



The Raphael Report

**Observations on marketing,
advertising, sales and
promotions
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December 2002 Number 43

The Entrepreneurs Club

This is the story of Stan Golomb. He helped small businesses grow and survive with his creative direct marketing programs.

He started his business in 1985. Stan was 55 years old and a successful sales manager of a company selling chemicals to dry cleaners.

He saw that the most successful cleaners used innovative ideas while other cleaners, not having these ideas, failed.

He decided to be a consultant. His first mailer to dry cleaners was headlined: "Would You Hire This Man For \$5.00 A Week?"

The copy said he had ideas to help dry cleaners prosper.

At the end of a few weeks he had several hundred replies – with checks...but no business plan.

He created a series of ideas, mailed them to his subscribers and watched his business, the Golomb Group, grow.

In his later years, he decided to write a book on ideas for any small retailer to increase their business.

Each of his ideas revolved around. . . direct mail!

His book tells the story of five small business people who combine their resources to help each other become successful. Through the years they share ideas, learn about direct marketing techniques and offer mutual support.

Stan's book is for every small businessperson, from dry cleaners to dentists to florist to locksmiths to beauty shops to gift shops to clothing stores to supermarkets to car dealers to restaurants – anyone in the process of building a business.

He was able to correct the galley proofs before he died.

Here are a few summaries of chapters in his book . . .

Jack loses his job at a dry cleaner. Another cleaner in town decides to sell his business but wants \$10,000 cash. Jack sells his Harley-Davidson motorcycle and convinces the bank he is a good prospect for a \$6,000 loan. He opens his shop with about 500 customers a week spending an average of \$3.00. This gives him weekly sales of \$1,500.

An extra \$300 a week would make life easier. That would mean he needs an additional 100 customers. But all he has to spend on advertising is \$50.

Jack and his wife, Jill decided to print postcards and mail them to the closest homes near their store. The postcard said:

\$10.00 In Free Cleaning!

We want to be your dry cleaner.

Try us and get \$10.00 in free dry cleaning
so we can prove we deserve to be your cleaner.

Jill wrote the street addresses of a few hundred homes in the area. The mailing cost was about 30 cents each. The \$50 budget would pay for 150 cards.

He mailed the 50 cards and then 50 more. After they mailed the 100 they had four new customers. If they mailed another 100 cards they could expect another four new customers. This meant they'd have to send out 2,500 postcards to have 100 new customers. That would cost \$750. Jack decides he has no choice.

Jack soon has 60 new customers. Sales increase by the expected \$3.00 a week per customer which meant an extra \$180.00 in weekly sales!

Result: Jack can pay his bills and have a few more dollars to promote the business.

Jack makes an appointment with Dave, a new dentist who just moved into town. Jack tells Dave of his success and suggests Dave also use direct mail. Dave agrees. The two decide to send a joint mailing to neighborhood people. This will cut their individual costs in half.

Dave tells Jack his wife went to a new beauty salon that needs more business. Dave suggests they invite the owner to a meeting with them.

They meet and agree to call this new group "The Entrepreneurs Club."

The group finds a company to supply them with names and addresses of people moving into their neighborhood. Their zip code averages 120 new move-ins each month. Their cost is \$1.00 each for a full-color postcard mailed to the new arrivals each month. This price includes everything: the name, the mailer, the postage and addressing.

They decide to take turns each month sending a special offer from each one every three months. This way, they share the cost three ways, reducing their cost to 33 cents for each card.

After six months of doing this promotion they check their results:

Dentist Dave has seven new patients resulting in more than \$1,000 in additional work after his free exam offer.

Penny, the beautician, has six new customers and a projection of \$4,500 in additional annual sales.

Each agrees to send a follow-up card to each new customer to thank the customer and give an offer or gift when the customer returns.

The success of The Entrepreneurs Club spreads among local retailers. Larry of Larry's Liquors joins the club. Jenny from Jenny's Garden Shop also joins. The club decides to limit membership to non-competitive businesses.

They also decide they need professional advice for future promotions. One of the members knows of a consultant named Garfield who lives in the community and is a business speaker. Since he is a neighbor, he might give them a seminar for a reduced fee. He agrees.

Here's what he said:

"I'm not a motivational speaker. I hate motivational speakers. They wind people up and send them out for failure. Motivational speakers say, 'You are good. You are empowered. Now go forth and make it happen'. And the people go forth with no new tools or skills and soon they have broken fingernails and blood blisters.

"That 's not what I do. I'm an educator. I give knowledge, information, tools and skills."

He emphasized they should recognize that each of their customers is also a prospect for their

competition. Therefore, they should think of their customers as prospects. He reminded them that every time one of their customers goes out their door he becomes a free agent and can go anywhere to buy.

Garfield explained the 20/80 rule—that 20% of their customers are responsible for 80% of their sales. "It is vital for you to know those percentages and to reward the 20% in some special way to let them know you appreciate their business."

Garfield said customer turnover is a fact of life. People move, retire, change their lifestyle. But the major reason for customer turnover is salespeople who don't show appreciation for the customer's business.

He suggested each business offer something they do that's different. Jack said all dry cleaners do the same thing. Garfield asked if Jack could remove difficult stains. Jack said he could.

"Then why don't you advertise if their current cleaner fails to remove a stain, bring the garment to you and you'll do it at no charge?"

Seven years later, the Entrepreneurs Club had an exciting anniversary meeting and reviewed how their businesses had grown.

Jack's cleaning business grew to \$500,000 a year with nine full-time employees.

Penny, the beautician was doing more than \$350,000 a year. She treated every customer as someone special, giving each one a small gift at every visit and served refreshments throughout the day.

Jenny, the gardener, expanded her business by designing exclusive floral products for florist shops, boutiques and retail stores.

Larry from the liquor store expanded his sales many times over and carried inventories of wines from all over the world and sponsored wine tasting parties.

Larry summed up everyone's experience saying, "I am convinced, beyond a shadow of a doubt, that direct mail is the most powerful tool to promote a fixed location business."