Fishbowl Discount Tactic

Once you learn how to generate leads, you should also be closing sales. As you do, this strategy will help you increase your profit from those sales anywhere from 30% to as much as 100%.

People LOVE to feel like they're getting a great "deal." On top of that, people love it when they win something. That's because most people never do. They go through their entire life and never win a thing. When they do win, you can bet they will take full advantage of their good fortune. Here's how you can capitalize on that human trait by giving every one of your customers a "win"… and possibly doubling your profits in the process.

First, it's very important that you know and understand the difference between net profit and gross profit. Gross profits are what you make from the sale of your products or services, less what it cost you to sell them. So if you sell a widget for $50, and it costs you $10 to make that widget and another $10 in sales commission, your gross profit is $30.

Net profit is what you have left over after you subtract all of your business expenses from your gross profit. Business expenses include the expense of running your business, such as your overhead costs, shipping expenses, phone and internet access bills, vehicle expenses and so on. Technically, if you draw a salary that's also subtracted from your gross profit to calculate your net profit, as it's an expense to your business.

Let's assume these additional expenses average $15 per widget. When we subtract that $15 from our $30 gross profit, we're left with a net profit of $15. Since the sales price was $50 and the profit was $15, this means our net margin equals 30%.

Now, listen to what I'm about to say very carefully, because few business owners understand net versus gross profit. In our example, you know that when you sell a widget for $50, you will realize a net profit of $15… which is your 30% margin. That covers every single expense you have to pay to operate your business.

So what happens if you increase the dollar amount of that sale… either by raising the price of that widget… or by up-selling or cross-selling your customer on an additional product or service? The only additional cost to you at that point is the actual cost for that product or service.

In other words, right now you make $15 for every widget sold, but if you sold that exact same widget for $65 instead of $50, you would create an additional $15 in profit… effectively doubling the profit for that one sale.

Unfortunately, it's tough to raise prices today, but what if you could instead sell an additional item to the same customer for $20… and if that item only cost you $5 to produce and deliver, you would make that additional gross profit of $15. The overhead and expenses for your business are already paid for by the initial sale, so the vast majority of the revenue from the up-sell or cross-sell is pure, in-your-pocket profit.

If that additional gross profit is $15, you just doubled your original profit. That's a 100% increase to you, and if you did this with every customer, you would effectively double the profitability of your business. What I'm trying to say is that small increases in customer revenue add up big time on your businesses bottom line. So let's show you a strategy you can use to up-sell or cross-sell almost every one of your customers, clients or patients.

Let's start by explaining the difference between an up-sell and a cross-sell. In essence, an up-sell involves offering the buying customer at the point of purchase more of what they just purchased. You're getting the customer to purchase a larger quantity or a higher volume. When you super-size your fries at McDonalds, that's an up-sell. When you buy socks at the store, and the clerk convinces you to buy a dozen more to get a special discounted price, that's an up-sell. You're purchasing more of what you were originally buying.

A cross-sell involves offering the buying customer at the point of purchase an additional product or service that's related to what they just purchased… typically something they need or want but didn't think about purchasing at that time. After you super-sized your fries at McDonalds, the person helping you asked if you would like the apple pie with your meal. After you agreed to the dozen socks, you also agreed to buy a new pair of shoes as well. These are all examples of a cross-sell… you're buying a related product or service.

Keep in mind that once a customer decides to make a purchase, they're now predisposed to buy. Their guard is down… and they're now in what's referred to as a "Purchase State." They'll buy almost anything that's related to their primary purchase. Every small business owner should be capitalizing on this human tendency. If you don't, your competition will.

Consider this example. Let's say you own a Garden Center. One of your customers comes in to buy some plants to spruce up their yard. They walk up to the counter to buy two plants and you say to them, "we're having a special today. If you buy one more plant, you can get an additional plant for free." That's an up-sell because you're getting them to purchase more of the same thing than they would have originally.

You then ask them if they need planting mix for the plants they're purchasing by saying, "if you buy two or more plants, you can get two bags of planting mix for the price of one?" Now you're cross-selling them because you're getting them to purchase a related item.

So your goal here is to find various ways to up-sell and cross-sell your customers so you can increase the profitability of your business 30% up to 100%. In fact, statistics show that 30% of customers will purchase an up-sell/cross-sell item if you simply ASK them to. That's pretty simple isn't it? And yet the vast majority of business owners NEVER do.

With the help of the up-sell and cross-sell strategy, we're going to blow that 30% figure right through the roof. Watch how we can tap into human nature and skyrocket the profitability of your business by using a tactic we call the "fishbowl discount tactic."

Begin by asking yourself what other products or services would compliment or add value to your current customers when they buy what you sell. Create a list of potential up-sell and cross-sell products or services. And by the way, they don't have to be your products or services. Naturally it's much better if they are yours, but many businesses today simply don't have complimentary products or services.

If that's the case, find other businesses that do… and create an affiliate relationship with them. Tell them you want to start selling their product or service to your customers, and negotiate a fair percentage of the profits from those sales for your business. Most affiliate fees today run between 10% to as much as 50% of the sale, depending on the margins involved.

A labor intensive service like a consultant or coach may pay just 10% whereas someone selling an online e-book may pay 50% since they literally have no cost involved in creating or delivering their product.

Once you have your list created, be sure to calculate your gross profit margin for each item. Since these will be additional add-on sales, you don't have to worry about your net margins. All of your business expenses are typically covered in the initial sale.

Now ask yourself what percent discount you could give to a customer buying a specific product or service. So for example, you discover that you have a 50% profit margin on a complimentary gadget, so you could easily offer a 25% discount and still make a nice profit.

Now that you know how much you can discount the item you're promoting and still make a comfortable profit, here's what you do. When a customer makes any purchase whatsoever, always ask them if they're interested in buying anything else. Once they say no, the sale would have typically ended there and they would have left.

But let's use human nature to get them to stay and buy from you. Tell them that they have just earned an opportunity to draw a number from your "fishbowl"… or whatever you choose that would be similar in nature… and explain to them that the numbers in the fishbowl represent special bonus discounts ranging from 5% to a maximum of 25%. Remember that the discounts you offer in your fishbowl will be determined by your gross margin. In other words, don't offer a discount where you end up losing money.

Now listen to this. ALL of the numbers in the fishbowl are labeled 25%, which is the maximum discount you quoted, but don't tell the customer that. Use folded pieces of paper so the customers can't see the numbers until they select theirs and open it. When they draw their number, congratulate them on being one of the very few to win the maximum discount… which they can now apply toward the purchase of a select list of products and services. Hand them a list they can select from that contains various products or services with high profit margins.

Now remember, they were NOT going to buy anything additional from you that day anyway, which is why you ALWAYS ask them first if they're interested in buying anything else, so this is a way you can increase your sales of a high profit item. And by giving them 25% off, that discount is almost too compelling for them NOT to use it.

Now naturally, not everyone will use the coupon and buy that day, but the average percentage of those who do will range between 40% up to 70%. And since the up-sell or cross-sell is gross profit, you should effectively double the profitability of your business using just this one strategy. If you don't, you simply selected items with too low of a profit margin. Find something else and test it, including affiliate items with substantial profit margins.

And one more critically important point. How much did this strategy cost you to implement? The answer… ZERO! In fact, all this takes is fifteen seconds to explain the fishbowl drawing and hand them the list of goodies they can select from.

There is also a second variation to this tactic that you may want to test. Instead of all the pieces of paper in the fishbowl having the maximum discount written on them, try writing the minimum discount of them instead. In the example we used, that would be 5%. After they draw their discount from the fishbowl and show you that it says 5%, take it from them and with your pen change it to the maximum discount.

Give them a wry smile and a wink and tell them not to say a word about what just happened. You're now tapping into the reciprocity factor which is a tremendously strong persuasion technique in human nature.

But make sure whichever method you use, test, test and test.

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