Successful Times, white papers, useful industry web links, and news. The website is updated weekly. The date on the bottom of the Home Page indicates the last

time the site was updated. Share your thoughts, tell us how we can improve the site and the type of tools and content you would find helpful. Our website was designed and created in-house and we thank Mark Chinsky for a job well done.



FREE documents and great reference web sites

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Topics in the next issue:

- *Delivery Team Utilization*
- *Hiring sales people ... continued*
- *Lead generation that really works ... continued*
- *Positioning Your Business ... continued*
- *Story of a Successful VAR*

Your thoughts, comments, and articles for publication are welcome. Submit them to skralstein@sdbt.com.



Who is Success Driven By Technology?

Success Driven By Technology, LLC (SDbT) focuses on helping Resellers and VARs grow their business. In fact we are so confident that we can make a dramatic contribution to your practice that we back it up with a no questions asked **money-back guarantee**.

Principals, Sheldon Kralstein and Mark Chinsky have 30+ years of experience and a stellar track record in the industry. Both Sheldon and Mark have built practices from the ground floor up, successfully sold their business, and were part of the national management teams of the Aston Group and ePartners respectively. They are dynamic individuals with the knowledge and skill set to help your business be more successful. Our areas of expertise include:

- Marketing
- Business Positioning
- Lead Generation
- Sales Team Development
- Sales Methodology that works
- Sales Training
- Sales Prospecting

- Effective Product Demos
- Compensation and Hiring
- Pricing
- Software Deployment
- Project Management
- Delivery Methodology
- Business Analysis and how to get paid for it
- Business Development
- Mergers and Acquisitions

Success in today's economy requires solid business practices coupled with creativity, innovation, and methodologies that drive business success. SDbT can analyze your current practice and help you implement proven strategies and methods that are guaranteed to work. We welcome the opportunity to speak with you about your business operation to explore how a relationship with SDbT can benefit your organization.