# The Titan Times Newsletter

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## Masterful Quotes

"The rung of a ladder was never meant to rest upon, but only to hold a man's foot long enough to enable him to put the other somewhat higher."

*-Thomas Henry*

"The difference between the impossible and the possible lies in a person's determination."

*-Tommy Lasorda*

"The person who gets the farthest is generally the one who is willing to do and dare. The sure-thing boat never gets far from shore."

*-Dale Carnegie*


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## Service Businesses: Calculating Your "Opportunity Number"

We market ourselves and cultivate relationships. We try to tune into the needs of the potential prospects we run into and carefully craft our conversations. When our phone rings, we feel the excitement of the possibility of a fresh, new client. You may want to convert every one of them to a sale, but the problem is, if you do, you may just go bankrupt. Let me explain.

Each of us has 24 hours in one day. Most of us have annual revenue goals. Many of us have appropriately broken this down to monthly, weekly, daily, or even hourly revenue goals. Hopefully you know what yours are. (If not, you should!) And, if you don't pull in that level of revenue for, say, the week or month, then you've missed your plan.

Now, suppose you want to generate $1 million in sales for the year. On average, you need to pull in $20,000 a week. That's $4,000 a day. What if four out of five people who contacted you about your services were ready to pay you $200 for a one-off job? You might spend an hour speaking with them and 10 minutes on their contract, with your team spending an hour on legal and accounting compliance. You or your team perform the work; then the client has another hour of questions. You just lost $1,000 on a $200 job. …You're moving in the opposite direction of your daily revenue goal. It's just better not to take it.

Instead, how about if you spent those couple of hours on a $50,000 proposal? Even if it takes you 10 times as much time to finally close the deal, it's time well spent. Spending $5,000 to win a $50,000 deal make much more sense. The problem is we tend not to look at unbillable time that way. We usually just chalk it up to overhead.

**2023 Federal Legal Holidays**

January 2
New Year's Day (observed)

January 16
Birthday of Martin Luther King, Jr.

February 20
Washington's Birthday

April 17
District of Columbia Emancipation Day (observed)

May 29
Memorial Day

June 19
Juneteenth National Independence Day

July 4
Independence Day

September 4
Labor Day

October 9
Columbus Day

November 10
Veterans Day (observed)

November 23
Thanksgiving Day

December 25
Christmas Day

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Here are some steps to think about when you are bringing in new clients and going after new business:

1. Know exactly how much it costs to bring on a new client. You might still take an unprofitable engagement assuming the value/profitability of that client increases each year you serve them. But don't take on a client who argues with you on fees, wants to change your contract or is far below a good project size for you.

2. Spend your time wisely. Stop doing things for free for people who have not helped you financially in some way over the years. Stop writing off your time. Stop answering client emails for free. Stop spending hours doing something for free unless it will lead to an excellent relationship or good revenue down the road for you.

3. Compute your Opportunity Number. That's the number by which you will suffer too much loss if you take on that client. It might be $20, $2,000, $20,000 or $2 million. For example, your number might be $5,000. Any project below a revenue of $5,000 is not worth your time. Any opportunity at $5,000 or above, you should actively pursue.

4. Post that number on a sticky note, put it on your vision board, or perhaps make it a part of your computer's password so you touch upon it every day. Every decision you make should factor in your Opportunity Number. The way you spend your time on an hourly basis should factor in your Opportunity Number.

5. Set up a filter in your marketing funnel to direct clients below your Opportunity Number to low-end products, group programs or low-end services. Do not let them gobble up your owner's time or your overhead. It sounds mean, but if you do, you won't make your numbers, or you will have to work long hours to do so.

6. Look at your to-do list considering your Opportunity Number. You may have a lot to cross off, and a few new tasks and prospects to add. To get the quantum leap, work your top opportunities. Check out who lands on your doorstep but make more time to go after who you want.

Now go determine and start managing your Opportunity Number for a more profitable business.

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## Ten Entrepreneurial Mistakes

It's hard to avoid certain mistakes, especially when you face a situation for the first time. In fact, many of the following mistakes are hard to avoid even if you're an old hand. Of course, these are not the only mistakes Entrepreneurs make, but they sure are common enough. Take the following self-assessment: give yourself ten points for each of these entrepreneurial blunders you are in the process of making. Deduct five points for those you have narrowly avoided. If you find that you scored very high, perhaps you may want to seek assistance from a well-seasoned business coach.

1. Big Customer Syndrome

If more than 50 percent of your revenues come from any one customer, you may be headed for a meltdown. While it is both easier and more profitable to deal with a small number of big customers, you become quite vulnerable when one of them contributes the lion's share of your cash flow. You tend to make silly concessions to keep their business. You make special investments to handle their special requirements. And you are so busy servicing that one big account that you fail to develop additional customers and revenue streams. Then suddenly, for one reason or another, that customer goes away and your business borders on collapse.

Use that burgeoning account as both a cause for celebration and a danger signal. Always look for new business. And always seek to diversify your revenue sources.

2. Creating Products in a Vacuum

You and your team have a great idea. A brilliant idea. You spend months, even years, implementing that idea. When you finally bring it to market, no one is interested. Unfortunately, you were so in love with your idea you never took the time to find out if anyone else cared enough to pay money for it. You have built the classic better mousetrap.

Do not be a product searching for a market. Do the "market research" up front. Test the idea. Talk to potential customers, at least a dozen of them. Find out if anyone wants to buy it. Do this before anything else. If enough people say "yes" go ahead and build it. Better yet, sell the product at pre-release prices. Fund it in advance. If you don't get a good response, go on to the next idea.

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3. Equal Partnerships

Suppose you are the world's greatest salesman, but you need an operations guy to run things back at the office. Or you are a technical genius, but you need someone to find the customers. Or maybe you and a friend start the company together. In each case, you and your new partner split the company 50/50. That seems fine and fair right now, but as your personal and professional interests diverge, it is a sure recipe for disaster. Either party's veto power can stall the growth and development of your company, and neither holds enough votes to change the situation. Almost as bad is ownership split evenly among a larger number of partners, or worse, friends. Everyone has an equal vote and decisions are made by consensus. Or, worse still, unanimously. Yikes! No one has the final say, every little decision becomes a debate, and things bog down quickly.

To paraphrase Harry Truman, the buck has to stop somewhere. Someone has to be in charge. Make that person CEO and give them the largest ownership stake, even if it's only a little more. 51/49 works much better than 50/50. If you and your partner must have total equality, give a one percent share to an outside advisor who becomes your tiebreaker.

4. Low Prices

Some entrepreneurs think they can be the low-price player in their market and make huge profits on the volume. Would you work for low wages? Why do you want to sell at low prices? Remember, gross margins pay for things like marketing and product development (and great vacation trips.) Remember, low margins = no profits = no future. So, the grosser the better.

Set your prices as high as your market will bear. Even if you can sell more units and generate greater dollar volume at the lower price (which is not always the case) you may not be better off. Make sure you do all the math before you decide on a low-price strategy. Figure all your incremental costs. Figure in the extra stress as well. For service companies, low price is almost never a good idea. How do you decide how high? Raise prices. Then raise them again. When customers or clients stop buying, you've gone too far.

5. Not Enough Capital

Check your business assumptions. The norm is optimistic sales projections, too-short product development timeframes, and unrealistically low expense forecasts. And don't forget weak competitors. Regardless of the cause, many businesses are simply undercapitalized. Even mature companies often do not have the cash reserves to weather a downturn.

Be conservative in all your projections. Make sure you have at least as much capital as you need to make it through the sales cycle, or until the next planned round of funding. Or lower your burn rate so that you do.

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6. Out of Focus

If yours is like most companies, you have neither the time nor the people to pursue every interesting opportunity. But many entrepreneurs - hungry for cash and thinking more is always better - feel the need to seize every piece of business dangled in front of them, instead of focusing on their core product, service, market, distribution channel. Spreading yourself too thin results in sub-par performance.

Concentrating your attention in a limited area leads to better-than-average results, almost always surpassing the profits generated from diversification. Al Reis, of Positioning fame, wrote a book that covers just this subject. It's called Focus.

There are so many good ideas in the world, your job is to pick only the ones which provide superior returns in your focus area. Don't spread yourself thin. Get known in your niche for the thing you do best and do that exceedingly well.

7. First Class and Infrastructure Crazy

Many startups die an untimely death from excessive overhead. Keep your digs humble and your furniture cheap. Your management team should earn the bulk of their compensation when the profits roll in, not before. The best entrepreneurs know how to stretch their cash and use it for key business-building processes like product development, sales and marketing. Skip that fancy phone system unless it really saves time and helps make more sales. Spend all the money really necessary to achieve your objectives. Ask the question, will there be a sufficient return on this expenditure? Everything else is overhead.

8. Perfectionism

This disease is often found in engineers who won't release products until they are absolutely perfect. Remember the 80/20 rule? Following this rule to its logical conclusion, finishing the last 20 percent of the last 20 percent could cost you more than you spent on the rest of the project. When it comes to product development, Zeno's paradox rules. Perfection is unattainable and very costly at that. Plus, while you get it right, the market is changing right out from under you. On top of that, your customers put off purchasing your existing products waiting for the next new thing to roll out your doors.

The antidote? Focus on creating a market-beating product within the allotted time. Set a deadline and build a product development plan to match. Know when you have to stop development to make a delivery date. When your time's up, it's up. Release your product.

9. No Clear Return on Investment

Can you articulate the return which comes from purchasing your product or service? How much additional business will it generate for your customer? How much money will they save? What? You say it's too hard to quantify? There are too many intangibles? If it's too difficult for you to figure, what do

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you expect your prospect to do? Do the analysis. Talk to your customers, create case studies. Come up with ways to quantify the benefits. If you can't justify the purchase, don't expect your customer will. If you can demonstrate the great return on investment your product provides, sales are a slam dunk.

10. Not Admitting Your Mistakes.

Of all the mistakes, this might be the biggest. At some point you realize the awful truth: you have made a mistake. Admit it quickly. Redress the situation. If not, that mistake will get bigger, and bigger, and... Sometimes this is hard, but, believe me, bankruptcy is harder.

Assume your costs are sunk. Your money is lost. There is good news: your basis is zero. From this perspective, would you invest fresh money in this idea? If the answer is no, walk away. Change course. Whatever. But do not throw any more good money after bad.

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*All of us at TITAN Business Development Group*

***wish you a happy, healthy and prosperous New Year***

*and sincerely thank you for all your support!*


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