



• As a retail business owner or manager you know that the bottom line of your financial statement starts at the top, the sales revenue line. Consequently, efforts to boost profits usually start with the conventional question: "how can we increase sales to increase our profits?" Logical solutions include an increase in advertising and promotion, add new product lines, add another store front, etc. But in times of economic headwinds these initiatives are very high risk tactics.

We propose an alternative strategy to boost sales and profits nicknamed the "inside out" strategy of selling. It is a sales and marketing philosophy to generate more repeat sales from inside the store by reaching out to current customers with pre-qualified offers to buy. Customer retention is another name for this strategy. It's not that finding and closing first time shoppers is to be ignored. Rather, the inside out strategy considers closing repeat sales to be, at minimum, on a par with closing first time shoppers as an opportunity to increase total sales revenue. By striking the right balance between these two sources of sales revenue a manager can make sure the company doesn't miss any profit opportunities.

Through our years of consulting and training in the music retail industry we discovered the elements of this inside out strategy at work in several companies. Some companies were better than others in terms of closing a higher proportion of repeat sales as a part of their total annual sales volume. The better companies had higher rates of school band rental conversions, combo instrument step ups, etc. We observed piano retailers with this philosophy to have better organized prospect management routines. Their "repeat sale" was the prospect returning to the store for as many times as it takes to close the deal.

A group of our clients that we now call inside out retailers were found to share a common business management trait. These companies were already investing in sales staff training and customer database management to improve closing skills and repeat sales. Their collective question became one of how to close even more repeat sales. In other words, customers who either had not made their first purchase or those who only made entry level purchases were considered to be open ended selling opportunities. "How can we more efficiently follow up with the customers we already have to close more sales?"

We agreed that a sales and marketing management database that integrated with the customer information and transaction histories in the AIMsi™ system was the needed solution. The management concept was to design and build a software add-on to AIMsi so that customers could be segmented into pre-qualified "next purchase" categories, based on what they already purchased or were planning to purchase. The Customer Frontline™ marketing and sales database program evolved to fill this need. In brief, Customer Frontline integrates in real time with the AIMsi system. Once a sale is closed and entered in AIMsi a sales person can access the same customer record through Customer Frontline to enter some key data that outlines what the customer is qualified to buy next.

In brief, Customer Frontline is a modular database system. It attaches a future sales and marketing plan to a customer already registered in AIMsi. Each of the Customer Frontline sales modules outline the buying attributes of a target customer, based on the department that is doing the selling. Inside out companies that use Customer Frontline have established routines to solicit and close repeat sales from each department within their store: school band rental conversions, piano prospects, step up combo gear customers, extended warranty renewals, etc. We share these best practices during Customer Frontline training so that a new inside out company can increase sales and profits, as explained in the following analysis.

#### The Customer Frontline Return on Investment - ROI

The ROI from implementing the inside out strategy with Customer Frontline (CFL) is presented on the comparative financial statement on page 2. The calculations under the "Net Income, Pre-CFL" header reflect the margins and operating expense ratios published in the NAMM cost of doing business. As seen on Line E, a full line musical instrument retailer with annualized sales of \$5M realizes an average net profit of \$95K, or 1.9% of top line sales.

The operating statement on the right calculates "Net Income w/CFL". The results under this header reflect a 5% boost on the two revenue lines. Variable expenses increase in step with the added revenue...except Marketing. This analysis implies that the sample company increased sales revenues by following the inside out strategy; additional sales were closed without increasing advertising expenses. However, the real financial payoff is expressed in the lower "Fixed & Other Expenses" section of the operating statement. As the numbers show, expenses like occupancy, back office administration, insurance, utilities, taxes and such do not increase with sales. These expenses have to be paid whether or not a customer makes a purchase.

Notice that a line item is added under fixed expenses in our analysis to reflect an estimated investment in a multi-department Customer Frontline system for a \$5M company. This amount includes anticipated outlays for employee training during the first year. These expenditures go down in subsequent years because the software is in place and training needs decline as the sales staff and management become more experienced with following the inside out strategy.

Compare line E at the bottom of the financial analysis: net income to sales has increased from 1.9% to 3.3%. This is an 80% increase in net profit dollars. A 5% revenue increase is magnified to an 80% bottom line increase! Another way to state this result is that 30% of added sales revenue becomes net profit when the inside out strategy is implemented. What other business investment offers such a high ROI potential at such a low investment risk?

Visit [www.customerfrontline.com](http://www.customerfrontline.com) for more details.  
Contact us to schedule a Customer Frontline webinar!

Inside Out Sales and Marketing Management<sup>®</sup>  
 Return On Investment Analysis  
 Customer Frontline

**Full Line Music, Inc.**

Customer Frontline™ Profit and ROI Analysis

<u>1. Net Income, Pre-CFL</u>			<u>2. Net Income w/ CFL</u>		
	<u>\$</u>	<u>% to Sales</u>	<u>\$</u>	<u>% to Sales</u>	
<b>A)</b>	5,000,000	100.0%	5,250,000	100.0%	Sales Revenue
	2,950,000	59.0%	3,097,500	59.0%	COGS
	2,050,000	41.0%	2,152,500	41.0%	Gross Profit
	650,000		682,500		Rental & Other Income
	2,700,000	54.0%	2,835,000	54.0%	Operating Profit
					<u>Variable Expenses</u>
	780,000	15.6%	819,000	15.6%	Direct Selling Payroll
	160,000	3.2%	160,000	3.0%	Marketing: Adv & Promo
	50,000	1.0%	52,500	1.0%	Logistics: handling, etc.
	50,000	1.0%	52,500	1.0%	Inventory Carrying Costs
	1,040,000	20.8%	1,084,000	20.6%	Variable Expenses - Total
<b>B)</b>	1,660,000	33.2%	1,751,000	33.4%	Sales Profit Contribution
					<u>Fixed &amp; Other Expenses</u>
	490,000	9.8%	490,000	9.3%	Admin. Salaries, benefits, tax
	385,000	7.7%	385,000	7.3%	Occupancy, utilities
	165,000	3.3%	165,000	3.1%	Benefits
	55,000	1.1%	55,000	1.0%	Technology Equipment & Support
	0	0.0%	15,000	0.3%	Customer Frontline System and Training
	470,000	9.4%	470,000	9.0%	Other Operating Expenses
	1,565,000	31.3%	1,580,000	30.1%	Fixed Expenses - Total
<b>D)</b>	95,000		171,000		Net Income
<b>E)</b>		1.9%		3.3%	<b>Net Income to Sales</b>
<b>F)</b>			<b>76,000</b>		<b>Net Income Gain with Customer Frontline</b>

[www.customerfrontline.com](http://www.customerfrontline.com)

702-897-6708

Schedule a Customer Frontline Webinar!