

How to grow your business

Expert knowledge means success



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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

Not having enough sales or customers is probably the biggest challenge that most business owners face today. It doesn't matter whether the company is "booming" or "busting", we all need to continuously find, service and manage customers and their expectations - whether they're existing customers or potential targets for your promotional activities.

How businesses attempt to increase their sales will involve different things for different businesses, such as by:

- Advertising;
- Sales promotion;
- Direct mail;
- Public relations;
- Press marketing;
- Product development;
- Price promotions.

This publication will help you to decide what's best for you and your organisation - whether you call it that or a company, a business, a firm or a practice, it's still a "business" that has customers (or clients, or patients or whatever you call them).

This publication is aimed at owner-managers who want to bring the quality of their marketing and sales efforts in line with the quality of their products or services. But remember - the best marketing or sales ideas in the world won't help you if your products or services are sub-standard.

Only the best will do if you want to succeed in business.

Great ideas that work - but don't break the bank

The best definition we've come across about marketing is that it's all about "finding out what the customer wants and then providing it". The emphasis here is on the word "wants" - something that's far removed from "need".

Here are some great marketing points - try them to see how your sales and marketing efforts can pay rich dividends:

Emphasise the benefits, not the features

To be effective, anything that you say about your product or service should focus on the benefits that the customer will enjoy when using it. To be able to do this, you'll need to understand why the customer is buying what you have to offer and what will be done with it. For example, when customers first saw the Sony Walkman, they certainly didn't need it - their lives had gone on pretty well until then without music etc on the move. But when they saw what the Walkman could do, they really wanted one.

Emphasising the benefits means emphasising the quarter-inch hole that a drill makes rather than the colour and other features of the drill. After all, people buy solutions, not products.

Complaints are invaluable - never let one slip by

The absolutely worse thing to do about a complaint is to act defensively. Research shows that if you handle a complaint well, the customer will tell several other people what a terrific company yours is. On the other hand, if you miss out and handle a complaint badly (or ignore it altogether), you risk losing the customer who'll take great pleasure in telling 10 or more people about the bad experience suffered at your hands.

Complaints are so valuable, that you should go hunting for them. You need to learn from mistakes as they focus attention on those parts of your business that need improvement. The chances are that your competitors are doing the same things badly too. In a way, your customer acts as a sort of consultant by telling you how you can improve - you must take heed because often what a customer spots as a flaw in what you're making or doing can be turned into a competitive advantage if you put it right.

Stay with it

Having worked hard to create advertising that you believe to be well targeted and carrying all the right messages, be prepared to stick with it. There's a great danger that it will be you who'll get tired of the message long before your potential customers have all appreciated it. Let your advertising do its job - remember, it cost a lot of money to plan it so be patient - wait for it to fully repay your investment in it.



Crucial Questions
Who are your customers?
What are they buying today?
What will they want - and need - to buy tomorrow?

Don't forget that your prospective customers have other priorities and they have significantly less opportunity to see, absorb and react to the message than you. Sticking with the same message can release your budget from spending money on production, in favour of advertising space, more mailing packs or brochures - so give your message time to work.

Let your customers know that you know them

Think about it - how many times have you bought a product or services and afterwards you never hear from the supplier again? It's plain daft - having persuaded you to buy once, why should they let you escape (and possibly go to a competitor next time) when the hardest work was done? With sensible planning there has to be some way to entice you back rather than leave it to chance - of course there is.

At the point of purchase we know a lot about the customer and they are offering us the chance to find out even more. Just their name, address, telephone number and purchase details (and the date they bought from you and why they did so) have enormous marketing value. If you ignore this kind of information, you're losing out on some of the best sales opportunities available to you. Think also about the marketing opportunities that occur as part of the sales process - packaging, order confirmation, invoices and statements. Think about how you might build in an incentive for your customer for repeat purchase by your customer or take the opportunity to make certain they know what else you have to offer. Today's customer should be tomorrow's best sales opportunity.

Why make response difficult?

It's surprising that many adverts fail to provide a clear invitation to take the next step and an easy means to do so. If the audience is in any doubt about how to buy then guess what - they simply won't bother! Be sure to

include a "call to action" that's loud and clear. Let your potential customer know what they need to do next and provide them with an easy way to do it. Coupons, free postal addresses, reply envelopes, free or local call rate telephone or fax numbers are all useful weapons in the battle for response.

Some customers are more equal than others

Customers are different in two main ways:

- Each has different needs from your organisation,
- You will place different values on different customers.

A customer's Lifetime Value (LTV) depends largely on how long the customer remains loyal to you and what you are offering - even small increases in the rate of customer retention adds significantly to LTV.

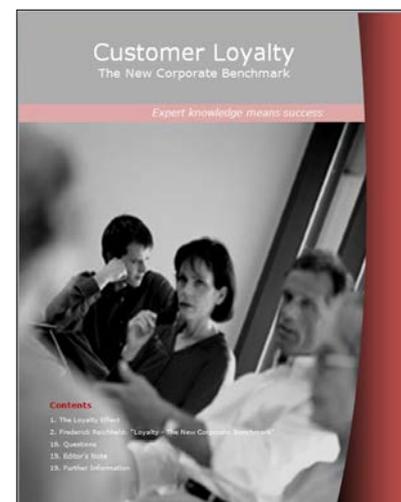
An author named Frederick Reichheld has done extensive work on the subject of customer retention. It was captured superbly in his brilliant book, *The Loyalty Effect*.

Reichheld discovered that a 5 percent increase in retention (of the right customers) could produce as much as a 125 percent increase in profit.

He didn't say a £5,000 (or £50,000) investment in marketing can produce a change of 125 percent in profits. He said that a 5 percent change in RETENTION of the RIGHT customers.

Staggering isn't it? And, of course, you effect loyalty by delivering value.

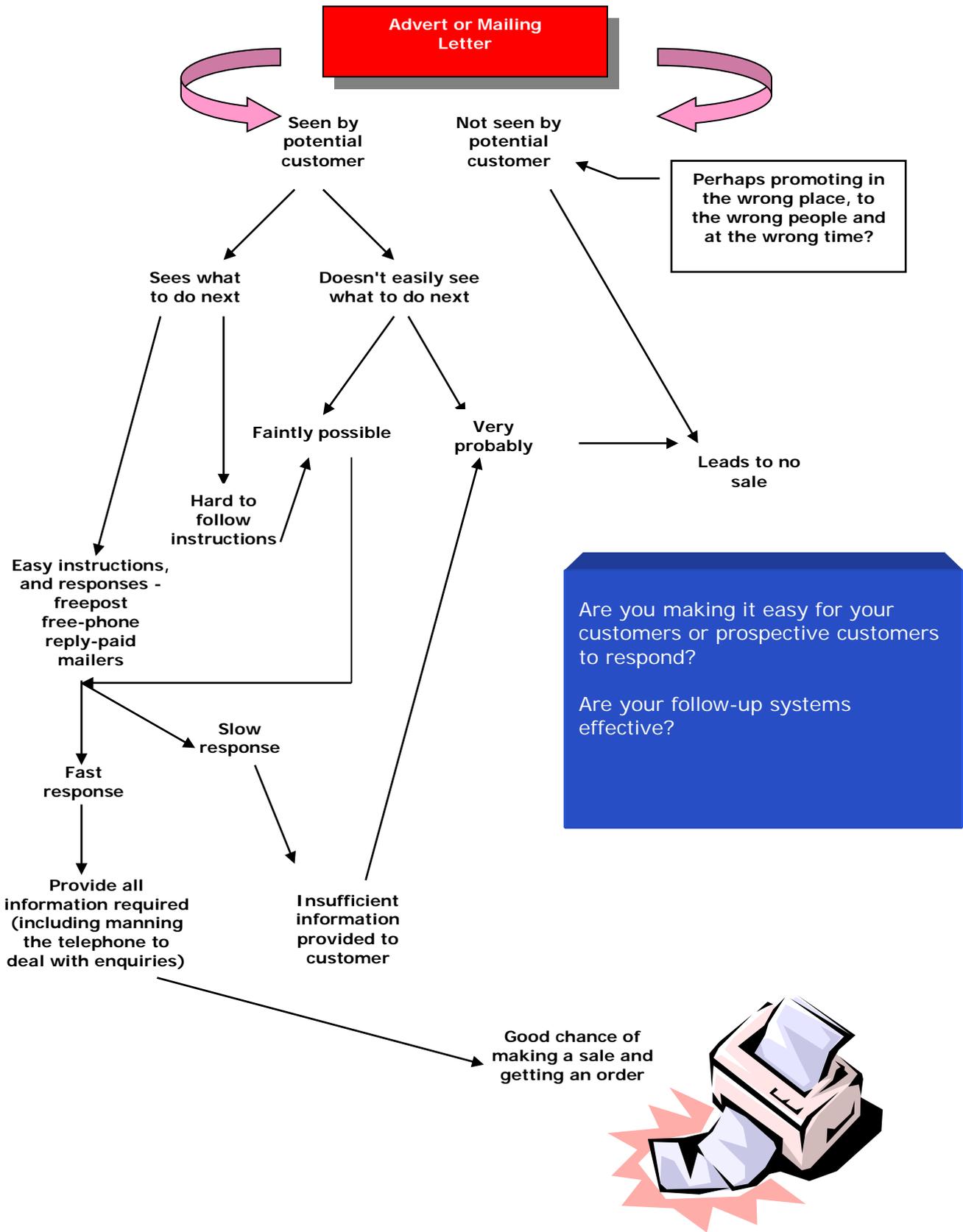
Our publication number 360 covers Customer Loyalty in detail.



Are you ready?

When your audience responds, be ready to react. Make sure your sales team are fully briefed and ready to respond to enquiries immediately - speed of response sells. If you direct people who call you towards a telephone number, consider when they will call and make sure they can get through. Take a look at the table on the next page and you'll see what we mean.

How to grow your business



The mass-customised society is here

Knowing the needs of different customers involves an in-depth understanding of your customers. For example, two customers might buy the same product from you but for quite different reasons. The most attuned supplier determines its actions not based on its existing products or services but on the needs of the particular specific customer.

A revolution is taking place in the way things are made and services are delivered¹. You are becoming so important as an individual customer that companies are starting to build products designed just for you - even though they might have millions of customers and are likely to want to or have to do the same for them too.

For example, on your ageing PC, look up the website for Dell Computers (www.dell.com) and you'll be able to buy your personalised dream multimedia PC - it will be assembled to your exact specifications. And you can buy a pair of Levi's jeans cut to fit your body.

But that's not all - you can also buy pills with the exact blend of vitamins, minerals, and herbs that you like, spectacles moulded to fit your face precisely, CDs with music tracks that you choose, cosmetics mixed to match your skin tone, textbooks whose chapters are picked out by your professor, a loan structured to meet your financial profile, or a night at a hotel where every employee knows your favourite wine or coffee or newspaper. If that's not enough there's more - if what a company has to offer doesn't match what you want, they'll probably drop everything to make it for you. An example of this is in toys - if your daughter doesn't like any of Mattel's 125 different Barbie dolls, she'll soon be able to design her own doll!

Welcome to the world of mass customisation, where mass-market goods and services are uniquely tailored to the needs of the individuals who buy them. Companies as diverse as BMW, Dell Computer, Levi-Strauss, Mattel, McGraw-Hill, Wells Fargo, and a slew of leading Web businesses are adopting mass customisation to maintain or obtain a competitive edge. Many are just beginning to dabble, but the direction in which they are headed is clear. Mass customisation is more than just a manufacturing process, logistics

system, or marketing strategy. It could well be the organising principle of business in the next century - just as mass production post-Henry Ford was the organising principle in this one.

Mass-production or Mass-customisation? two philosophies couldn't clash more.

Mass producers dictate a one-to-many relationship. Mass customisers require continual and individualistic dialogue with customers.

Mass production is cost-efficient. But mass customisation is a flexible manufacturing technique that can slash inventory.

And mass customisation has two huge advantages over mass production: It is at the service of the customer; and it makes full use of cutting-edge technology.

A whole list of technological advances that make customisation possible is finally in place:

- Computer-controlled factory and manufacturing equipment and industrial robots make it easier to quickly readjust assembly lines.
- The widespread adoption of bar-code scanners makes it possible to track virtually every part and product.
- Databases now store billions and billions of bytes of information, including individual customers' predilections for everything from cottage cheese to suede boots.
- Digital printers make it easy to change product packaging on the fly.
- Logistics and supply-chain management software tightly coordinate manufacturing and distribution of products.

Depending on how differentiable your customer base is in terms of needs and valuations, the natural competitive strategy you might use could be:

- mass marketing,
- target marketing,
- frequency marketing,
- ... or even something else.

Don Peppers and Martha Rogers², US marketing gurus, suggest that by mapping out the customer base according to how differentiable it is, enables an organisation to begin plans for "migrating" towards what they call a "1:1 Enterprise". The enterprise must adapt itself to the potential of its customer base by managing two capabilities:

1. the flexibility of its production, logistics, and service-delivery functions,
2. the flexibility of its communication with customers.

The key to success lies in spotting the needs of your customer and then delivering a product or service that meets those needs by:

- making it easy for the customer to specify his/her needs,
- remembering those needs so the customer never has to re-specify what he/she wants or needs.

The main differences that exist among customers in what they want from your organisation (and the more difficult or complicated it is for them to tell you about them) then the greater is the benefit you can gain by customising.

Peppers and Rogers put it like this:

"If a company sells a product that appears commodity-like, it can expand its customer's set of needs to introduce more differentiation. In addition to the core product, which includes the features, characteristics and attributes of the basis product (or service), the organisation might look at customising its "product/service bundle" - that means how it's invoiced, packaged, palletised, delivered or promoted".

This same theme was picked up by B Joseph Pine II and James H Gilmore in an article (entitled "Welcome to the Experience Economy") in Harvard Business Review, July-August 1998, page 97. If you get a chance to read it, we recommend that you do so. The reprint number is 98407.

Pine and Gilmore say that first there was agriculture, then manufactured goods, and eventually services. Each change represented a step up in economic value - a way for producers to distinguish their products from increasingly undifferentiated competitive offerings. Now, as services are in their turn becoming commoditised, companies are looking for the next higher value in an economic offering. Leading-edge companies are finding that it lies in staging experiences.

To reach this higher level of competition, companies will have to learn how to design, sell, and deliver experiences that customers will readily pay for. An experience occurs when a company uses services as the stage - and goods as props - for engaging individuals in a way that creates a memorable event. And

while experiences have always been at the heart of the entertainment business, any company stages an experience when it engages customers in a personal, memorable way.

The lessons of pioneering experience providers, including the Walt Disney Company, can help companies learn how to compete in the experience economy. Pine and Gilmore offer five design principles that drive the creation of memorable experiences:

- First, create a consistent theme, one that resonates throughout the entire experience.
- Second, layer the theme with positive cues - for example, easy-to-follow signs.
- Third, eliminate negative cues, those visual or aural messages that distract or contradict the theme.
- Fourth, offer memorabilia that commemorate the experience for the user.
- Finally, engage all five senses - through sights, sounds, so on - to heighten the experience and thus make it more memorable.

What outstanding experience do you have in store for your customers? We can help you to examine these factors in depth and come up with a strategy that will provide you with a competitive advantage. Let's move on now towards marketing strategies.

Marketing strategies

To develop an effective marketing strategy means that you have to *know* your current and future customers.

In this publication, there is insufficient room for a detailed exposition on the science and psychology of marketing - our objective is to provide some outline ideas for you to explore further in detail later on.

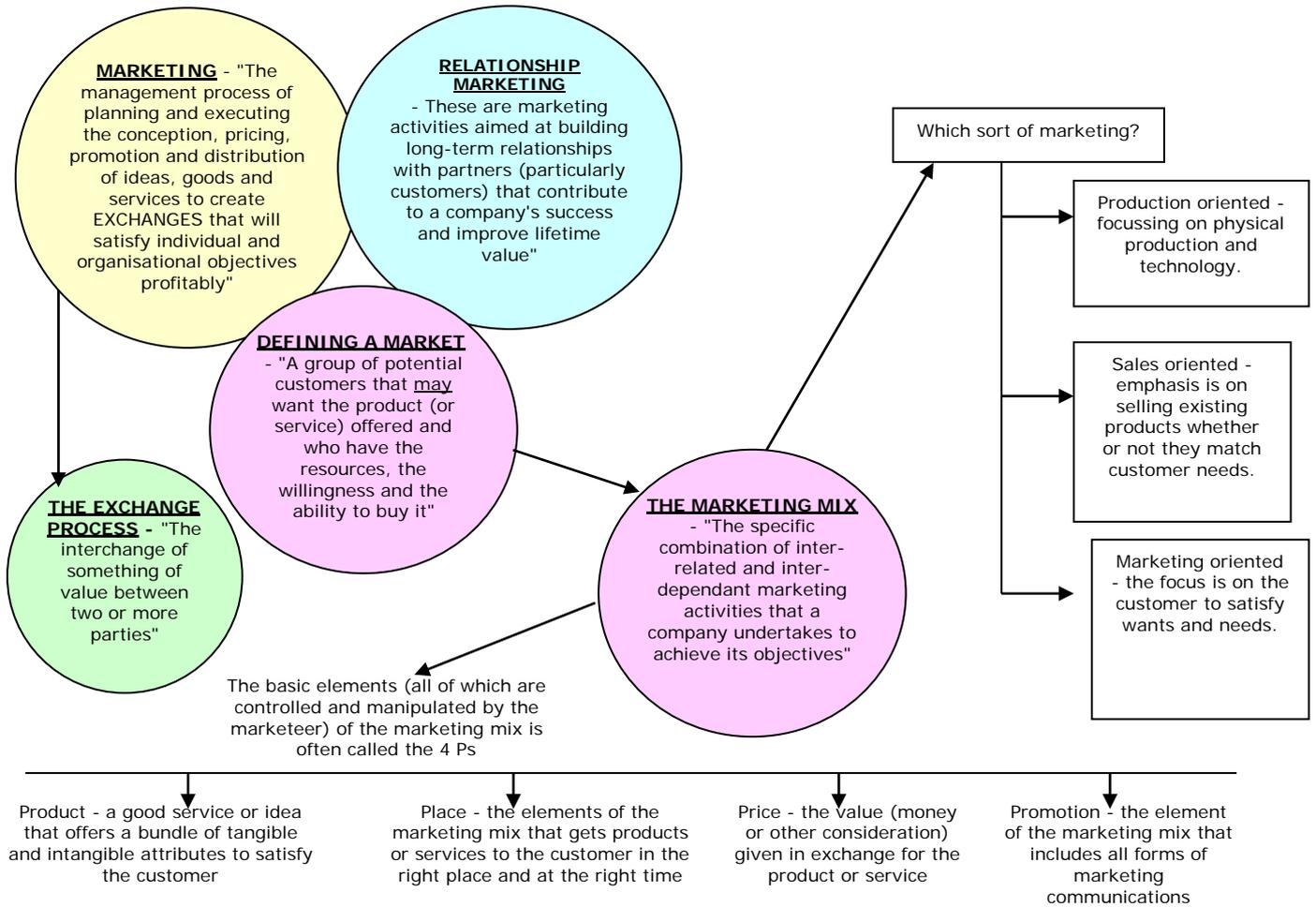
The process of marketing starts with *defining* your market, agreeing the *marketing mix*, and moves towards decisions on the type of marketing *focus* to be adopted. When you *get* customers you know that your strategy was right and when you *keep* those customers you'll achieve the success you deserve.

A map of marketing explains this in graphic detail.

How to grow your business

Getting Customers

Keeping Customers



In the table on the previous page, perhaps the most exciting and important orientation is the marketing-oriented approach. This succeeds when:

- There's customer orientation at every step from product development right through to honouring warranties and service contracts.
- There's emphasis given to long-term profitability rather than short-termism of profits and sales volumes.

How to promote what you've got

As you'll no doubt be aware, there are several different promotional methods - each promotion concept has its own advantages and disadvantages - the table below may help you to determine the promotional media that's right for you.

| | |
|--|---|
| <p><u>Newspapers</u></p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Geographic market selectivity • Flexibility - ease of ad insertion and change • Editorial support <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Lack of permanence in ad message • Poor quality of print production • Limited demographic orientation | <p><u>Direct Mail</u></p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Highly selective • Easy to measure results • Lengthy copy possible • Reader governs exposure <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Expensive - especially on a cost-per-person basis • Little or no editorial support • Limited reader interest |
| <p><u>Magazines</u></p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Demographic market selectivity • Long-life ad capability • Good quality of print production • Editorial support <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Lack of flexibility - hard to make last minute changes • Limited availability • Expensive - particularly for colour | <p><u>Internet/Interactive</u></p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Easy to measure audience • Lengthy copy possible • Readers read what interests them • Readers ask for additional information • Inexpensive pro-rata <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Cannot reach consumers who don't have Internet access • No advanced knowledge of audience • No predictability of response |
| <p><u>Radio</u></p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Geographic and demographic market selectivity • Flexibility • Inexpensive on a relative basis <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Lack of permanence - perishability • Clutter • Lack of visual support • Limited impact - background medium | <p><u>Point of Purchase</u></p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Promotes impulse buying • "Sells" in non-personal selling environment • Ties together product and advertisements <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Hard to get desired placements • Clutter • Limited creativity is possible |
| <p><u>Television</u></p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Show and tell - demonstration is possible • Geographic market selectivity • Market penetration due to large audience <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Perishable ad message - unless repeated • Expensive on a relative basis • Clutter - message gets lost in group of advertisements | <p><u>Business/Public Directory</u></p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> • Permanence • High reach and frequency potential <p><u>Outdoor</u></p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> • High reach and frequency potential • Market selectivity • High impact due to size • Comparatively cheap <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Limited customer use • Market cover is limited to phone customers <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> • Brevity of message • Possible image conflict • Clutter (often) • Limited location choices |

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

References:

¹ To read more about the possibilities of mass customisation read an article in Fortune Magazine, 28 September 1998, Page 69-74.

² See "Enterprise One-to-One", published by Piatkus.

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