

Seeking opportunities in your industry

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My purpose is to have you think unconventionally about what you do and how you do it. We're going to try to look at your business from all aspects: internally from your point of view, from your customer's, from your supplier's, from your community.

Probably the biggest challenge almost any business faces today is changing markets. Can you really forecast them? Not very well.

The next might be foreign competition, or managing labor, government policies, inflating costs, lack of employee commitment.

Personally, many people are finding they have perceived their business to be one thing and today it's changed to something else. Who changed it? External factors over which they have no control. Customers who change their attitudes or buying patterns and habits, for example.

Another factor concerns employee commitment. They're frightened. They fear acquisitions, mergers, corporate takeovers, lack of commitment from their management teams. They really don't know if they're going to have a job tomorrow. "Why should I put it in?" they ask. "They own the company. I have no vested interests."

So, it becomes a matter of motivation and communication. How do we motivate today's labor force? What do we communicate? If we could better tell our employees how we make money and how we lose money, I think they would have a better understanding of what organizations go through, particularly family-owned businesses. Wouldn't it be nice if we could stamp on our employee's forehead how much it costs to lose a customer?

Each family represents a gross

income of \$4,400 to the local grocery store. That's \$22,000 over five years. Does it make sense then to keep a surly checkout clerk and lose that customer to a competitor? That one incident can cost the store \$4,400.

The biggest problem across American business today is choosing the right people or keeping the right people. Executive recruiters tell me today's "best and brightest" are dropping out and doing their own thing. Corporations, then, are increasingly filled with mediocrity. Where will corporations find entrepreneurial spirit? American businesses are finding that such people are working for our competition-Japanese, German, Australian firms.

What is the most prevalent difference between our businesses and the Japanese? In Japan, business, industry, education, and the government are all together and focused on a national theme. That theme usually includes quality, service, market share. They will be willing to come into our market place and take a loss for five years and undercut any of us 45 to 50 percent. They'll wait for the long haul, gain market share, drive us out, and start raising the prices generally.

In contrast, our mentality is bottomline orientation, satisfy the stockholders.

Another difference is the Japanese, like us, tell our employees how to do things but they add "why" we do it.

That's part of communication and motivation. The Japanese know what business they're in, they know what their products or services are all about because they look at it from the customer's point of view. They are very, very good at selling benefits, not just

goods and services. People buy benefits.

What if America's railroads had adopted the idea they were in the transportation business instead of simply the railroad business? Barges, trucks, airplanes-think of their missed opportunities. The railroads didn't define what their business really entailed.

Successful organizations, I have found, concentrate on opportunities and not problems. It's so prevalent in corporate America today to miss opportunities because we're focused on problems, not opportunities. We haven't defined our business-are we in the cattle business, feed business, ranching business?

How do we define what business we're in? Talk to your employees, banker, customers, CPAs, suppliers. What do you ask those people? Very simple basic questions: what do you like about what we're doing, what don't you like, what concerns do you have about our ranch, our organization, our system? If you could wave the magic wand, how would you change the way we're doing things?

The other question you have to ask is who are our customers and why? Often when we go through this exercise we find much that we've overlooked.

In Search of Excellence author Tom Peters says the years 1946-73 were the best 28 years the American economy has ever had. We literally had no competition. All games were won by default. Larry, Curly, and Moe could have been running Fortune 500 companies at that time and not screw up. We were satisfied with 97 percent of the quality, service, customers of what we ever did. We said what's three percent? But the Japanese showed us we were three percent below the mark.

There's no business person I've talked to in the last five years that does not believe we have the brain power, the technology, the skills. But, we don't have the will and we get too



greedy. We have so many self-serving interest groups, how can we ever get together and unify like the Japanese?

Two principles I'm fond of: When followers begin to lead, leaders begin to follow. Second, it's always better to ask forgiveness than permission.

There are some innovative companies out there who have redefined their business by using some simple techniques. John Naisbitt in *Megatrends* forecast trends in business, society, and culture and talked about opportunities and commitment to organizations. The *Renewal Factor* by Robert Waterman talks about how companies are renewing themselves and getting out of the quagmire of being on centerline. He profiles men and women in all kinds of small, medium, and large businesses and Fortune 500 companies who are redefining their companies. There are a lot of good tips in this book that you can apply to what you do.

And when you read these books, apply the concepts. I find people read these books but won't apply the ideas. It's a shame because of the fee we charge to consult with these companies, they could learn the same thing from their employees. They'll listen to us but not to their employees.

Lee Iacocca talks about a passion for what you do and creating a vision for what you do and why you're in it and the part your employees play in it. His role is to everyday walk into the company with a paintbrush and paint the target, then tell the people—"That's the target today folks. This is where we're going."

He tries to keep the bureaucracy away from their productivity.

Tom Peters and Nancy Austin in *A Passion for Excellence* profile very successful, innovative organizations that have taken calculated risks and have won. These are people who do things a bit unconventionally. Tom Peters' newest book is *Thriving on Chaos* where he talks about small businesses seeking directions.

For those of us interested in customer service, a book by Carl Albrecht called *Service America* gives you information on how to implement a service strategy. Another is *How to Swim with the Sharks Without Being Eaten Alive*, by Harvey McKay, a great negotiator. In this book there's a

questionnaire of approximately 65-70 questions on how you profile your customer.

People are getting closer to their customers today, or should be.

John Naisbitt and his wife Patricia Aberdeen also wrote *Reinventing the Corporation*. Like *The Renewal Factor*, it shows us how we get out of stale thinking toward our companies. "Success" magazine profiles men and women who taken that commitment to make it happen. They're not waiting for anyone to help them, they just do it. Same with "Inc." magazine. Though it's slanted toward the medium-sized firm—\$5 to \$50 million—there are lot of helpful tips in these pages.

One of the most effective books I've read in a long time is *Marketing Warfare*, by Al Reese and Jack Trout. It's about positioning your product or service in the minds of your customer, your publics. They studied a Prussian general by the name of Carl Von Klauswich, a military strategist. They superimposed marketing on warfare strategies. One of the theorems they talk about is finding the greatest strengths of your competition and find the weakness in that strength.

Being typically American, we see our competition advertise more, we advertise more. They hire more people, we hire more. We play not to lose instead of playing to win.

McDonald's greatest strength is consistency. Another is training their employees. Their training manual is 700 pages. Consistency, commitment to high quality, service, community commitment as in McDonald's House. In France, the soil is not conducive to grow the potatoes McDonald's requires in its french fries, so it imports potatoes from the U. S. to keep consistency.

We are Burger King and we have identified McDonald's greatest strengths. What is the weakness in that strength?

Fried Burger—they're all the same. Like eating your old army boot. So Burger King came up with the slogan, "Have it your way", and took 25 percent market share away from McDonald's. That's an example of finding the greatest strength in your competition and finding the weakness in that strength. Avis took 25 percent market

share away from Hertz by saying, "Try Avis. Our lines are shorter."

That's because they observed their customers. They are selling benefits, not just service. People buy benefits.

The more benefits you can create in the minds of your customers, the more they're going to do business with you.


What is the driving force behind the organizations we admire? They have staying power. Who creates that staying power? They're customer-oriented, yes, but the head honcho or honchoette paints the picture. It's the leader, the CEO, the founder, the entrepreneur that creates the vision and passion of that company.

Thomas Watson Sr., president of IBM for over 40 years, started with three principles: respect for the individual, give the best customer service of any organization in the world, and to do everything you do with excellence in mind. How do you show respect, service, excellence they taught us. Everyone went to school. The principles weren't flowery words in annual report. They meant it. IBM hires one in 20 applicants, and IBM picks people who are attracted to that ethic. It doesn't recruit warm bodies, then six months later, search through the Equal Opportunity manuals trying to find a way to fire this or that "turkey".

What really counts is asking your people what motivates them. They're not all motivated by the same thing. My old firm, IBM, is very good at recognizing people. And one thing my team wanted was more time off. Like a year off so we can teach at a community college or allow us to buy a stock option four times a year instead of two times a year. Allow me to take my spouse with me to our next conference to Hawaii or London or Costa Rica. Ask your people what motivates them.

Today's leading companies that we admire concentrate on opportunities, not problems. They know what business they're not in and most importantly what they don't want to get in.

Marketing is where a lot of companies get into trouble. Marketing versus sales and production. Entrepreneurs develop this product and send a sales force out to sell this product. But what can happen is the sales force doesn't



know who to sell it to. Zero sales. There were no benefits. There wasn't a need, there wasn't a want. People, remember, buy benefits, not products and services. I do not buy a Xerox copier, I buy the image.

Businesses are starting to understand marketing isn't going grocery shopping. A marketing company is a customer-oriented company. Everything revolves around the customer. Versus a product or sales-oriented company where activity revolves around its product or service. That's why I see mediocre companies concentrating on their product or service and the successful companies concentrating on their customers.

You have two customers—internal, or your employee—and external, your customers. If you can't satisfy your employees, how can you expect to satisfy your external customers? Inspire your employees to sell the benefits of what they produce.

An example of a marketing approach versus a sales approach. Campbell's Soup sells soup. What do they market? Health, nutrition. Kodak sells film. It markets memories. Harvard University sells education. It markets personal, professional growth. Revlon sells cosmetics. It markets hope.

What do you sell? Beef, cattle, feed. What do you market? Nutrition, health, energy, quality of life, satisfaction.

When you know what you market versus what you sell, that affects how you advertise it, how you promote it, how you discuss it, how you feel about it, how your employees feel about it. It's not just a bag of feed; tell them what it is and how it's going to affect them. Get them excited about what you do.

Here's a definition of marketing and it's not an academic definition:

It's using all your resources to satisfy a customer at a profit and also making it easier and more convenient to do business with you.

What resources can you use to satisfy your customer at a profit?

1. Your vendor or supplier. How can they help you help customers? They are a storehouse of knowledge on who's buying what. They know what your competition's buying. Suppliers are a part of your market research. Ask what they think of you or what they hear others say about you. Are you out of date in their view?

2. Some of your best market research is right under your nose. Go back through your records or invoices for the past five years and find out who's buying and who isn't. Then pick up the phone and find out why they're buying or why not?

3. A receptionist is one of the most effective sources of information on a potential customer. Sit in the lobby and listen to her for awhile and you can learn a lot. She knows corporate politics and who has power and authority, the actual power and authority, not the perceived power and authority. She can tell you where the problem areas are.

Competitive joint venturing is happening more and more often today. Competitive joint venturing works with your competitors to supply the needs of a major customer. Helping one another help each other get what we want so they can get what they want. It makes it easier for your customers to do business with you and uses all your resources to satisfy your customer at a profit.

Some notes and examples on customer service from all over ...

In Louisville, Ky., there's a baseball team, the Louisville Redbirds owned by A. Ray Smith. He's defined his business. He's not selling baseball. He's not selling tickets. He's selling wholesome family entertainment. That's how he has defined his business.

Before and after each game, the bleachers are steam cleaned and hand wiped. The restrooms are checked before, after, and during the game. The ladies' restrooms are equipped with a diaper dugout—that's where the ladies can change the baby's diaper—it's spotless.

For those families who prefer not to spend their money on the food at the

stadium. A. Ray has set up a special hospitality room where they can eat with their families complete with a Dixieland Band.

Worthington Industries make propane tanks and precision parts for Huffy bicycles. When Tom Peters asked John McConnell Sr., the founder and chairman of the board, the reasons for his success when many other steel companies are going down the tube and the Japanese are taking over. The secret is, said McConnell, is the 100-person rule. "When a division gets up to a 100 people, I cut it off and start another." Why 100?

"I've found this incredible management revelation. When a division is cut back to less than 100 people, they begin to talk to one another. Any bigger than that, the bureaucracy sets in and we lose our creative ideas. We can't understand and be sensitive to our customers' needs."


The Worthington firm has a bonus program where the employees can get anywhere from 40-60 percent of their annual salary as a bonus on a quarterly basis. How? There are no maintenance people there. The employees have committed to clean up after themselves, saving the company thousands upon thousands year after year and those savings go into the profit-sharing programs. And guess who runs the profit-sharing program?

Part of their responsibilities is every employee goes to their customers, Huffy bicycles for example, and watch their parts go through the process in making bicycles.

The Stu Leonard dairy takes their employees on a bus trip over a 150-mile radius to sample what the competition is doing better than Leonard's. Then, the objective is to come back to the store and implement it better than the competition is doing. Don't find out what they do worse but what they do better.

It really comes down to customer perception. Our perception is reality as we see it and so also is customer's perception of your business as they see it. Remember, it's the customer who determines the value of your product or service. Not you, it's them.

We get them to tell us by research. More and more companies are taking



surveys. You can have a mail survey, a face-to-face interview, or a telephone canvass. Focus groups enter the black boxes of the mind, the subliminal part of the mind and determines why we make purchases.

You might bring your top ten customers in for a Sunday brunch or a Saturday lunch and ask them why they like doing business with you. Ask what you can do to make it easier or more convenient. Ask if they were in your boots what they would do different

Then pick five or six of your medium customers to come in and ask them the same questions. Then the real test of your skill is to go through your records and find those who haven't done business with you in the last two or three years. Call them in and ask them why not. A marketing research firm can do this for you as long as you put the money up front.

Go to the marketing or research professionals and ask them what can I do? Tell them what you want to accomplish and the limits of your budget. You don't have to reinvent the wheel. They can prepare your questionnaire, train your staff, and let you interpret the data yourself. You can save a lot of money by going to the authorities. They don't have to provide you with the turnkey program but can guide you and provide you with some basics to fit your budget if you're willing to do some of the work yourself.

Use colleges and universities. Let the students get involved in real-life projects. The students love it and come up with great ideas. They don't know much about your business and they don't have many bad habits or attitudes yet. Plus they think very creatively

Or take some of your employees out to visit the competition and stimulate their ideas—"Gosh, the boss is really taking an interest in me and my ideas." It's a great motivating factor.

Before you go for advertising, promotions, or research, make sure you have an objective in mind. Make sure you have in mind what you want that particular project to do for you. Look at competition, but more so, look at other industries besides the ag industry. Copy ideas from other industries.


How about educational days at the school? Let's teach kids about the economics of the cattle industry and agriculture and its impact on their lives. Sponsor some teams or scholarship. Business and education are working closer and closer today, more so than they ever have before. Think about how you can get on that bandwagon. Consider career days and putting on a little presentation for them or invite them out to your place for a picnic.

Give out t-shirts, caps with your company's name.

Write an article for publication. Donate to a school, charity, or even a government program—animals, land, research.

Legal and financial issues. What are the thought processes in these areas these days?

More and more companies are taking a legal audit. The cost may



be upwards of \$4,000 and takes two to five days and reviews the company's files, procedures, agreements, and published materials. The common problems uncovered by a legal audit include lack of notations on the *front* of order forms regarding additional information on the *back*. Customers may claim material on sales and conditions on the back of the form doesn't apply since they weren't informed of it.

Failure to print warranty disclaimer language in boldface type. That's required by the Uniform Commercial Code. This negates any disclaimers.

Prices quoted to customers without notice they apply for 30 days only. Customers can then claim the quoted rate months later. A good tip is to give written instructions to the lawyer and keep a copy for yourself.

The Small Business Administration can channel loans to your customers at favorable rates through the

Small Business Investment Company, SBIC. The SBIC can step in and carry the loan should your customer default. They take over, make sure you get paid, then they go after the defaulting customer. The SBIC assumes the responsibility of dunning the customer for overdue payments. The SBA has a lot of good programs with very helpful people.

Also remember the two percent discount is still worth taking even if it's necessary to borrow to pay it. The terms are usually "2/10, net 30 days". Earning two percent in 20 days is equivalent to 36 percent per year. That's how we're managing our cash flow a little better. We're taking those discounts.

Six ways to improve cash flow:

1. Prevent bookkeeping from paying all suppliers on one day
2. Negotiate with supplier for installment payment plan.

3. Send self-addressed, stamped envelopes with customers' bills.

4. Insure cash is invested quickly in money market fund rather than letting it sit in a checking account.

5. Guard against check bouncing. Common ploys are no date, figure amount varies from written amount, and no signature.

An action plan should be considered every so often in your business. An action plan lays out 1) What to do? 2) Who will do it? 3) By when? It requires SMART—Specific, Measurable, Attainable, Realistic, Timeline to create an action plan.

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