

The best way to win work is to ensure that everyone says nice things about you. By Rachel Bridge

**L**isa Shell has an enviable confession to make: she has never spent a pound on marketing. That's because most of her clients come to her. About 80% of her business comes through word-of-mouth recommendations and her eponymous architectural practice in Dalston, east London, is in such demand that she turns away work.

"I don't spend any time or money finding work – people bring me up instead of the other way round," said Shell, 42, whose firm carries out private residential alterations and refurbishments and employs three people.

"We will often get a call from someone saying they have seen the work we did at a friend's house and would love to talk to us."

As well as being an innovative way of getting work, there are several other advantages to getting business this way, Shell said.

"The benefit is that our clients come to us feeling confident rather than feeling on edge, or that they have to test us, because they have seen what we have done and have heard how it went," she said.

It might sound old-fashioned but word of mouth is one of the most powerful marketing tools in existence. Study after study shows customers respond far more favourably to personal recommendations from friends or colleagues than they do to advertising. Even better, it is free – which makes it just as accessible to small firms as to large ones.

So how do small businesses go about harnessing it in the most effective way?

The first step is to encourage customers to start spreading the news both in person and online. It is no good sitting back and hoping it will happen. If you own a hotel, for example, consider putting a note at the bottom of every bill asking your customers to post a favourable review on a trip-advisor.co.uk, the travel site.

Emma Jones, founder of Enterprise Nation, the home-business network, said: "Word-of-mouth recommendation is every business owner's dream because it costs nothing yet is highly effective. To



Lisa Shell: most new work comes after clients recommend her

# Success? You'll hear it on the grapevine

gain such recommendations, you need to deliver a good and timely service and then encourage your customers to tell everyone else. Give them specially designed postcards that offer discounts for them to distribute to friends and family, for example. Or get permission to display their positive testimonials on your site or promotional flyers."

The second step is to realise that word of mouth does not work for new enterprises. You need to have an established business with a solid and growing customer base, and to have already carved out a niche in the marketplace.

Kerin Horne, chief executive of NIVES, an enterprise agency for east England, said: "Word-of-mouth recommendations are a vital tool. They cement your brand reputation because they show you have a great product or service. But too many start-ups rely on word of mouth to establish their business. You need to have your product or service out there before you can start to do that."

The next step is to bring word of

mouth into the 21st century and start using online social media to get the message across. Maria Hatzistefanis has been generating a word-of-mouth buzz for her skincare products ever since she launched her beauty business, Rodial, 12 years ago.

Instead of waiting for customers to start talking about her products, she encourages people to get excited about them by sending samples of products to influential beauty industry bloggers to review up to six months before a new product is launched.

She also writes a blog on the company's website and gives out advance information on social media such as Facebook and Twitter.

In addition, she has 100,000 registered customers who are kept informed about new products and sends products to some 20 unofficial brand ambassadors – customers who regularly use social media sites to share their views. Hatzistefanis, 40, whose company sells skincare products such

as Tummy Tuck, Boob Job and Bum Lift which offer an alternative to plastic surgery, said: "In the past few years, social media have helped a lot with creating a word-of-mouth buzz. It works even better than advertising. We have occasionally invested in print advertising and the impact is nowhere near as great."

She said word-of-mouth recommendations will typically double sales of a product. Her business, based in Fulham, southwest London, had sales of £5m in the year to March.

The final step is the simplest – and yet the most difficult of all to achieve. This is to create a product or service that people are likely to want to talk about and get excited about.

Tony Goldstein, director of South East Enterprise, an enterprise agency, said: "It is no longer enough to offer a good product or service. To generate word-of-mouth recommendations it needs to be exceptional. You need to surprise and delight your customer."

For Hatzistefanis that means launching products with a story attached. One of her best-known products, for example, is called Snake Venom. It uses an ingredient that mimics the effect of snake venom in paralyzing the muscles.

She said: "If we were just selling scented body creams or a nice moisturiser, there would not be enough about the product to create a buzz. It is a combination of the right product with the right story that makes it interesting."

The ultimate goal, Horne said, is for your customers to be so enthusiastic about spreading the word about your product or service that they become fans. That has happened at Apple, where customers often become passionate about products such as the iPad or Apple Mac.

Horne said: "Apple doesn't need to market its products because its customers are doing it all for them. How many ads do you see for Apple? Not a lot. It is all done through word of mouth."

## BUSINESS DOCTOR

### TAX ALLOWANCES PAY FOR FIXTURES

**HD writes:** I am a wholesaler of electrical components. To meet my expansion needs, I am buying a freehold interest in a newly constructed building for £1.2m. It has already been fitted out for storage space and offices. Had my company fitted out the building, I would have expected to get tax allowances for the cost of this. Will I be able to claim capital allowances on the equivalent amount of the £1.2m?

You should be able to claim capital allowances on part of the capital spending, writes Jon Scriffy, partner at Kingston Smith LLP. Part of the cost will pertain to land and buildings. Some of the costs, however, will relate to integral fixtures, and others to loose fixtures such as storage racks, cupboards, cookers, kitchen equipment and so on. Integral fixtures include electrical systems (lighting falls into this), water supplies, heating systems, lifts and external solar shading.

For both integral fixtures and loose fixtures, you can claim a 100% annual investment allowance on the first £100,000 of expenditure incurred in the year (this will fall to £25,000 from April 1, 2012). If your business is part of a group of companies, then the annual investment allowance must be split across the group.

Once you have claimed the annual investment allowance, you can claim an annual writing-down allowance. On integral fixtures, you can claim 10% (8% from April 1, 2012) and on loose fixtures, the allowance is 20% (18% from April 1, 2012).

The appropriate split between the ineligible assets, the integral fixtures and the loose fixtures can often be obtained from the builder's schedule of works. Alternatively, you can engage a chartered surveyor to carry out a review and provide an estimated split between the various categories.

Next, the changes in rates from April 1, 2012, will be recommended

that you buy the building owner rather than later to maximise the tax benefits.

### RECRUIT MISLED ME OVER HOLIDAY

**ED writes:** I have just taken on an employee who, when asked during an interview, said he had no holidays booked over the coming months. However, once he began the job he told me he had a two-week holiday booked, which he claims he forgot to mention in the interview. Am I under any obligation to give him time off, especially as his holiday was booked before his employment with me began?

It is important to remember that you are hoping for a long working relationship with this employee, so try to keep things in perspective, writes Peter Day, managing director of Peninsula. He should have told you about this holiday in the interview but he may have genuinely forgotten or been concerned that you wouldn't hire him or would delay his start date because of it. It is in your mind that your employee is entitled to paid time off by law. If you grant this as paid holiday now, it reduces the amount of leave he can take in the rest of the year. This will also create a lot of goodwill with your employee. Ask yourself what you would have done if he had told you about it during the interview. If you would have allowed him to take this as paid leave, there is no reason to refuse it now. You also have a duty towards your employee. He didn't book the holiday to inconvenience you and he would face a big loss if he had to cancel it.

If he has insufficient leave to cover this holiday as paid leave, you could consider allowing him to take it as unpaid leave. Similarly, if you don't want to view this as paid leave, you can let him take it as unpaid leave. This way you aren't stopping the holiday, so you are not making him suffer a loss, but do remember that he will be entitled to take his accrued paid leave later.



Kingston Smith LLP, the chartered accountants, and Peninsula, the employment-law firm, can advise owner-managers on their problems. Send your questions to Business Doctor, The Sunday Times, 3 Thomas Moore Square, London E8 3JF, or fax to 020 7582 5268. Advice is given without legal responsibility.

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# I couldn't throw away the chance to sell waste paper

A ROGUE SUPPLIER brought down Pankaj Chowdhary's first attempt to sell waste paper by sending him bags of rubbish instead of paper.

Chowdhary was left with debts of \$80,000. Undeterred, he tried again. This time his company, Reliance Fibres, is likely to turn over £12m and it employs six staff at the headquarters in northwest London.

The second of three children, Chowdhary was born and brought up in Calcutta, where his father was general manager of a paper mill. He lacked confidence, but found his feet as a boarder at the Doon School in Dehradun, the top private school known as Harrow by the Himalayas.

He graduated in commerce from Calcutta University, working in his spare time at his family's flour mill business. He quickly realised it wasn't for him. "I got very bored," he said.

In 1993 Chowdhary went into sales, supplying chemicals to the paper industry with a family friend. After six years he moved into selling waste paper on behalf of American companies to Indian paper mills.

As the broker, Chowdhary was paid \$2-\$3 a tonne and, at the age of 33, found he could make £2,000 to £3,000 a month. After four years, however, the business hit a crisis when his main supplier in America was taken over by a company that was already operating in India.

Chowdhary turned to Norway for a new supply of waste paper. Unfortunately, the company there sent him bags of household rubbish. Chowdhary had to refund \$80,000 to his customers personally.

"All hell broke loose," he said. "I was stressed to the max. I was left with no business at all."

After failing to recover the money from the Norwegians, Chowdhary decided to head for Britain and start afresh. In 2004 he arrived in Golders Green, northwest London, where a friend of his father had offered him temporary office space. His wife and two children stayed behind in India while he attempted to rebuild his business and confidence.

Chowdhary still had his own, so he borrowed £50,000 from his father and uncle and the same amount from a family friend. Now determined to protect himself from unscrupulous suppliers, he decided to buy waste paper direct from businesses rather than use middle men.

Chowdhary still had his customers – the Indian recycling mills – but he needed to find sources in Britain. That was easier said than done. "These people," he said,



Pankaj Chowdhary turns over £12m by selling 100,000 tonnes of paper a year

## HOW I MADE IT

**Pankaj Chowdhary**  
Founder of Reliance Fibres

His persistence eventually paid off, with sales of £730,000 in the first year and £2.1m in the second. Without access to additional finance, it took Chowdhary five years to reach significant volume and turnover. "It took me a long time to find my feet," he said. "I should have been more assertive."

This professional timidity meant he missed a big money-making opportunity. When the commodities market crashed in 2008, the price of waste paper fell to about

per tonne to sell. "They didn't know what to do with the paper they had collected," he said. "I could literally have thrown a price at them and made a lot of money, but I was too scared. I did not see the opportunity in the mayhem."

Reliance Fibres, based in Colindale, has nevertheless thrived, benefiting as the global paper industry has shifted from using virgin pulp to recycled paper because of environmental concerns. At least 50% of pulp is now recycled.

Now aged 45 and reunited with his wife and two children, who joined him in this country, Chowdhary believes the secret of his success has been determination: "I have been in situations where I was at the bottom of the curve, at an absolute low, but the beautiful part about this is that it can only improve."

Chowdhary, who owns 100% of the business, gives this advice: "Stand very firm against adversity and take a single-minded approach. If you are enjoying what you are doing, you are in a right business."

"There were times when people would not do business with me but I kept on pursuing them and they eventually came to me."