



MARKETING STRATEGY COLLECTION

Naresh Malhotra, *Editor*

Marketing Plan Templates for Enhancing Profits

Elizabeth Rush Kruger



BUSINESS EXPERT PRESS

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Testimonies by Successful Entrepreneurs

“Its stories, examples, and graphics guide business leaders to use scientific realism in their marketing decisions.”

—**RICHARD KOCH**, AUTHOR OF THE MILLION-COPY BEST SELLER,
*“THE 80/20 PRINCIPLE: THE SECRET TO ACHIEVING
MORE WITH LESS,” GIBALTAR*

“Want to generate more profits? Dr. Kruger lays out easy-to-follow ways to increase your profits.”

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EMERITUS, ROBINSON COLLEGE OF BUSINESS, GEORGIA STATE UNIVERSITY,
PAST PRESIDENT OF THE AMERICAN MARKETING ASSOCIATION, AND AUTHOR
OF MARKETING TEXTBOOKS, WOODSTOCK, GEORGIA

“During my years of selling and servicing insurance, the results were exactly as predicted in her book. Dr. Kruger has laid out an easy-to-use process for growing top customers of any business.”

—**ROBERT IOCCO**, CPA, CIC, CEO, TRUSTPOINT INSURANCE,
BRISTOL, VIRGINIA

“I use the 80/20 rule to manage my chiropractic clinic—and my life. As a result, I attract and retain the best patients and accomplish more in less time.”

—**DR. DAVID MALLORY**, NECK, BACK, AND HEADACHE RELIEF CENTER,
DAYTONA BEACH, FLORIDA

“Just as Dr. Kruger coached me, Holland Financial is focused on serving our target demographic. She mentors with a sharp perception of what really matters.”

—**DAVID HOLLAND**, CEO, HOLLAND FINANCIAL INC., ORMOND BEACH,
FLORIDA

“I simply love the flow of Dr. Betsy Kruger’s book—so profound yet so simple to follow. Every chapter leads to new decisions, which combined, become my strategic marketing plan.”

—**DR. CONNIE SCHOTTKY**, *SCHOTTKY AND OSTERHOLT CONSULTANCY*,
LOS ANGELES, CALIFORNIA

I dedicate this book to my husband, Kenneth Henry Kruger. His love for me, for mankind, and for economic progress inspires my heartfelt gratitude.

Abstract

This workbook coaches business leaders to magnify the profits of a business. They learn a unique scientific system for predicting and achieving results. Their systematic decisions will spark the profits of any business. This system comprises all strategic decisions in the marketing plan for a business.

The first part uses the SWOT Analysis to assess its strengths and weaknesses and identify possible opportunities and threats. The SWOT Analysis clarifies the mission, target market, specialty, and suppliers of the business. The questions at the end of these four chapters guide business leaders to focus on quality, describe key customers, compete on strength, and delegate weaknesses.

The next part positions the business relative to its competitors with marketing mix decisions. Business leaders specify its products and services, and how to distribute, promote, and price them. These four chapters close with questions that lead the business to offer treasures, deliver delight, trumpet empathy, and price as valued.

The final part motivates them to implement their decisions. The closing questions motivate business leaders to target key prospects, reward the best, concentrate resources, and jump into action. These twelve decisions transform a marketing plan and build the business. Her unique scientific system coaches business leaders to use the 80/20 rule to magnify their profits.

Keywords

80/20 rule, 80/20 rule business, 80/20 rule marketing, marketing decisions, marketing for a small business, marketing management, marketing plan, marketing plan template, marketing strategy, profitable business, profitable marketing strategy, strategic marketing plan, principles of marketing, small business, small business marketing

Contents

<i>Preface</i>	xiii	
<i>Overview</i>	xv	
<i>Introduction</i>	xvii	
Part I	Current Marketing Situation	1
Chapter 1	Mission: Focus on Quality	5
Chapter 2	Target Market: Describe Key Customers	21
Chapter 3	Specialty: Compete on Strength	33
Chapter 4	Suppliers: Delegate Weaknesses	43
Part II	Marketing Mix Decisions	53
Chapter 5	Products and Services: Offer Treasures	59
Chapter 6	Distribution: Deliver Delight	71
Chapter 7	Promotion: Trumpet Empathy	83
Chapter 8	Pricing: Price as Valued	99
Part III	Taking Action	111
Chapter 9	Prospecting: Target Key Prospects	115
Chapter 10	Customer Service: Reward the Best	125
Chapter 11	Budgeting: Concentrate Resources	135
Chapter 12	Action Plan: Jump into Action	145
Appendixes		155
<i>Appendix I</i>	<i>Joshua Gray, Owner, Soft Spray Exterior Cleaning</i>	155
<i>Appendix II</i>	<i>George Ilie, Owner, Geoda Systems Inc</i>	161
<i>Appendix III</i>	<i>Dr. Andrew Harris, Co-Owner, Florida Spine & Wellness Institute</i>	165
<i>Appendix IV</i>	<i>Lorene King, Executive Director, NASCAR Foundation</i>	169
<i>Appendix V</i>	<i>Tom Lenzini, Business Broker, Transworld Business Advisors</i>	173
<i>Appendix VI</i>	<i>Carrie Greene, Owner, Carrie Greene Coaching</i>	179

*Appendix VII Ken and Anne-Marie Poulin, Co-Owners,
First Response Disaster Team183*

Notes.....187

Bibliography.....197

Index201

Preface



A traveler on the path of life¹

Fellow Travelers

Greetings,

We are all travelers on our path of life. Starting up the path are students who dream of running a successful business. Collapsed nearby are unemployed travelers, disheartened by their job search. Employees jog in place, shackled to tedious jobs. Further up the path are entrepreneurs who toil long hours for little profit.

Does this Story Resonate With You?

Jamie earned money for college by starting a successful business. After graduating from college, Jamie worked a few years before facing unemployment. At first, Jamie searched for the ideal position, but then Jamie became desperate to accept any job. As time passed, Jamie's options vanished, confidence wavered, and anguish deepened.

You're in Luck.

If you dream of running a successful business, this guidebook will lead you up the path to success. *Marketing Plan Templates for Enhancing Profits* shows how to create a profitable marketing plan. Embrace its marketing wisdom, decide how to apply its wisdom to a specific business, and your dream of running a successful business will become a reality.

Overview

This workbook coaches how to magnify the profits of a business. Decision-makers learn a unique scientific system for predicting and achieving results. Their systematic decisions will spark the profits of any business. This system comprises all strategic decisions in the marketing plan for a business.

The first part uses the SWOT Analysis to assess its strengths and weaknesses and identify possible opportunities and threats. The SWOT Analysis clarifies the mission, target market, specialty, and suppliers of the business. The questions at the end of these four chapters guide the business to focus on quality, describe key customers, compete on strength, and delegate weaknesses.

The next part positions the business relative to its competitors with marketing mix decisions. The decision-makers specify its products and services, and how to distribute, promote, and price them. These four chapters close with questions that lead the business to offer treasures, deliver delight, trumpet empathy, and price as valued.

The final part motivates them to implement their decisions. The closing questions motivate the decision-makers to target key prospects, reward the best, concentrate resources, and jump into action. These twelve decisions transform a marketing plan and build the business.

“Its stories, examples, and graphics guide business leaders to use scientific realism in their marketing decisions,” testifies Richard Koch, the famed author of *The 80/20 Principle: The Secret to Achieving More with Less*. Her graphics show how to magnify profits with the square and cube of the 80/20 rule.

“Want to generate more profits? Dr. Kruger lays out easy-to-follow ways to increase your profits,” exclaims Ken Bernhardt, an author of marketing textbooks. Her unique scientific system coaches decision-makers to use the 80/20 rule to magnify their profits.

Introduction

Overview of a Marketing Plan

A strategic marketing plan fuses effective marketing decisions with efficient management practices, thereby providing a roadmap for success. Aspiring entrepreneurs use a strategic marketing plan to evaluate a new business idea. Others use it to qualify a business for financing, influence investors, improve marketing decisions, motivate workers, and attract buyers.

Who Needs a Marketing Plan?

Each profit center needs a strategic marketing plan. This includes divisions, brands, product lines, and branches. A business compiles their plans into a company-wide strategic marketing plan that becomes a major section of its business plan.

The mission of a business determines its overall goals—where the business is going and how to measure its effectiveness. Possible measures include market share, profits, or return on investment. Goals must be clear, specific, realistic, and congruent with the mission, yet challenging.

The goals of a higher level in the hierarchy determine the objectives of the next lower level. Objectives specify how to reach the goals, what steps to take, and when to take each step. According to Doran, objectives should be SMART, an acronym for **S**pecific, **M**easurable, **A**ssignable, **R**ealistic, and **T**ime-sensitive.¹ By taking these steps, the business achieves its objectives, reaches its goals, and thereby fulfills its mission.

Who Is Its Audience?

The audiences of a marketing plan include buyers, workers, financing sources, investors, and managers. For example, aspiring entrepreneurs use a marketing plan to evaluate a new business idea relative to these criteria:

1. The target market perceives its products or services are beneficial and solves an important problem.
2. This opportunity is timely and appropriate for the marketplace.
3. The business can obtain the necessary resources.
4. The management team has the necessary experience, capability, persistence, and connections.
5. The business is likely to sustain its unique strength and thereby generate long-term profits.

What Is Its Scope?

The marketing plan does not change, but various audiences or stakeholders rely on different amounts of the entire document. Table I.1 sequences various audiences by their need for information. The scope of the marketing plan accumulates as follows:

1. Prospective buyers browse the Company Overview on its website when considering a purchase decision.
2. Job applicants and ambitious employees surf publicity about its Business Strategy and Action Plan when planning their career moves.
3. Outside sources such as financial institutions, family members, and friends analyze the Financial Review when qualifying a business for a loan. They seek evidence that the business will repay the loan.

Table I.1 Audiences of a marketing plan

Content	Buyers	Workers	Sources	Investors	Managers
Executive summary					
Mission					
Marketing strategy					
Action plan					
Financial review					
Growth potential					
Management team					
Opportunities					
Unique strength					

4. Investors may be venture capitalists, partners, suppliers, strategic partners, shareowners, or acquirers of the business. They delve into information about its Growth Potential, Management Team, and Opportunities when seeking a business that will provide a high return with little risk.
5. Managers focus on its Unique Strength when starting up or running an ongoing business.

What Are the Purposes of a Marketing Plan?

The components of a marketing plan are designed to benefit a business in these ways:

- The mission statement inspires, guides, and unifies employees and suppliers to fulfill the mission of the business.
- SWOT analysis (strength, weakness, opportunity, and threat) predicts how macroenvironmental trends will affect a business and define its strengths and weaknesses.
- Its target market consists of key customers who face a problem that the business helps them solve.
- Competitive analysis clarifies its unique competitive advantage and plans how the business will specialize in this strength.
- Strategic alliances help a business to compensate for its weaknesses so the business can specialize in its strengths.
- Positioning is the process of envisioning long-term, big-picture strategies for the business.
- Marketing mix decisions specify its products and services and how the business will distribute, promote, and price them.
- Prospecting targets those who are similar to its key customers with a direct marketing campaign.
- Customer service policies reward key customers and encourage dissatisfied customers to switch to a competitor that can satisfy them.
- Budgeting allocates money, time, and efforts to delight key customers and thereby obtain the highest return on its investment.

- Action plans assign responsibilities, define standards, set deadlines, and sequence steps for implementing strategic marketing decisions.
- Control is a process that monitors results, resolves gaps, and revises the strategic marketing plan as needed.

What Are Its Sections?

Sophisticated marketing plans have three parts:

1. Current marketing situation

SWOT analysis evaluates the **strengths** and **weaknesses** of a business plus its **opportunities** and **threats**. Opportunities inspire the mission of a business, whereas threats delineate the key customers of a business. A successful business specializes in its strengths and delegates its weaknesses.

2. Marketing mix decisions

Based upon its SWOT analysis, a business makes strategic marketing decisions about its products and services and their distribution, promotion, and pricing.

3. Taking action

The final part clarifies how a business will target prospects, establish policies, budget funds, and assign responsibilities. Taking action involves implementing marketing decisions, monitoring results, and revising the marketing plan as needed.

What Are Its Chapters?

Each chapter opens with a vignette that resonates with today's businesspeople and updates one of Aesop's fables. Aesop's wisdom relates to a key decision in a strategic marketing plan. Each chapter predicts results, conveys examples, and closes by coaching how to apply this wisdom to a specific business.

The first four chapters guide you through a SWOT analysis of the business. This analysis clarifies its mission, target market, specialty, and use of suppliers. The next four chapters lead you to make profitable

marketing decisions about its products and services, and their distribution, promotion, and pricing. The final four chapters set these decisions in motion by creating action plans for a specific business. These plans involve prospecting, setting policies, budgeting, and assigning responsibilities.

These 12 chapters and six templates of marketing plans coach you to make wise marketing decisions for a specific business. You will enhance its profits when the business implements your strategic marketing plan.

Summary

Each profit center can use a strategic marketing plan as a roadmap to success. The three most important requirements for a successful business are to solve a problem for its target market, have a unique strength, and generate long-term profits.

The three major parts of a marketing plan are SWOT analysis of the current marketing situation, marketing mix decisions, and action plans for implementing these decisions. SWOT analysis evaluates the strengths and weaknesses of a business plus its opportunities and threats. A business uses SWOT analysis to choose its positioning in the marketplace through its products and services, distribution, promotion, and pricing decisions. The action plans clarify how a business will target prospects, establish policies, budget funds, and assign responsibilities.

A strategic marketing plan fuses effective marketing decisions with efficient management practices. Implementing these key marketing decisions will enhance the profits of a business.

PART I

Current Marketing Situation

Overview

SWOT (**S**trength, **W**eakness, **O**ppportunity, **T**hreat) analysis evaluates the current marketing situation of a business. The keys to enhancing profits with SWOT analysis are to focus on quality, to describe key customers, to compete on strength, and to delegate weaknesses.

Opportunities and Threats

A macroenvironmental audit identifies the opportunities and threats that a business cannot control:

1. The mission of the business is an opportunity to focus on a quality solution to a problem.
2. The business describes its target market as key customers who remain despite threats in its microenvironment.

Strengths and Weaknesses

After defining its mission and target market, a business conducts a marketing audit to identify its **s**trengths and **w**eaknesses. A successful business delegates weaknesses so it can specialize in its strength:

1. The business specializes in the strength of its unique competitive advantage.
2. The business overcomes its weaknesses by delegating them to suppliers.

Positioning

SWOT analysis helps position a business relative to its competitors. The next part shows how to make marketing mix decisions about products and services and their distribution, promotion, and pricing.

Summary of SWOT Analysis

Opportunities Inspire the Mission

Aesop taught that “quality not quantity counts,” and two millennia later, Vilfredo Pareto discovered just how much quality counts. In 1896, Vilfredo Pareto discovered how to predict results. The 80/20 rule predicts that the top 20 percent of the inputs will produce 80 percent of the results, whereas the bottom 80 percent of the inputs will produce only 20 percent of the results.

According to the 80/20 rule, a business that offers high-quality products and services will be more profitable than a business that offers low-quality items. Trends in the microenvironment suggest opportunities for a business to solve problems. The mission of a business should be to offer a high-quality solution to a problem of its target market. Thus, the first key to enhancing profits is for the business to focus on quality.

Threats Delimit the Target Market

Aesop admonishes, “In their hunger for wealth, greedy people destroy what they already value.” Each business is blessed with a wealth-producing asset—customers who are loyal, heavy users.

Greedy entrepreneurs tend to neglect their most profitable customers. Instead, delight these key customers and the business will be delighted with its profits. The Pareto distribution predicts that the top 20 percent of customers will produce 80 percent of the profits, thereby producing four times more profit than expected.

As with opportunities, there are six types of threats facing a business. The business describes its target market as key customers who remain despite threats in its microenvironment. The second key to enhancing profits is to describe the target market.

Strengths Define the Specialty

Aesop points out that a business can “go further by using its own gift.” In fact, the Pareto distribution predicts that the top 0.8 percent of its skills will produce a 64-fold return.

A business succeeds by doing what comes easily and being as unique as a snowflake. Ideally, the target market perceives that this unique capability provides a benefit that is important, specific, and sustainable.

When a business specializes in its unique capability, the business will prosper. The third key to enhancing profits is to specialize in strength.

Suppliers Compensate for Weaknesses

Frank Kern used suppliers to compensate for his weaknesses and soon was generating a massive income stream. Likewise, Aesop advocates trading strengths for weaknesses because even “the strongest man needs a weaker man’s help.”

If a business outsources the bottom 80 percent of its skills, its suppliers will produce 16 times better results. This means that the more a business delegates its weaknesses, the more it can specialize in its strengths.

The *theory of comparative advantage* guides businesses to specialize in items that it can produce more efficiently than others and to buy other items from suppliers. My research substantiated this theory and found that countries prosper from low-cost imports and revenue-generating exports.

Likewise, any business can prosper by trading its strengths and delegating its weaknesses. The fourth key to enhancing profits is to delegate weaknesses.

CHAPTER 1

Mission: Focus on Quality

Overview

A mentor and her protégé discuss how to work less yet earn more. The mentor says, “This book will coach you to identify your high-quality prospects so you can be as successful as I am.”

Her secret is similar to the timeless wisdom in one of Aesop’s fables, “Quality not quantity counts.” Dr. Kruger’s experiment confirms that Aesop’s wisdom is true. In fact, scientists consistently find that the top 20 percent of the inputs produce 80 percent of the results.

Let’s learn how to use this 80/20 rule to provide a high-quality solution to problems facing customers and to define this opportunity as the mission of the business.



Starbucks¹

Vignettes

A Mentor Reveals How to Spark Profits

Early on a Monday morning, two independent distributors are enjoying lattes at Starbucks. The novice jests about her latest encounters and her mentor shares photos of her family's weekend jaunt.

After enjoying their rapport and lattes, her mentor asks, "How is the prospecting coming along?"

Smugly, the novice heaves her list of prospects across the table.

With a scornful toss of her hair, her mentor says, "I have only a few prospects."

The novice sips her latte and then asks, "Why do you have so few prospects? I contact lots of prospects, hoping a few will buy from me."

Building up suspense, her mentor says, "I easily convert most of my prospects into customers."

Taken aback, the novice says, "I work hard to convert a few of my prospects into customers."

"I can predict who will become customers and who will buy the premium items."

Astonished, the novice gulps her latte and says, "My buyers threaten to switch to a lower-priced competitor. What's your secret?"

"Besides, I know who will continue to buy from me."

Muttering into her empty mug, the novice says, "I end up with a mess of complaints—and low commissions. Why don't you tell me your secret?"

"I can even predict who will become highly profitable customers. I know how to work less, yet consistently earn high commissions."

"Please tell me how to work less and earn more."

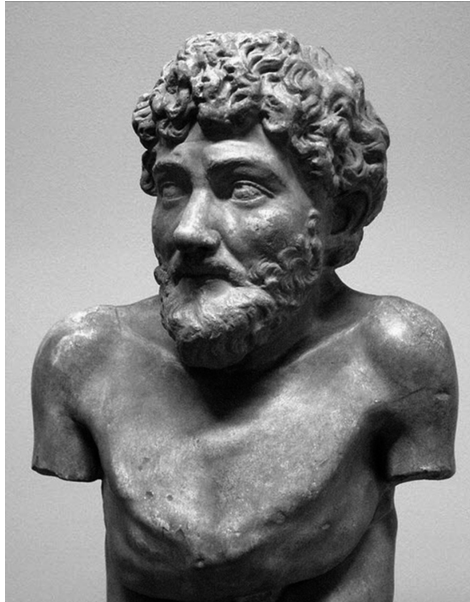
Having piqued her interest, her mentor whispers in her ear, "Quality not quantity counts. Focus on high-quality prospects and your commissions will soar. Quality is the key to sparking your profits."

Eagerly, the novice asks, "But who are my high-quality prospects?"

Skirting the question, her mentor says, “We’re in different businesses, so my top prospects are different from yours.” Her mentor opens her briefcase and gives her *Marketing Plan Templates for Enhancing Profits*. “This book will coach you to identify your high-quality prospects so you can be as successful as I am.”

Timeless Wisdom

This chapter, like all chapters in this book, begins with a vignette that is similar to one of Aesop’s fables. Many believe that a Greek slave named Aesop told fables in the sixth century BC on the island of Samos in the eastern Aegean Sea. Aesop’s fables became popular. Soon partygoers were sharing his humor with friends, and lawyers were using Aesop’s wisdom to argue cases. The popularity of Aesop’s fables spread throughout Western civilization and their wisdom still resonates in our lives today.²



A Hellenistic statue depicting Aesop³

Will a Lion Cub Rule as King?

An Aesop Fable

A vixen leads her litter of little foxes up to a lioness and sneers, “You only bore one cub.”

Tossing her head in scorn, the lioness roars, “Only one, but he will rule as king of the animals.”

Aesop observed that quality produces better results than quantity. “Do not judge merit by quantity, but by worth. Quality not quantity counts.”

Quality Beats Quantity

Does Quality Really Count?

The vixen bore a quantity of little foxes, but the lioness bore one high-quality cub. In modern jargon, a vixen is an ill-tempered and flirtatious woman, whereas a lioness is a woman who is exceptional at everything she does, from taking care of her family to running a business venture.

Aesop’s fable about a princely lion cub and a litter of foxes conveys that quality is better than quantity. However, businesses usually count the quantity, not the quality of their customers.

Does quality count in a business? Do a few high-quality customers produce more profits than a large quantity of the other customers? Read on and you will discover why I know that your answer will be “Yes.”



Elizabeth Kruger conducting a workshop⁴

I Learn from My Own Workshop

At one of my workshops⁵, I boldly stated:

Let's see if quality counts more than quantity. Our inputs will be the people in this room and our results will be what? We'll pull them out of a hat. Just to be outlandish, they will be—hats. We'll see if a few people own most of the hats.

Explaining the experiment, I said:

We'll define “high-quality” hat owners as possessing many hats and “low-quality” hat owners as possessing only a few hats. We'll rank everyone in the room in sequential order by how many hats they own. Will a few high-quality hat owners possess most of the hats and a large quantity possess just a few hats? If so, then quality not quantity counts.

Starting off, I remarked:

I love to walk on the beach, play tennis, and ski, so I own a variety of hats—sun hats, tennis visors, and ski caps. I suppose I own about 15 hats. At least we're not counting shoes.

I asked each person in the room to report how many hats they own. A participant recorded their answers in sequential order and reported that the 20 people own 26 hats.

Figure 1.1 ranks the respondents by their hat ownership on the horizontal axis. The left axis shows with bars how many hats they own. The right axis accumulates these results as a percentage of the total.

Since I own 15 of the 26 hats, I own 57 percent of the hats. Together with the 3 who own 2 hats, we own most of the hats. The other 16 people own only 5 hats.

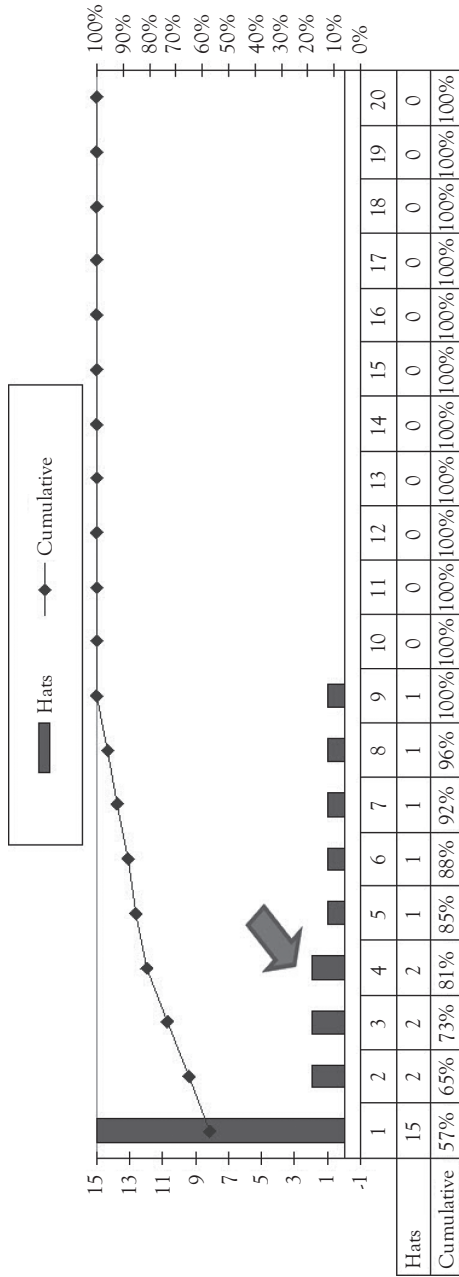


Figure 1.1 Hat owners

Table 1.1 Hat owners

Hat owners	People	Percentage of people	Hats	Percentage of hats
High quality	4	20%	21	81%
Low quality	16	80%	5	19%
Total	20	100%	26	100%

Table 1.1 shows that our small sample biased our results a little. These results show that 20 percent of the people own 81 percent of the hats, while 80 percent of the people own 19 percent of the hats.

I remarked, “Quality not quantity counts for hats so we can conclude that quality does count.”

Scientific Results

Scientists consistently find a similar curve when they relate a large random sample of inputs and their results. For example, Gunther Eysenbach analyzed the tweeting of information in 2011 (Figure 1.2).

The horizontal axis indicates the first 60 days after publishing the information. The left axis shows the rate of new tweets per day, while the right axis accumulates the percentage of tweets. We see that the tweeting drops off quickly, with 60 percent of the tweets occurring in just the first two days.⁶

How Much Does Quality Count?

Pareto Discovered a Consistency

Aesop taught that “quality not quantity counts,” and two millennia later, Vilfredo Pareto discovered just how much quality counts. Pareto was the Professor of Political Economy at the University of Lausanne in Switzerland. His brilliance attracted students from throughout Europe. Pareto was the founder of macroeconomics and advocated capitalism, free trade, and laissez-faire (less) government.^{7,8}

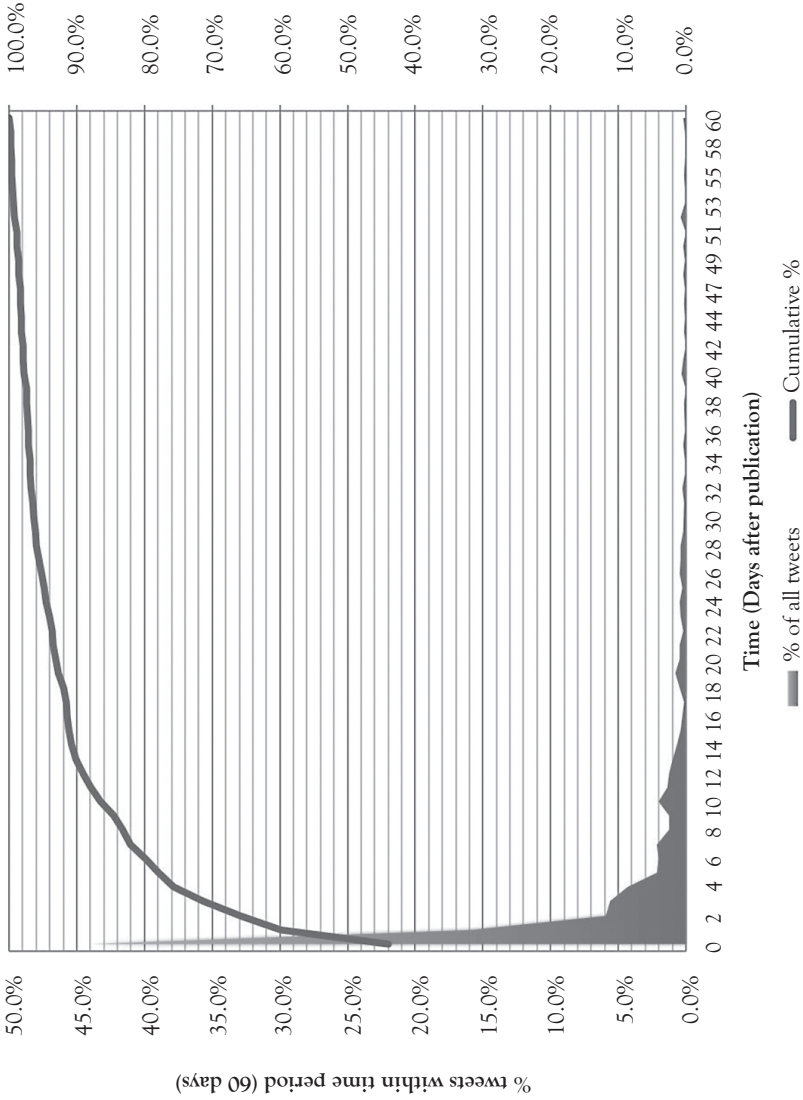
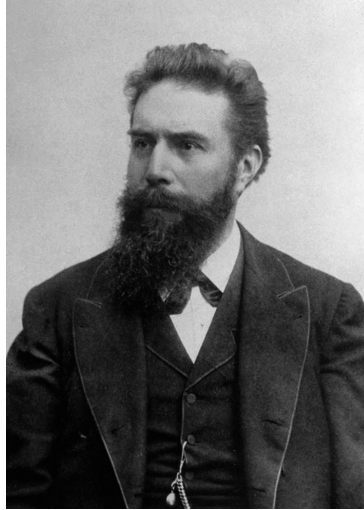


Figure 1.2 Tweets



*Vilfredo Pareto*⁹

In 1897, Vilfredo Pareto researched the effect of quality on results. He analyzed economic, social, biological, and environmental data. When Pareto sequenced inputs by their results, he discovered an amazing consistency that his students named the 80/20 rule:¹⁰

What Is the 80/20 Rule?

According to the 80/20 rule, the top 20 percent of the inputs will produce 80 percent of the results, whereas the bottom 80 percent of the inputs will produce only 20 percent of the results. Based on overwhelming evidence, Pareto concluded that the 80/20 rule applies to virtually all data.

Vilfredo Pareto had discovered how to predict results. For example, the 80/20 rule predicts that the top 20 percent of customers will produce 80 percent of the profits, whereas the bottom 80 percent of the customers will produce only 20 percent of the profits (Figure 1.3).¹¹

Another way to look at the data is to rank inputs along a horizontal axis and accumulate results along a vertical axis. In Figure 1.4, the top 20 percent of the inputs will produce 80 percent of the results, whereas the bottom 80 percent of the inputs will produce 20 percent of the results.

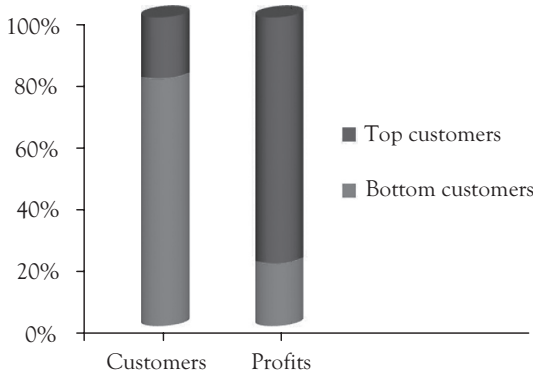


Figure 1.3 *Types of customers*

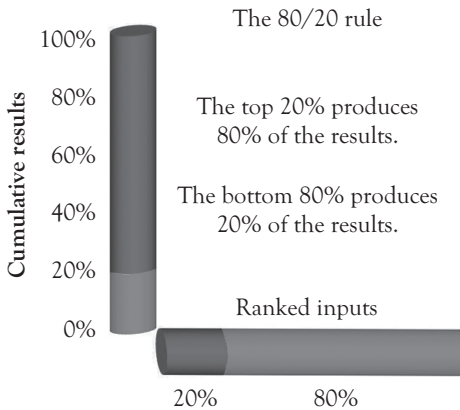


Figure 1.4 *Prediction of results*

Does the 80/20 Rule Predict Results?

You can test whether the 80/20 rule actually does predict results. Just analyze a random sample of at least 60 inputs in three simple steps:

1. Rank your inputs in sequential order by the size of their results.
2. Identify the top 20 percent and bottom 80 percent of your inputs.
3. Total the results and see if the top 20 percent of the inputs produced 80 percent of the results. If so, you have shown that the 80/20 rule is a universal law that predicts results.

Key #1: Focus on Quality



Doris Kearns Goodwin¹²

In the race for quality there is no finish line.

Doris Kearns [Goodwin], a Pulitzer Prize-winning biographer of American presidents.

Opportunities to Focus on Quality

How Can a Business Focus on Quality?

According to the 80/20 rule, a business that offers high-quality products and services will be more profitable than a business that offers low-quality items. When a business offers high-quality items, it can rule its market like a regal lioness.

The first step in focusing on quality is to revisit the mission of the business. Are you sure the business offers a high-quality solution to a problem? Solving a problem is a business opportunity.

What Opportunities Are Trending?

There are six types of opportunities facing a business: demographic, economic, natural, technological, political, and cultural opportunities. Here are some examples of global trends that can be an opportunity for a business.

Demographic Trends

- Women are making more major purchase decisions.
- Growing numbers of elderly in developed countries need health care, pharmaceuticals, medical equipment, and health care facilities.
- The high birth rate of Muslims is leading to the construction of more mosques.
- More immigration is fueling the need for translators and bilingual teachers.

Economic Trends

- Despite inflation, the wealthy continue to buy real estate, fine art, and luxuries.
- Inflation drives unemployed people and those on fixed income to ration their necessities.
- Increasing poverty drives the poor to patronize discount stores, buy home entertainment, and live in an apartment.

Natural Trends

- New vehicles emit less air pollution and are more energy efficient than the older models.
- Droughts are increasing the demand for water-efficient toilets, showerheads, and sprinklers.
- Coal-burning factories are scrubbing the air from smoke stacks or switching to cleaner sources of energy.

Technological Trends

- More people are demanding the latest computers, cell phones, and tablets.
- Online learning is becoming the norm for children, college students, and professionals.
- The military is now using drones to combat terror.

Political

- Elections are becoming more expensive.
- The demand for lawyers is increasing.
- There is more advocacy advertising.

Cultural

- A rising birth rate among single mothers increases their need for daycare, entitlements, and flexible work schedules.
- Muslim communities are imposing sharia law within self-sufficient areas.
- Instead of working, more people are involved in criminal activities like the drug trade, human slavery, and extortion.



The Tri-Glide Freewheeler¹³

How Did Harley-Davidson Respond to These Opportunities?

Harley responded to the needs of women, the elderly, and tech-savvy drivers with innovations in their 2015 lineup of motorcycles.

- The Electro Glide Ultra (Classic or Limited) Low model is for drivers who are less than 67 inches tall. (Women tend to be shorter than men.)

- The Tri-Glide Freewheeler model provides more stability for elderly drivers.
- The Road Glide Special model offers tech-savvy drivers integrated audio and navigation systems with touchscreen controls.¹⁴

What Is a Mission Statement?

How Does a Business Define Its Mission?

A business cannot control trends in the macroenvironment, but it can capitalize on them. The mission of a wise business is to provide a quality solution to a trending problem.

A mission statement of a business should be practical, achievable, and specific. Ideally, a mission statement should specify the enduring vision for the business. However, its slogan must inspire the employees and attract the target market. These are examples of mission statements and slogans (Table 1.2).¹⁵

Summary

According to the 80/20 rule, the top 20 percent of the inputs will produce 80 percent of the results, whereas the bottom 80 percent of the inputs will produce only 20 percent of the results. This means a business that offers high-quality products and services will be more profitable than a business that offers low-quality items.

The mission of a business should be to offer a high-quality solution to a problem of its target market. There are demographic, economic, natural, technological, political, and cultural trends in the macroenvironment. These opportunities inspire the mission of a business. Thus, the first key to enhancing profits is for the mission of a business to focus on quality.

Table 1.2 Mission statements and slogans

Business	Overview	Mission	Slogan
ADM, Decatur, IL	Globally the number one processor of oilseeds, corn, wheat, soybean, peanut, and other similar products.	To unlock the potential of nature to improve the quality of life.	Resourceful by nature
Bristol-Myers Squibb Company, New York, NY	Manufactures pharmaceutical drugs and other health care products.	To discover, develop, and deliver innovative medicines that help patients prevail over serious diseases.	Extending and enhancing human life
CVS Corporation, Woonsocket, RI	Distributes health care products such as pharmaceutical drugs in over 3,375 stores in 36 states.	We will be the easiest pharmacy retailer for customers to use.	Expect something extra
Dollar General Corporation, Goodlettsville, TN	Having more than 7,700 discount stores in around 30 states, retails household items to low-, middle-, and fixed-income customers.	Serving others, respect, and opportunity	Save time. Save money. Dollar General.
Ford Motor Company, Dearborn, MI	The innovator in mass production manufactures Ford, Lincoln, Mercury, Mazda, Volvo, Jaguar, Land Rover, and Aston Martin automobiles.	We are a global family with a proud heritage passionately committed to providing personal mobility for people around the world.	Built for the road ahead
Global Gillette Prudential, Boston, MA	Manufacturer of shaving equipment, specializing particularly in razors, blades and batteries, including Sensor, Trac II, Mach3, M3Power, Fusion, and Duracell	We will provide branded products and services of superior quality and value that improve the lives of the world's consumers	Welcome everyday solutions



The Mission of the Business Is to Focus on Quality

The mission of the business should reflect what it does best.

Who are the *customers* of the business?

- Businesses
- Consumers
- Government agencies
- Nonprofit organizations

What *type* of problem does the business solve?

- Cultural Economic Political
- Demographic Natural Technological

What *benefit* does the business offer them?

- Entertain Help Provide
- Exercise Lead Teach
- Fulfill Protect

What *items* does the business provide?

- Information Products Services

Decide how the business will focus on quality:

1. What problem will the business solve for its key customers?

2. The mission of a business is to assist (customers) to overcome a (problem) to (benefit) them with (items). (Be specific).

3. Summarize the mission of the business with a catchy slogan.

CHAPTER 2

Target Market: Describe Key Customers

Overview

The American Machine and Foundry (AMF) bought Harley-Davidson. In its greed for more customers, AMF reduced Harley's price and quality, but Willie G. Davidson saved Harley from bankruptcy by delighting its key customers and attracting highly profitable new customers. As a result, Harley restored its legendary reputation and regained its profitability.

Aesop admonishes, "In their hunger for wealth, greedy people destroy what they already value." Every business is blessed with a wealth-producing asset—customers who are loyal, heavy users. However, greedy entrepreneurs neglect their most profitable customers.

Instead, delight key customers and the business will be delighted with its profits. Let's learn to predict how valuable key customers are and how threats limit a business.



1936 Harley-Davidson¹

Vignettes

Harley-Davidson Restores a Legend

Prior to and during the world wars, Harley-Davidson prospered from its legendary reputation. In 1969, the AMF bought the company. AMF decided to compete for customers with cheap Japanese motorcycle brands. In its greed for more customers, AMF reduced Harley's price and quality, thereby tarnishing its reputation, and Harley slid toward bankruptcy.²

Twelve years later, Willie G. Davidson, grandson of the cofounder, and other investors saved Harley-Davidson from bankruptcy. They noticed that Harley's most profitable customers were intensely loyal to its products. Harley delighted these key customers with *retro* American styling, branded accessories, and events sponsored by Harley Owner Groups (HOG). As a result, Harley restored its legendary reputation, attracted highly profitable new customers, and regained its profitability.³

Is Haste a Waste?

An Aesop Fable

A Greek god rewards a worshiper with a goose. The man grumbles to his wife, "Why did Hermes give us a goose?" The next morning he discovers why—the goose laid a golden egg! Awaking the next day with great anticipation, the man finds another golden egg.

Day after day he finds a golden egg. Eventually, his gratitude sours into a feeling of entitlement. "Why must I wait for wealth to come in dribblets? The inside of the goose must be solid gold!"

Hastily, he slaughters the goose and opens up its belly. To his horror, all he finds is blood and guts like any ordinary bird. Bewailing his fate, he sobs, "Woe is me. I've killed the goose that laid golden eggs."

Aesop advises that haste is a waste. "In their hunger for wealth, greedy people destroy what they value."

Key Customers Lay Golden Eggs

Every business is blessed with a wealth-producing asset—its loyal, heavy users. Cherish the most profitable customers and they will keep *laying*

golden eggs year after year. A business that delights its key customers can easily attract highly profitable new customers.

Aesop says, greedy ones *have much, yet want more*. In their hunger for more customers, they neglect their most profitable customers. Greedy entrepreneurs assume that “our most profitable customers will always buy from us,” but their neglect may drive them to competitors.



CVS Caremark outlet⁴

Was I a Goose?

A marketing research company in Milwaukee hired me to sell its research projects and agreed to pay me a salary plus a 10 percent sales commission. During my first week on the job, I called my prior client at CVS/Caremark.

The company manages prescription benefits for large employers. Instead of needing marketing research, I discovered that Caremark needed employee research. Caremark planned to evaluate employee satisfaction with its services. As my client admired my previous work, he asked me to present the capabilities of my new employer to its Board of Directors.

The owner of the marketing research company said, “We have conducted customer satisfaction studies for many years.”

I added, “Our experience prepares us to measure employee satisfaction with Caremark’s management of prescription benefits.”

The owner said, “Most of our clients are banks.”

I added, “Since I have conducted several marketing research projects for Caremark, I understand the business and how you benefit your clients. I can easily conduct employee satisfaction studies for you.”

The owner said, “Our customer satisfaction studies typically show that ninety-eight percent of the customers are delighted with our clients’ services.”

I added, “Based upon our experience, Caremark can expect employees of its clients to be delighted with your management of their prescription benefits.”

After the presentation, my client expressed his delight with my responses. He asked me how long I had worked there and I said, “Only two weeks.”

My client whispered in my ear, “The owner better watch out. In another year, you’ll be the owner of his company.”

Following the meeting, Caremark contracted with each of its clients for annual employee evaluations of its services. The owner realized that his company would greatly profit from these research projects and Caremark would become one of its key customers.

Within a few weeks, I sold some other highly profitable research projects. In total, I earned \$78,000 in sales commissions. Instead of paying me, the owner fired me. When my clients learned this, they canceled their contracts. Did the owner realize that he *killed a goose that laid golden eggs?*

How Valuable Are Key Customers?

Should You Treat Customers Equally?

No, compared to others, some customers are much more valuable to the business because it is more valuable to them. Delight the key customers and the business will be delighted with its profits.

The 80/20 rule predicts that the top 20 percent of customers will produce 80 percent of the profits, thereby generating four times more profits than expected. In contrast, the bottom 80 percent of customers

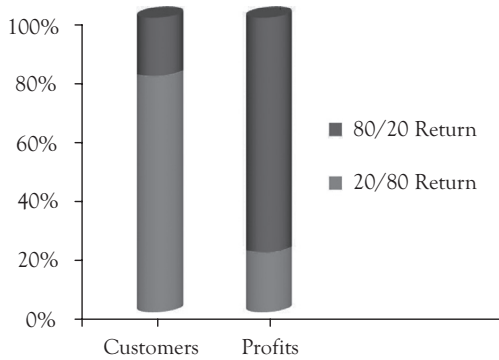


Figure 2.1 Profitability of customers

Table 2.1 Profitability of customers

Customers	Inputs	Results	Return
Top	20%	80%	4-fold
Bottom	80%	20%	0.25-fold

will produce 20 percent of the profits, thereby generating only a quarter of what is expected (Figure 2.1 and Table 2.1).⁵

What Is the Pareto Distribution?

You learned the 80/20 rule predicts that the top 20 percent of inputs will produce 80 percent of the results and vice versa. Are you curious about the other inputs? Pareto was also curious, so he related inputs to their results by plotting data points on graph paper. He discovered the data points traced the same distribution, a smooth concave curve that scientists posthumously called the Pareto distribution. After extensive research, Pareto concluded the distribution consistently predicts results. Virtually, any large random sample of input and output data will trace the Pareto distribution (Figure 2.2).⁶

Do you remember our sample of 20 people? I was embarrassed about owning 15 hats because many did not own a hat. Yes, even this tiny sample closely traces the Pareto distribution. The data line in Figure 1.1

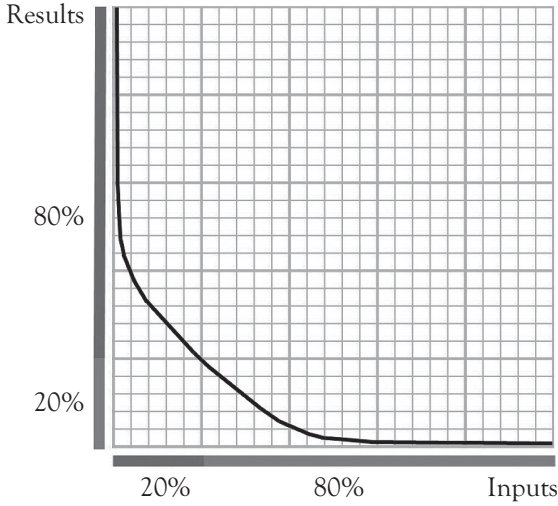


Figure 2.2 *The Pareto distribution*

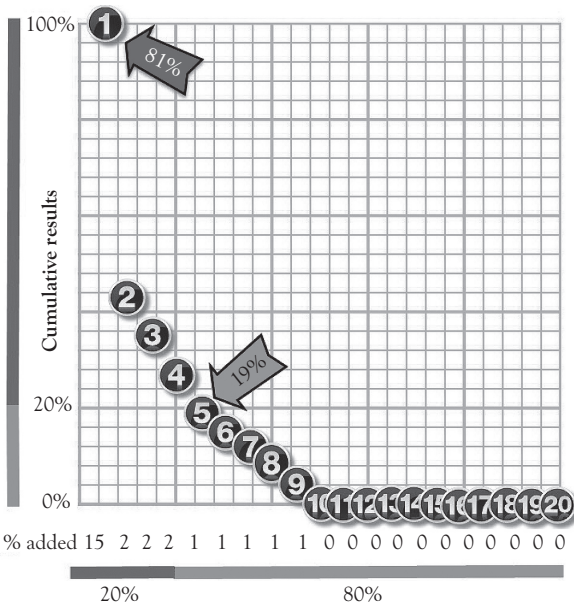
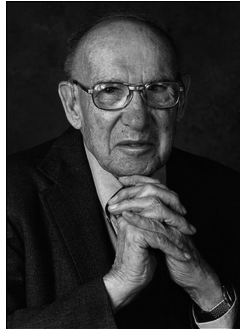


Figure 2.3 *The distribution of hats*

is a mirror image of the Pareto distribution in Figure 2.3. If we had a larger sample, there would be fewer gaps at the higher end of the curve (Figure 2.3).⁷

Key #2: Describe Key Customers



Peter F. Drucker⁸

The aim of marketing is to know and understand the customers so well the product or service fits him and sells itself.

Peter F. Drucker, developer of management by objectives, management consultant and author, 1909–2005.

What Are the Steps in Describing Key Customers?

1. Select an unbiased sample of a 100 customers of the business. The sample will represent the diversity of its customers.
2. Evaluate the profitability of each customer in the sample. The most profitable 20 customers in the sample will represent the most profitable 20 percent of the customers.
3. Interview these key customers until you understand their purchase motivations and buying processes. Learn how they differ from other customers and profile their typical traits.



Harley-Davidson bikers⁹

For example, the key customers of Harley-Davidson tend to be mature American white men with a technical profession who identify with the Harley lifestyle and glory in their conservative values. They usually socialize with other Harley enthusiasts, customize their bikes, and borrow money to upgrade them. After describing its key customers, Harley decided to delight these key customers with *retro* American styling, branded accessories, and events sponsored by HOG.

How Do Threats Limit the Mission?

Threats limit the ability of the business to fulfill its mission. As with opportunities, there are six types of threats facing a business. These are some examples of how global trends can limit business opportunities.

What Threats Are Trending?

Demographic Trends

- More employees request Family Medical Leave to care for their elderly relatives.
- Businesses that lack bilingual skills have fewer prospects.

Economic Trends

- Businesses that target unemployed people and those on fixed income are struggling to earn profits.
- Inflation cuts profits for businesses that hold costly inventory.

Natural Trends

- Vehicle manufacturers must find ways to lower air pollution and increase mileage.
- Facilities with swimming pools are spending more for water.

- Coal-burning factories must invest in air purification or switch to a cleaner source of energy.

Technological Trends

- People are buying fewer landline services, analog machines, encyclopedias, dictionaries, and maps.

Political

- Advertising is more expensive during political campaigns.
- Embargos are blocking the free trade of goods and services.

Cultural

- More businesses must provide daycare and flexible work schedules.
- In some countries, Muslim communities require non-Muslim businesses and government services to leave the area.

Summary

Every business is blessed with a wealth-producing asset—its loyal, heavy users. Delight these key customers and the business will be delighted with its profits. The Pareto distribution predicts that the top 20 percent of customers will produce 80 percent of the profits, thereby producing four times more profit than expected.

As with opportunities, there are six types of threats facing a business. The business describes its target market as key customers who remain despite threats. The second key to enhancing profits is to describe the most profitable customers of the business.



Describe Key Customers

Profile the typical traits of key customers on the most important aspects of their demographics, lifestyle, and buying behavior. Consider these traits:

Demographic Traits

Role in the purchase process

- Decider
- Influencer
- User

Personal traits

- Education
- Language
- Race

Employment

- Category
- Income
- Industry

Home

- Location
- Own or rent
- Stability

Household

- Age of youngest child
- Others
- Spouse

Psychographic Traits

Activities

- Memberships
- Subscriptions
- Hobbies

Priorities

- Attitudes
- Interests
- Values

Passages

- Life stage
- Aspirations
- Risks and fears

Buying Behavior

Search process

- Length
- Influences
- Complexity

Criteria

- Features
- Benefits and values
- Motive

Timing

- Catalyst
- Timing
- Frequency

Describe key customers of the business and profile their typical traits.

CHAPTER 3

Specialty: Compete on Strength

Overview

Aesop points out that everyone even disheartened college graduates “go further by using your own gift.”

Likewise, every business has a unique strength. School teaches you to correct your weaknesses, but a business succeeds by specializing in its strength.

Let’s discover how much further a business can go. The Pareto distribution predicts that the top 0.8 percent of skills will produce a 64-fold return. Learn how to identify the unique capability of a business.



Young college graduates¹

Vignettes

A Youth Discovers His Destiny

A disheartened young man snoozes on a sofa, hugging his laptop. His girlfriend wakes him and she says, “What’s up?”

He whines, “Nothing and I’m going nowhere. I’m a college graduate, but no one wants to hire me—not even as a free intern. I’m rotting in my parent’s basement with no way to escape.”

His girlfriend interrupts his anguish. “My grandma wants to keep up with her grandchildren on Facebook. Will you teach her how to use Facebook?”

Brightening, he says, “Sure, I’ll be glad to teach her. Does your grandma have friends?”

“Grandma has lots of friends who are eager to learn Facebook. You were awesome at teaching Facebook to my friends. You’re blessed with this skill.”

“I’ll quit searching for a job and start a business. My destiny is to teach the older generation how to use Facebook.”

She says, “You’ll go far by using your strength.”

Was a Peacock Blessed?

An Aesop Fable

A peacock complains to Juno, a Greek goddess, “When I utter a sound, the other birds laugh at my ugly voice. I envy the nightingale’s song.”

Comforting him, the Greek goddess says, “Your neck flashes like an emerald and your tail is gorgeous. You’re blessed in beauty, not in song.”

“What good is beauty when my voice is so ugly?”

“I blessed every bird with a unique destiny.” Juno chants, “The destiny of the nightingale is song, the eagle is strong, and so on.” With anger, she says, “You alone are dissatisfied with your blessing. If I were to give you a lovely voice, you would quickly find another reason to complain!”

Aesop warns against jealousy. “You go further by using your own gift.”

Is Every Business Blessed?

Will a Business Go Further by Using Its Own Gift?

Every businessperson has a unique strength. For example, Mark Zuckerberg's skill at website portfolios led to Facebook, Jeff Bezos' skill at Internet marketing led to Amazon.com, and Steve Jobs' skill at product design led to Apple.



Steven Jobs²

Have the courage to follow your heart and intuition.

Steven [Paul] Jobs, a father of the Digital Revolution, cofounder of Apple, Inc. and Pixar, founder of NeXT Inc., 1955–2011.

What Are My Weaknesses?

For several years, I managed projects for various marketing research providers. After a few months of employment, each company would abruptly fire me. What was going on?

Marketing researchers excel at reporting facts, so I kept assuring myself, “Of course, I’m technical, practical, objective, and orderly.” I tried so hard to succeed as a marketing researcher that I no longer knew myself.

Then I identified my traits is with the Myers–Briggs Type Indicator. This personality test contrasts four sets of traits:

- Extraversion (E) versus introversion (I)
- Intuition (N) versus sensation (S)
- Thinking (T) versus feeling (F)
- Judging (J) versus perceiving (P).³

Its results surprised me. The test indicated that I am extraverted, intuitive, subjective, and spontaneous. I excel at solving problems, rather than reporting facts like a marketing researcher. Ops, I was specializing in my weaknesses, not in my strengths!

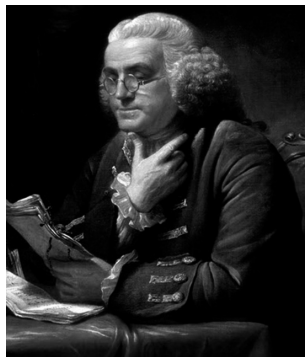
What Is My Strength?

Decades ago, I discovered my greatest strength at a singles dance. A stranger asked, “Why don’t you ask me to dance?” I said, “You are fourteen years younger than I am.” Surprised that I knew his age, he teased, “Do you also know my occupation?” I correctly guessed that the man was a computer analyst.

Astonished at my intuition, he walked me over to his friends. I guessed their ages. One was clearly a factory operative, but the other one confused me. “I can’t decide whether you are a manager or a mechanical engineer.” No wonder I was confused—he managed mechanical engineers.

Sometimes I guess information about passengers on planes. For example, I correctly deduced one was 28 years old, an expert in computer systems, and an employee of Arthur Anderson Consulting.

“Now I’ll guess what you do for fun.” After a lengthy pause, I concluded, “You do nothing for fun. You just track your investments on the Internet.” He cringed.



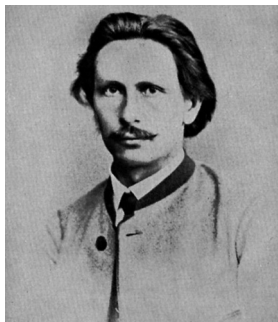
*Benjamin Franklin*⁴

A successful man is a “Jack of all trades, but master of one.”

Benjamin Franklin, a founding father of the United States, 1706–1790.

Who Are Child Prodigies?

Successful entrepreneurs specialize in their strength, often starting quite early. For example, Karl Benz graduated in mechanical engineering at the age of 19, designed the first automobile with an internal combustion engine, and cofounded the predecessor of Mercedes-Benz at the age of 29.⁵



Karl Benz⁶

I taught a child prodigy named Kenny. His mom signed him up for Suzuki violin lessons. With misgivings, I measured him for a tiny violin. During his lessons, I would chase him around the room on my knees. Kenny learned quickly and led the other students during our group lessons. Kenny and his family moved away soon after he turned three.



Juaquin Trumpet⁷

I sit near to Juaquin Trumpet in the Daytona State College, Orchestra. He started teaching himself to play the violin when he was 12 and continued without instruction for many years. When he was a freshman,

experts judged Juaquin to be the best string player enrolled in a state college in Florida.⁸ Juaquin would delight us with a spontaneous rendition of Henryk Wieniawski’s Scherzo-Tarantelle, Op 16. Juaquin confided to me that he aspires to writing sound tracks for movies.

Should You Be a Jack of All Trades?

What Not to Do

One morning, I taught my marketing students that a business profits by specializing in its strength. Then I rushed home to supervise an old man who was installing tiles on my porch.

I wondered why he was still earning minimum wage at his age. He answered my unspoken question when he asked, “Do you want me to install cabinets, add crown molding, or paint walls? I can do anything.”

This meant he could do nothing well enough to earn more money. With concern, I inspected the quality of his work. Sure enough, the tiles were not level. His work was only worth minimum wage.

How Much Further Can a Business Go?

Let us apply the 80/20 rule to the skills of a business. You realize that the top 20 percent of its skills will produce 80 percent of its profits. Let’s discover how much further business skills can go with higher layers of the 80/20 rule (Figures 3.1 and 3.2 and Table 3.1).⁹

How Valuable Is a Strength?

Unique Strength

Aesop said, “You go further by using your own gift,” and the Pareto distribution proved that Aesop was right!

Table 3.1 *Layers of skills*

Layer	Top skills	Profits	Return
1	20%	80%	4-fold
2	4%	64%	16-fold
3	0.8%	51%	64-fold

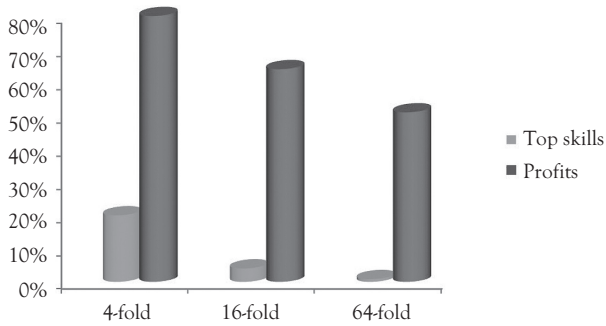


Figure 3.1 Layers of skills

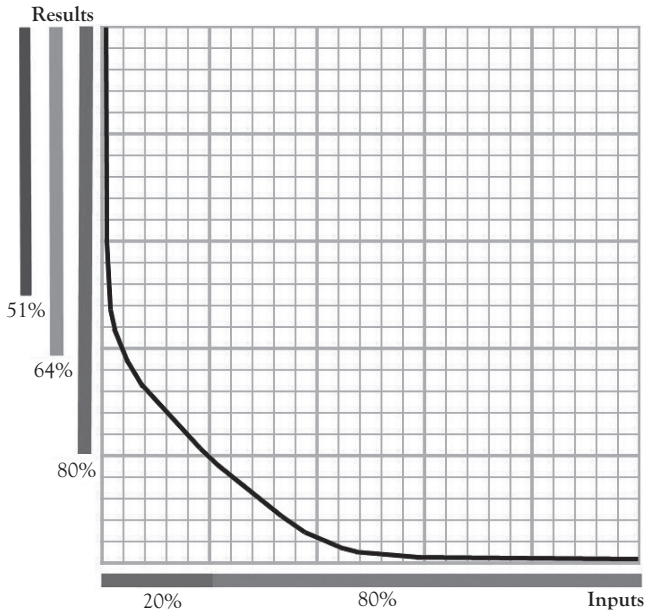


Figure 3.2 Layers of results

Every business has a unique capability. Ideally, its target market perceives this unique capability links to a benefit—a benefit that is important, specific, promotable, and sustainable.

A unique capability is sustainable if competitors are barred from entering a market. Possible barriers are a regulation, channel captain, celebrity endorsement, patent, new technology, scarce material, switching cost or the economies of scale, cost of equipment, or loyalty of customers.

Many businesses offer similar products and services, use similar technologies, and target similar customers. But what makes the business unique? Analyze its competitors. Don't try to fit the mold, match the ratios, or duplicate *best practices*. A business succeeds by being as unique as a snowflake. When a business specializes in its unique capability, the business will prosper.

Key #3 Compete on Strength



Michael Porter¹⁰

Strategy is about making choices, trade-offs; it's about deliberately choosing to be different.

Michael [Eugene] Porter, Bishop William Lawrence University professor at the Institute for Strategy and Competitiveness, Harvard Business School.

Summary

The Pareto distribution predicts that the top 0.8 percent of its skills will produce a 64-fold return.

A business succeeds by doing what comes easily and being as unique as a snowflake. When a business specializes in its unique capability, the business will prosper. The third key to enhancing profits is to specialize in strength.



Specialize in the Unique Strength of the Business

Let Us Discover Its Unique Strength

Which way does the business compete: high quality, low prices, or relationships with customers?

- High quality

How does the business achieve its high quality?

- Design and innovation
- Quality materials and services
- Reputation

- Low prices

How does the business achieve its low prices?

- Efficiency
- Relationships with customers
- Less overhead
- Low-cost suppliers

- Relationships with customers

How does the business achieve relationships with customers?

- Brand identity
- Custom products and services
- Empathy with customers

Ask key customers, distributors, and suppliers this question, “Why are competitors envious of my business?”

Some responses will not resonate with you, but when a response does resonate, you have identified the unique strength of the business. Specialize in this strength—it’s the competitive advantage of the business.

Decide how the business will compete on strength:

CHAPTER 4

Suppliers: Delegate Weaknesses

Overview

Tony Robbins, a peak performance coach, inspired Frank Kern to use suppliers to compensate for his weaknesses. Even though he knew little about parrots or writing a book, Frank offered an e-book entitled *Teach Your Parrot to Talk* that soon was generating an income stream of \$3,000 per month.

Likewise, Aesop advocates trading strengths with others by stating, “*The strongest man needs a weaker man’s help.*” Even a large business cannot excel at everything so it must use outside suppliers.

According to the 80/20 rule, if a business outsources the bottom 80 percent of its skills, its suppliers will produce 16 times better results. Let us see why all businesses benefit from trading strengths for weaknesses.



*Surfer dude*¹

Vignettes

Be Lazy Like a Surfer Dude

Tony Robbins, a peak performance coach, interviewed Frank Kern, a surfer dude from California, about his path to prosperity.² Frank was a failure at everything he tried. Destitute and discouraged, he and his young family lived in the back of a friend's trailer.

Frank borrowed a recording by Tony Robbins, imbibed its message, and implemented his coaching. In the recording, Tony refers to a successful book about teaching a parrot to talk. Curious about its success, Frank found many Internet searches on the topic.

Frank realized that downloading an e-book is cheaper and easier than buying a book. Even though he knew little about parrots or writing a book, Frank decided to offer an e-book entitled *Teach Your Parrot to Talk*.

Unstoppable, Frank delegated his weaknesses and borrowed enough to pay a parrot expert to write the book for him. He tried various ads in *Google AdWords* to see which ones drove the most business. Soon his campaign was generating an income stream of around \$3,000 per month.³

Frank did not know about parrots, but he knew about dogs. He realized that more people own dogs than parrots. Recognizing an opportunity, Frank created a course that taught dog owners how to use positive reinforcement with their dogs.

As before, Frank advertised the website through *Google AdWords* and refined his campaign to generate more income. Then he replicated the course with websites for 600 breeds of dogs. When he pushed the button to launch the websites, his courses generated \$23.8 million within 24 hours.

Thrilled by his success, the multimillionaire designed a program to teach others how to prosper from Internet marketing. Frank promised that buyers could make more than \$115,000 a year by using his program, but some buyers sued him. They believed they could make money without using his program.⁴

Likewise, a business must use my book to profit from it. I guarantee that if a business uses this book to transform and implement their marketing plan, the business will spark its profits.

Can a Mouse Save a Lion?

An Aesop Fable

A mouse scampers over a lion's face. Awaking with a start, the lion seizes the mouse for a tasty meal. The mouse begs, "Please let me go and one day I'll repay your kindness." The lion chuckles and reluctantly lets him go.

Soon afterwards, hunters capture the lion with a net. Responding to his desperate howls, the mouse runs over, gnaws through the net, and sets the lion free. The mouse says, "You laughed at me, but even a lowly creature like a mouse can save the king of the animals."

Aesop advocates trading strengths with others since even "the strongest man needs a weaker man's help."

Does the Strongest Business Needs Help?

Is the Business Too Poor to Use Suppliers? Actually, the reverse is true. A business is poor because it needs to use more suppliers. Even a large business cannot excel at everything, so it must use outside sources such as suppliers, strategic partners, associates, or joint ventures to compensate for its weaknesses.

- Promote the business through advertising agencies, consultants, publicists, printers, and video producers.
- Facilitate sales through distributors, sales representatives, shippers, warehouses, wholesalers, and retailers.
- Use other specialists such as recruiters, insurance agents, lawyers, trainers, contractors, landscapers, and maintenance people (Figure 4.1).

Let's see why this is true. Suppliers provide the expertise a business lacks, thereby compensating for its weaknesses. A wise business delegates its weaknesses to suppliers, so it can specialize in its strengths. This means the more a business delegates its weaknesses, the more it can specialize in its strengths.

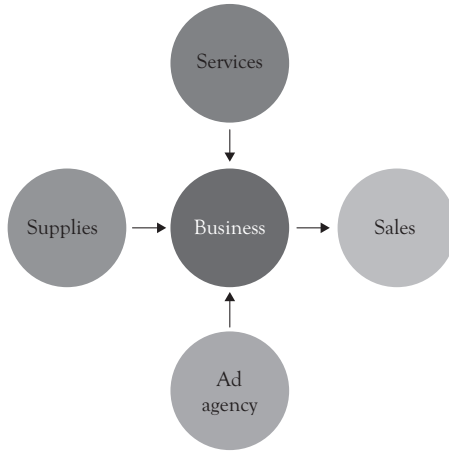


Figure 4.1 Types of suppliers

Table 4.1 Comparison of skills

Top skills	Profits	Return	Bottom skills	Profits	Return	Ratio (4/0.25)
20%	80%	4-fold	80%	20%	0.25-fold	16

How Much Do Suppliers Benefit a Business?

How Do Strengths and Weaknesses Compare?

Let us see how much the business gains by using suppliers to compensate for its weaknesses. The 80/20 rule predicts the top 20 percent of its skills will produce a 4-fold result, whereas the bottom 80 percent of its skills will produce a 0.25-fold result. Comparing the top and bottom skills, we discover that strengths produce 16 times more results than weaknesses (Table 4.1).⁵

Both parties to the transaction become at least 16 times more productive. If a supplier specializes in the top 20 percent of its skills, the supplier is 16 times better at the skill than the business.



*Real Money with David Holland*⁶

For example, one of my weaknesses is filing taxes, whereas one of my strengths is coaching businesses. Holland Financial filed my taxes and I coached businesses on the company's radio show, *Real Money with David Holland*. Both of us greatly benefited from trading on our strengths. Specialize where the business is best and delegate the rest.



*Frederic Bastiat*⁷

By virtue of exchange, one man's prosperity is beneficial to all others.

[Claude] Frederic Bastiat, advocate for free trade and French
libertarian, 1801–1850

Should We Trade With Others?

What Is the Theory of Comparative Advantage?

Many believe their country should be self-sufficient and should block imports from other countries. Others believe trade increases prosperity, whether the trade is between people, businesses, or countries. Let's discover which belief is correct.

The *theory of comparative advantage* guides businesses to specialize in items that it can produce more efficiently than others and to trade with suppliers for the other items. A business benefits by selling items where it has a comparative advantage and by purchasing items where it has a comparative disadvantage. Let's work out a simple example of the theory of comparative advantage.⁸

Without Trade

Let us assume that there are only two products and two workers. A Thai worker can produce two iron rods or one cord of wood per hour, while a Korean worker can produce two iron rods or four cords of wood per hour (Table 4.2).

Specializing

The Thai worker has a comparative advantage in producing iron rods, so he only produces them and trades iron rods for cords of wood. In contrast, the Korean worker has a comparative advantage in producing cords of wood, so he only produces them and trades cords of wood for iron rods. By specializing, the Thai worker can produce four iron rods, while the Korean worker can produce eight cords of wood in two hours.

Table 4.2 *The theory of comparative advantage*

	Without trade			Specializing		With trade		
	Thai	Korean	Total	Thai	Korean	Thai	Korean	Total
Iron	2	2	4	4	-	2	2	4
Wood	1	4	5	-	8	4	4	8
Hours	2	2	4	2	2	2	2	4



The port of Rotterdam⁹

With Trade

If the Thai worker trades two iron rods with the Korean worker for four cords of wood, the Thai worker ends up with two iron rods and four cords of wood, whereas the Korean worker ends up with two iron rod and four cords of wood.

Where did the extra three cords of wood come from? Trading increases prosperity. As Aesop says, “The strongest man needs a weaker man’s help.”

Does Trade Increase Prosperity?

(Shows a merchant boat in the port of Rotterdam in the Netherlands.) The theory of comparative advantage predicts that trade has a positive impact on prosperity. I tested whether this theory is true by relating *imports*, *exports*, and *prosperity*. The data was from the 87 countries that had complete data for the years 1992 to 1995 and 2003 to 2005. Residents in these countries comprised 98 percent of the world’s population.

My research assumed a country *exports* its strengths (comparative advantages), *imports* its weaknesses (comparative disadvantages), and *prosperity* is the *gross domestic product* (GDP) less foreign trade.

Simple regression analysis related *exports* with *prosperity* and *imports* with *prosperity*. These relationships were highly significant, accurate, and positive. When GDP was at least \$10,000 per capita, *exports* predicted 8 percent of *prosperity* and *imports* predicted the 11 percent of *prosperity*. Cross-lagged panel correlation confirmed that these relationships were simultaneous, synergistic, and substantial.¹⁰



Coconut palms in Costa Rica¹¹

These results substantiated the theory of comparative advantage and verified that international trade has a positive impact on prosperity. Clearly, countries prosper from low-cost imports and revenue-generating exports. Likewise, any business can prosper by trading its strengths and delegating its weaknesses.

Why Did Costa Rica Prosper?

Decades ago, Costa Rica was a patchwork of banana plantations. As the country's climate and soil were ideal for growing bananas, plantation owners basked in prosperity like regal lions.

In 1972, a nearby country, Honduras, found black sigatoka fungus on some banana leaves. Without warning, the fungus soon devastated Costa Rica's banana crops and crushed its economy.¹²

The World Bank loaned money to Costa Rica to solve its economic crisis. Costa Rica hired consultants who identified three potential strengths: growing African coconut palms, assembling computer chips, and attracting tourists. The country loaned money to plantation owners, factory managers, and developers. Meanwhile experts taught them how to grow African coconut palms, produce computer chips, and attract tourists.

On a recent flight to Costa Rica, I saw orderly plantations of palm trees, industrial parks, and coastal resorts. The plantations grow African

coconut palms, while businesses produce and export coconut oil and computer chips. The government's website, *Anywhere Costa Rica*, attracts tourists to its resorts, parks, beaches, and zip line canopy tours. Costa Rica has become the most prosperous country in Central America by specializing in its strengths.¹³ Likewise, any business can prosper by specializing in its strengths.

Key #4: Delegate Weaknesses

The essence of strategy is choosing what not to do.

Michael [Eugene] Porter, Bishop William Lawrence University professor at the Institute for Strategy and Competitiveness, Harvard Business School

Should a Business Be Like a Lazy Lion?

Yes, be lazy and contract with suppliers to compensate for its weaknesses. The business will prosper by trading strengths for weaknesses. Others love to do what the business hates doing. The business can only specialize in its strengths if it delegates its weaknesses. The path to prosperity is not self-sufficiency but interdependency. Decide to delegate the weaknesses of the business to suppliers.

Summary

If a business outsources the bottom 80 percent of its skills, its suppliers will produce 16 times better results. This means that the more a business delegates its weaknesses, the more it can specialize in its strengths.

The *theory of comparative advantage* guides businesses to specialize in items that it can produce more efficiently than others and to trade with suppliers for the other items. My research found that countries prosper from low-cost imports and revenue-generating exports.

Likewise, any business can prosper by trading its strengths and delegating its weaknesses. The fourth key to enhancing profits is to delegate weaknesses.



Delegate the Weaknesses of the Business to Suppliers

What are weaknesses of the business?

- | | | |
|--|---------------------------------------|---|
| <input type="checkbox"/> Accounting | <input type="checkbox"/> Innovation | <input type="checkbox"/> Research |
| <input type="checkbox"/> Collections | <input type="checkbox"/> Insurance | <input type="checkbox"/> Retailing |
| <input type="checkbox"/> Client service | <input type="checkbox"/> Legal issues | <input type="checkbox"/> Returns |
| <input type="checkbox"/> Client training | <input type="checkbox"/> Management | <input type="checkbox"/> Shipping |
| <input type="checkbox"/> Direct sales | <input type="checkbox"/> Personnel | <input type="checkbox"/> Sourcing |
| <input type="checkbox"/> Engineering | <input type="checkbox"/> Planning | <input type="checkbox"/> Staff training |
| <input type="checkbox"/> Finance | <input type="checkbox"/> Production | <input type="checkbox"/> Storage |
| <input type="checkbox"/> Fulfillment | <input type="checkbox"/> Promotion | <input type="checkbox"/> Technology |
| <input type="checkbox"/> Global issues | <input type="checkbox"/> Repairs | <input type="checkbox"/> Wholesaling |

Decide how the business will delegate weaknesses:

What specific functions, tasks, and projects will the business delegate to relevant suppliers?

PART II

Marketing Mix Decisions

Overview

You have completed a SWOT (Strength, Weakness, Opportunity, Threat) analysis of the current marketing situation facing the business. Your macroenvironmental audit of the business identified its opportunities and threats while your marketing audit identified its strengths and weaknesses. The keys to SWOT analysis are to focus on quality, to describe key customers, to compete on strength, and to delegate weaknesses.

Competition

Your SWOT analysis guides the positioning of the business relative to its three types of competitors.

- Direct competitors offer similar products and services to similar customers.
- Industry-wide competitors offer similar products and services to different customers.
- Indirect competitors solve similar problems for similar customers.

Growth Strategies

Before deciding on the positioning of a business, consider the four business strategies for growing a business.

- Penetrate the current market
- Develop a new market
- Develop a new product or service
- Diversify by developing a new market and new product or service.

Positioning

Ideally, position the business to generate the greatest value for its key customers. The first step in positioning is to identify the major competitors of the business and to assess their competitive advantages, strategies, and market positions.

Next, identify market segments that these competitors do not adequately serve with their products and services. Rank them by their profit potential and evaluate their fit with the business. Then select the highest ranking market segment that is substantial, motivated, and easy to reach with promotions. Define these key customers as the target market of the business.

Finally, position the products and services of the business to serve this target market. In other words, the business should solve their problems of its key customers with distinctive products and services that are designed, distributed, promoted, and priced especially for them.

Life Cycle

Be aware that the positioning of a product, service, or feature changes over its life cycle. Some products and services such as buggy whips and typesetting are obsolete. Many innovations such as drones and bit currency were technically possible for decades before they caught on in the marketplace.

The life cycle for fads and technical innovations is usually shorter than that for traditional products and services. For example, WordPress developed templates for mobile devices, and this innovative feature became essential within a decade. Table II.1 shows how WordPress positioned this feature over its life cycle.

Table II.1 Website templates for mobile devices

Stage	Positioning
Introduction	Innovative
Growth	Preferred
Maturity	Mainstream
Decline	Essential

Summary of Marketing Mix Decisions

Overview

The keys to marketing mix decisions are to offer treasures, to deliver delight, to trumpet empathy, and to price as valued.

- The business offers treasures to key customers and discontinues products and services they do not value.
- Its distribution consistently delivers delight to key customers of the business.
- Promotions of the business trumpet its empathy with key customers.
- The business prices its products and services by the value they provide key customers.

Products and Services

Aesop encourages us to offer different strokes for different folks. A wise business offers products and services that key customers will treasure and discontinues features, options, and product lines they do not treasure.

Key customers are willing to pay high prices to get exactly what they want. However, other customers are more sensitive to pricing and may switch to lower-priced competitors.

Research indicates that customers buy more when they are offered fewer choices. Too many features, options, and product lines tend to confuse them. The Pareto distribution predicts that 99 percent of the items produce less than half of the profits. The fifth key to enhancing profits is to offer treasures.

Distribution

Aesop describes how the consistency of the tortoise allowed him to win the race against the hare. He observes, “A naturally gifted man, through lack of application, is often beaten by a plodder.”

Distribution channels win the prize of customer loyalty by consistently delighting key customers. Franchises are successful because they

understand exactly what their key customers seek and they develop systems to consistently deliver it to them. A wise business retains the top 20 percent of the distribution channels, adds similar ones, and discontinues other distribution channels.

Pareto discovered how to consistently predict results. Whenever scientists plot inputs and their results on logarithm scales, the data points consistently trace a straight line. This indicates that the Pareto distribution is a universal law of nature. The sixth key to enhancing profits is to deliver delight.

Promotion

Aesop said that an egotistical businessperson is “his own trumpeter.” Most prospects ignore such hyperbole because they seek personal benefits and lasting value from your business, not egotism. In contrast, effective promotions are empathetic with the benefits and value desired by key customers and prospects of the business.

When creating a promotion, start with the most important promotional decisions and select the most empathetic option for each decision. Then present a short list of possible promotions to some key customers and ask them to select their favorite promotion.

Conveying empathy will satisfy key customers, attract similar prospects to the business, and retain their loyalty. The seventh key to enhancing profits is to trumpet empathy.

Pricing

My cousin’s eBay business proves that one person’s junk is another person’s treasure. Aesop reminds us, “Utility is most men’s test of worth.”

The breakeven point is where the line of total revenue crosses the line of total cost. If a business sells fewer units than the breakeven volume, it loses money, but if a business sells more units, it earns a profit. When a business lowers its costs or raises its prices, the business needs to sell fewer units to breakeven. The more units it sells above the breakeven volume, the more profits the business earns.

If the business appeals to the masses, then charge a relatively low price, but if the business appeals to a select few, then charge a relatively high price.

Marketing research can reveal the value of your items to key customers. Charging too little will discredit a product or service's value, whereas charging more will imply your item delivers more value and thus is worth more. The eighth key to enhancing profits is to price as valued.

CHAPTER 5

Products and Services: Offer Treasures

Overview

In 1983, Kimberly-Clark Corporation invented an inexpensive felt that was waterproof, air permeable, and seamless. I believed that athletes would prefer this felt to Gore-Tex because water leaked through its seams. However, Kimberly-Clark never commercialized their invention. When its patent expired, Weifang Chenhua Waterproof Co., Ltd. in Shandong, China, began selling the felt for pennies per square meter.

Aesop encourages us to offer different strokes for different folks. We learn that trying to please all customers will please no one. Offer products and services that key customers will treasure and discontinue other items.

Key customers produce 80 percent of the profits and are willing to pay high prices to get exactly what they want. In contrast, other customers produce only 20 percent of the profits and are likely to switch to lower-priced competitors. Let us learn how to offer different strokes for different folks.



Kimberly-Clark closed this mill¹

Vignettes

The Product That Wasn't

In 1983, Dr. Kenneth Bernhardt taught a class about product development at the Georgia State University in Atlanta, Georgia. My term project was to propose a new product for Kimberly-Clark Corporation.

The Vice President of Marketing told me that the company could inexpensively produce a polyethylene polypropylene felt that was waterproof, air permeable, and seamless. However, Kimberly-Clark did not know what to produce with their invention because the felt was coarse and difficult to dye.

I believed that athletes would prefer this felt to Gore-Tex because water leaked through its seams. Moreover, Kimberly-Clark could produce the fabric at a fraction of the cost of producing Gore-Tex. I proposed producing sleeping bags with the felt, but Kimberly-Clark never commercialized their valuable invention.

Several years later, I overheard people talking about Gore-Tex at a ski lodge. Someone asked a Gore-Tex executive if the company had any competitors and he replied, "Not really. Kimberly-Clark had the capability, but they never realized they could have blown us out of the water."

Kimberly-Clark missed the boat. When its patent expired, Weifang Chenhua Waterproof Co., Ltd. in Shandong, China, began selling the felt with the brand name *Chenhua*. They sold the felt to waterproof the outer wall of thermal insulation for pennies per square meter. Tons of Chenhua ship out each week from the port of Qingdao, China.²

When Is a Fox Hungry?

An Aesop Fable

A fox invites his friend to dinner and serves her a delicious soup in a flat dish. The fox slurps up the soup and licks his lips with delight. He snickers at the stork's efforts to suck up the soup with her bill. The hungry stork slams the door and flies away.

Later, the stork plays a similar prank on the fox. She invites the fox to dinner and serves him a delicious soup in a tall pitcher. The stork eagerly sucks up the soup with her bill and giggles at his efforts to reach the broth with his tongue. Still hungry, the fox slinks away with his tail between his legs.

Aesop's fable encourages us to offer different strokes for different folks.

Why Offer Treasures to Key Customers?

Do Different Folks Want Different Strokes?

Aesop's fable teaches us to serve soup to a fox in a flat dish and to serve soup to a stork in a pitcher. If we compromise with a cup, both go home hungry. We learn that trying to please all customers will please no one. Instead, we must be empathetic and offer different strokes for different folks.

Design products and services that key customers will treasure and discontinue your other items. Key customers produce 80 percent of the profits and are willing to pay high prices to get exactly what they want. In contrast, other customers produce only 20 percent of the profits and are likely to switch to lower-priced competitors.



Henry Ford and his Model T Ford³

If I had asked people what they wanted, they would have said faster horses.

Henry Ford, industrialist, founder of the Ford Motor Company,
1863–1947.

Is Pruning Good for a Business?

When I owned a house, I would prune my lilacs. One year I pruned the lilacs back so much my neighbors believed I had killed them. However, soon their branches sprouted and bloomed more than ever before.

Pruning strengthens lilacs—and a business. Like lilacs, any business must prune its less profitable items. The business saves the cost of manufacturing, distributing, and promoting them, and can use the savings to improve its more profitable items.

Brand managers often fight to protect their brands as if their careers depend on it. They reinvent brands, launching *new improved versions*, even though the brands deserve a respectful funeral.

Businesses often confuse their customers by offering too many choices. Research indicates that customers buy more when there are fewer options.⁴ For example, Henry Ford said he offered the Model T Ford in “any color so long as it is black.”⁵

Which Items Are Not Very Profitable?

As predicted by layers of the Pareto distribution, most products and services are not very profitable. In fact, the bottom 99 percent of the items produce less than half of the profits (Figures 5.1 and 5.2 and Table 5.1).

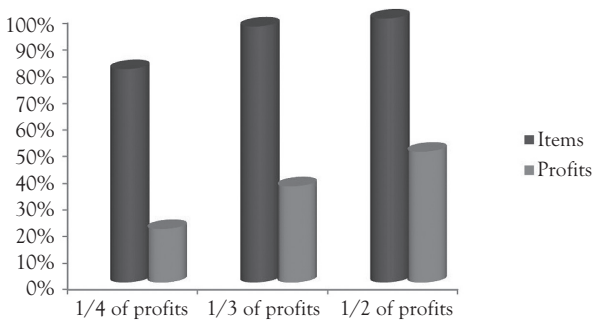


Figure 5.1 Prune products and services

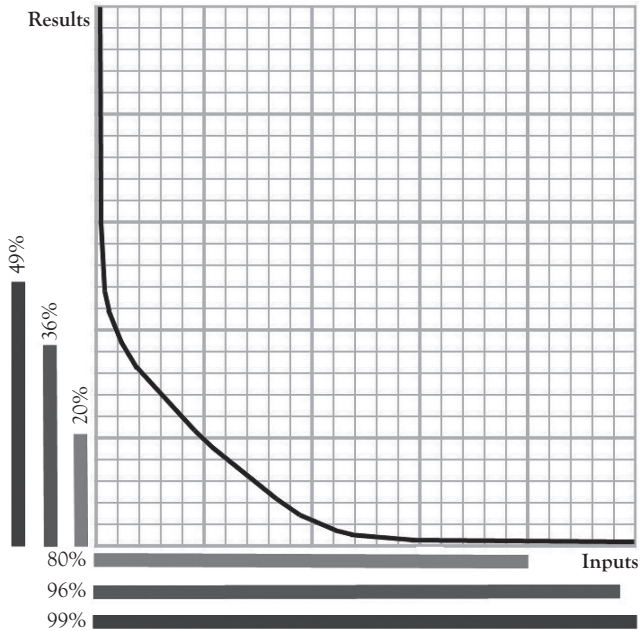


Figure 5.2 Bottom layers

Table 5.1 Products and services

Layer	Top items	Profits	Return	Bottom items	Profits	Return
1	20%	80%	4-fold	80%	20%	1/4
2	4%	64%	16-fold	96%	36%	1/3
3	0.8%	51%	64-fold	99%	49%	1/2

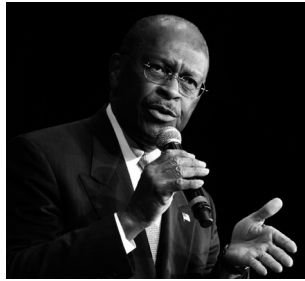
How Can a Business Offer Treasures?

A wise business offers treasures to its key customers, discontinues other products and services, and launches new ones that its key customers will treasure. A business can innovate with new items or prune features, options, and product or service lines.

Prune Features

In the 1950s, IBM began using the 80/20 rule to simplify the menus of its software. Research showed that its customers used 20 percent of the functions 80 percent of the time. In response, IBM put popular functions on drop down menus and relegated unpopular functions to less conspicuous locations.⁶ Like IBM, many software developers and manufacturers also simplify their menus.

Prune Options



Herman Cain⁷

Pillsbury appointed Herman Cain as president and CEO of Godfather's Pizza. Soon afterward Cain visited a restaurant and looked at the confusing array of pizza toppings. He asked which toppings were rarely requested. Cain eliminated these toppings from all franchisees of Godfather's Pizza. Cain credits a single overriding principle for his success—that is, to “focus, focus, focus.”⁸



Performance customer⁹

Prune Product or Service Lines

Sea-Doo, the personal watercraft (PWC) brand of Bombardier Recreational Products, has product lines that appeal to different types of customers. I identified four market segments when I conducted in-depth marketing research with Sea-Doo customers over 20 years ago. Which type of Sea-Doo customer are you?

- The *Tow Sport* line appeals to families who cannot afford a standard boat. Members of this market segment love to tow one another. These customers seek a powerful engine, rear-view mirror, and reboarding step.
- The *Recreation* line appeals to couples who explore waterways on one PWC. These couples seek a stable boat, comfortable seat, reliable engine, and large gas tank.
- The *Performance* line appeals to young men who enjoy thrills. They seek a maneuverable boat, high-performance engine, and big plume.
- The *Luxury* line appeals to wealthy couples who host parties at their lake home. These couples provide a fleet of upscale Sea-Doos for their guests.



*Luxury customers*¹⁰

The most profitable customers buy *Luxury* Sea-Doos, whereas less profitable customers buy less-expensive Sea-Doos. I believe that Sea-Doo could increase its profits by discontinuing its less profitable product lines, thereby upgrading the reputation and perceived value of its *Luxury* line.

Innovate for Key Customers

Bluebeam Software, Inc. (Bluebeam) is quickly improving its products. The software leverages the PDF file format into smart, simple solutions for a paperless workflow. Its customers are architecture, engineering, and construction firms, as well as government agencies, manufacturers, detailers, and drafters. According to Richard Lee, Bluebeam's President and CEO,

We're relentlessly working to mimic the way you normally work with pen and paper Our customers need to keep projects moving whether they are in an office, at the job site or on a camping trip, and the technology ... makes it easier to finish projects faster and work better.¹¹

The software simplifies PDF creation, markup, editing, and collaboration. Joe Giaudrone, Assistant Project Manager at Schuchart Corporation, testifies about Bluebeam:

It does about 300% more than the Adobe product. Not to sound like a huge nerd or anything, but every time one of us finds a new helpful feature we get excited and giddy to show it off to one

another and to rub it in our colleagues' faces who are still using the Adobe product.¹²

Key #5: Offer Treasures



Will Rogers¹³

If advertisers spent the same amount of money on improving products as they do on advertising them, they wouldn't have to advertise them.

Will [Penn Adair] Rogers, cowboy, vaudeville performer, actor, humorist, author, and columnist, 1879–1935.

What Is a Secret to a Successful Startup?

For many years, I taught marketing and research courses at the Bethune-Cookman University, a **Historically Black College or University** (HBCU) in Daytona Beach, Florida. Mary McLeod Bethune founded the university.



*Mary McLeod Bethune*¹⁴

I ran my Principle of Marketing classes like a business incubator. The marketing students wrote strategic marketing plans, implemented their plans, and kept their profits. Most students earned at least \$700 within three months and only four out of over 2,000 students did not earn profits.

I taught them how to focus on quality, compete on strength, delegate weaknesses, describe key customers, and offer treasures. They knew what their fellow students wanted, delighted them with their products and services, and took pride in running a successful startup.

For example, one student found a cheap supplier of laptops in China and sold them to her fellow students. She took orders before purchasing them through PayPal and easily earned thousands of dollars.

Another student manufactured and sold teeth grills to black men. His mother worried that he would never be successful, but I told her, “He’s already making lots of money selling grills. He can use these skills in a corporate career.”

Although skilled at marketing to their friends, they were not willing to cross the bridge to the peninsula and market to others. Are you willing to market to people who are different from you?

Who Are the Key Customers?

Exactly what products and services do your key customers want and why do they value them? Do they seek a lifestyle like Harley bikers? Do they want to maintain a pleasant situation like tourists in Costa Rica? Do they want to escape from drudgery like engineers using Bluebeam software? You must discover how to add value to items that key customers' treasure and discontinue features, options, and product or service lines they do not treasure.

Focus on the very best customers because they are willing to buy a ridiculous amount from the business. Once the business identifies them, develop a premium package just for them and keep their hearts loyal to your business. Treat these customers as if they are laying golden ostrich eggs.

Summary

Kimberly-Clark Corporation could have inexpensively produced a water-proof, air permeable, and seamless felt, but never commercialized their invention. When its patent expired, a Chinese manufacturer began selling shiploads of the felt for pennies per square meter.

One of the Aesop's fables encourages us to offer different strokes for different folks. Offer products and services that key customers will treasure and discontinue other features, option, and lines.

Key customers are willing to pay high prices to get exactly what they want, whereas other customers are likely to switch to lower-priced competitors.

Research indicates that customers buy more when there are fewer options. The Pareto distribution predicts that the bottom 99 percent of the items will produce less than half of the profits. The fifth key to enhancing profits is to offer treasures.



Offer Treasures to Key Customers

Describe what key customers consider an ideal product or service.

- | | | |
|---------------------------------------|---|-----------------------------------|
| <input type="checkbox"/> Accessories | <input type="checkbox"/> Packaging | <input type="checkbox"/> Size |
| <input type="checkbox"/> Endorsements | <input type="checkbox"/> Quality | <input type="checkbox"/> Styling |
| <input type="checkbox"/> Features | <input type="checkbox"/> Reputation | <input type="checkbox"/> Support |
| <input type="checkbox"/> Options | <input type="checkbox"/> Risk reduction | <input type="checkbox"/> Training |

Decide how the business will offer treasures:

1. What do key customers consider the three most important traits of an ideal products or services?

2. How will the business improve the value of its products or services for its key customers?

3. Which product or service lines will the business discontinue?

4. Which products or services will the business discontinue?

5. Which options will the business discontinue?

6. Which features will the business discontinue?

CHAPTER 6

Distribution: Deliver Delight

Overview

Seaman's Furniture was on the brink of bankruptcy, but Jeffrey Seaman, grandson of the founder, paid off the debt by starting a chain of innovative furniture stores. *Rooms-to-Go* consistently delights its key customers with fast delivery, low prices, and a broad assortment of furniture.

Aesop describes how the consistency of the tortoise allowed him to win the race against the hare. He observes, "A naturally gifted man, through lack of application, is often beaten by a plodder."

Distribution channels win the prize of customer loyalty by consistently delighting their key customers. Let us learn how Wal-Mart and other distributors delight their key customers.

Vignettes

Out With the Old, In With the New

Distribution channels use various marketing strategies to distribute products and services. For example, Seaman's Furniture was a chain of traditional furniture stores. Its customers complained about its slow delivery, high prices, and limited assortment of furniture. Before long, the business was on the brink of bankruptcy.

Jeffrey Seaman, grandson of the founder of Seaman's Furniture, paid off the debt by starting a chain of innovative furniture stores. *Rooms-to-Go* consistently delights its key customers with fast delivery, low prices, and a broad assortment. In 2014, *Rooms-to-Go* Incorporated produced 1.8 billion in revenue from 100 stores in 10 states and currently, Jeffrey Seaman has 675 million in Net Worth.¹



Rooms-To-Go (reuse rights)

Why Did a Tortoise Beat a Hare?

An Aesop Fable

A tortoise and a hare argue about who is swifter and decide to settle the dispute with a race. The hare has such confidence in his natural fleetness that he does not worry about the race. He brags, “The tortoise is so slow I can snooze by the wayside and still win the race.” The hare lies down and falls asleep.

The tortoise is acutely conscious of his slow movements. Unfazed by the cocky hare, the tortoise plods along affirming, “I never stop, I never stop, I never ever stop.” Eventually, the tortoise passes the hare as he snoozes.

When the hare wakes up, he desperately chases after the tortoise. Unable to catch up for lost time, the hare watches in horror as the tortoise crosses the finish line first. The tortoise wins the race!

Aesop observes, “A naturally gifted man, through lack of application, is often beaten by a plodder.”

Does Consistency Win Customer Loyalty?

Although the tortoise was slower than the hare, he won the race because his consistency compensated for his slowness. Distribution channels win the prize of customer loyalty by consistently delighting their key customers.

Is the Pareto Distribution Consistent?

Whenever Pareto plotted a large unbiased sample of inputs and their results on standard graph paper, the data points consistently traced the Pareto distribution. However, whenever he used common logarithmic graph paper, the data points traced a straight line. Pareto tested this with exhaustive research and the results were consistent.²

Is the Pareto Distribution a Law?

Scientists have confirmed for over a century that the Pareto distribution is a universal law of nature. In 1909, Warren M. Persons refers to Pareto's law in an article published in Harvard's *Quarterly Journal of Economics*.³

That Professor Pareto's law apparently describes the distribution of incomes with a remarkable degree of accuracy (423).

In his article, Persons replicates Pareto's research methodology and confirms Pareto's law using the least square criterion. As predicted by Pareto's law, the data points consistently traced a straight line on common logarithmic graph paper (Figure 6.1).

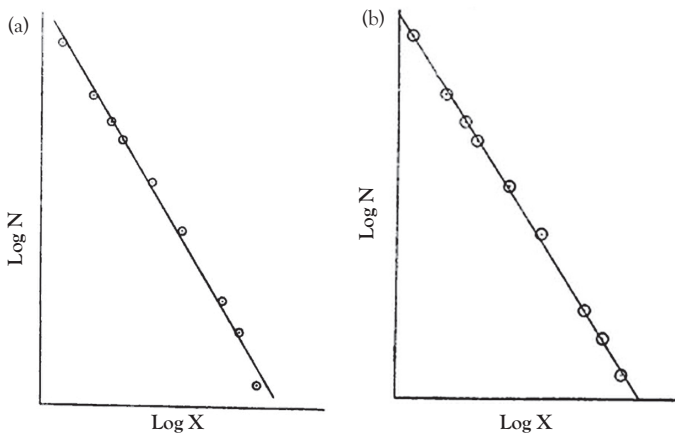


Figure 6.1 Distribution of income (a) application of Pareto's method to Prussian incomes of 900 marks or more in 1982 and (b) application of Pareto's method to Prussian incomes of 900 marks or more in 1902

What Are Recent Examples?

In Figure 1.5, Gunther Eysenbach reports the tweeting of information about certain articles, while in Figure 6.2, he plots the distribution of the tweets. The horizontal axis sequences the first 60 days after publishing the articles, while the vertical axis accumulates the number of tweets per day. Eysenbach also ranks authors by the tweeting about their articles (Figure 6.3). As predicted by Pareto's law, the data points for both studies trace a straight line on logarithmic scales.

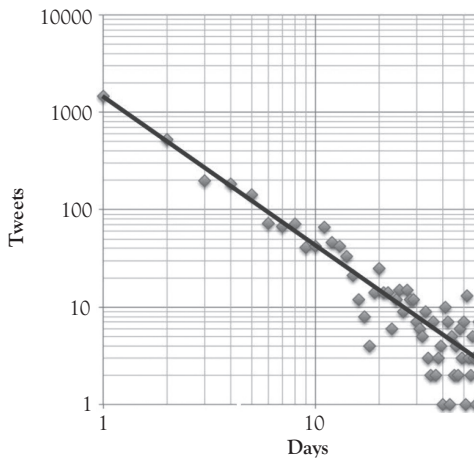


Figure 6.2 *Tweeting of information*

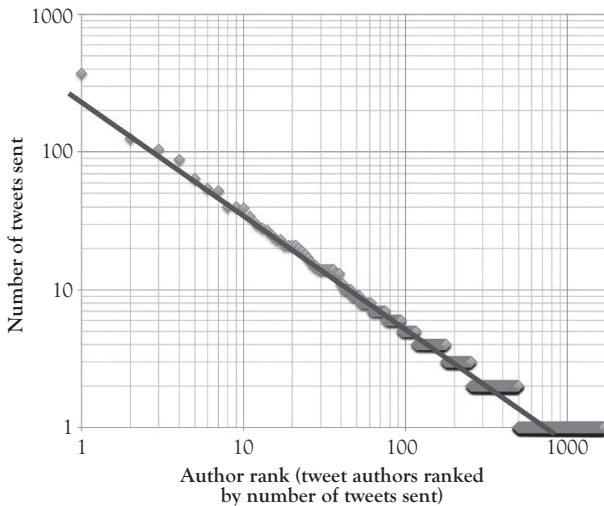


Figure 6.3 *Tweets about authors*

These examples confirm that Pareto's law predicts results. This means that a business will multiply its profits by delighting its most profitable customers.

Consistently Delight Your Key Customers

Are Customers Delighted in the Same Way?

My friends and I were enjoying a highbrow art show in West Palm Beach, Florida. As I admired a painting by Chagall, a woman approached me and raved about my shirt. "How can I buy one just like it?" "I bought this shirt at Penney's." "I would never shop at Penney's!" "This shirt was a Christmas present for my mother-in-law, but it didn't fit. The shirt is on sale at Penney's for less than fifteen dollars" "You're teasing me. Where did you really buy your shirt?"

The next day my husband and I strolled down Worth Avenue in Palm Beach, Florida. After gawking at the expensive boutiques, I bashfully entered one and tried on a coat with ravels drooping from its sleeves. Afterwards, I commented to my husband, "Who would pay \$3,000 for raggedy coat like that?"

When we returned to the parking lot, I noticed the woman. She proudly showed me her purchase and asked me to model her new coat as she took pictures. I quickly stuffed its ravels inside the sleeves.

When she was out of earshot, my husband and I laughed at her crazy attitude toward retailers. "She buys raggedy clothes at boutiques, while I buy stylish clothes at Penney's."

How Does Wal-Mart Delight Its Key Customers?



Most versatile boy—Sam Walton⁴

Sam Walton founded the largest business in the world, Wal-Mart Stores, Inc.⁵ In 2014, the department store chain earned 16 billion in annual profits and had \$485 billion in total revenue, 2 million employees, and 11,000 stores in 27 countries.⁶ This revenue is more than the gross national product of most countries. Recently Wal-Mart announced that it is raising its wages in the U.S.⁷ Wal-Mart stores delight the key customers by consistently delivering their three favorite benefits: convenience, assortment, and cost-efficiency:

- Almost all U.S. households are conveniently located within 60 miles of a Wal-Mart store.
- Most Wal-Mart stores include an assortment of specialty shops such as a restaurant, bank, an optical shop, beauty shop, and nail salon.
- Recently, Wal-Mart launched *Savings Catcher*, a new software application for matching prices with competitors.^{8,9}

How Does Dr. Don Delight His Key Customers?

Dr. Don put himself through medical school by selling pots and pans from door to door. During his internship, he observed an operating room emergency. The patient died and her family sued another intern for medical malpractice. Dr. Don was so upset that he vowed to never be a physician so he continued selling pots and pans.

Don offered to show me how he excelled in sales. With skepticism, I shadowed him during his appointment with a Caribbean nurse and her husband. He rang the doorbell and leaned down to inspect a plant on her front porch. When the nurse came to the door, Dr. Don said, “This is such a lovely plant. You must be nurturing the plant with tender, loving care.”

“Yes, I water it carefully and trim its blooms.” “Are you Mrs. Smith? I’m honored to meet you.” “Please come in Dr. Don.” “Just call me Don. Where would you like me to sit?” “You can sit here at our kitchen table.” “May I put my boxes of samples here?” “Of course. This is my husband.” “Good afternoon, Mr. Smith. I’m pleased to meet you. Your home is so attractive and comfortable. You two must really enjoy your time at home.” “Yes we do.”

After building rapport with the couple, Don inquired, “Please excuse my question, but we need to know the answer. I apologize for prying, but at the end of the month, how much money do you have left after you have paid for your home, your utilities, food, insurance, taxes, and other necessities?” After a discussion, they agreed they usually have \$20 left at the end of the month.

Looking around, Don gazed with admiration at a bookshelf. “Mr. Smith, did you build this handsome bookshelf?” “Oh yes, I built it for our home.” “You must really love your wife to build her such a handsome bookshelf.” “Yes I do.” “Did you use high-quality tools?” “Yes, I have a full set of carpenter tools.”

Don asked him, “Does your wife cook good meals for you?” “Oh, yes, I love her cooking.” “Does your wife deserve high-quality tools?” “Yes, she does.” Don turned to Mrs. Smith. “Do you love to cook for your husband?” “Indeed.” “Would you please show us your pots and pans?”

She returned with appalling pots and pans and Don inspected them with concern. After pondering how much they could afford, Don put a form on the table and asked Mrs. Smith for a pen. She quickly handed him a pen and the couple signed the form without any discussion.

“I’ll bring your pots and pans to your home in a week. Do you have friends who cook great meals for their husbands?” With great pride, they promised to refer him to their friends. Don picked up his samples and graciously bid them goodbye.

Afterward I realized that Don did not convey three essential details. He did not show them any products, tell them their monthly payment, or disclose the length of the contract. I learned how to sell pots and pans from door to door and become a millionaire like Dr. Don.

How Do Other Distributors Delight Key Customers?

These are various ways that distributors can delight key customers:

- Assortment
- Convenience
- Cost efficiency

- Financing
- Guarantees
- Packaging
- Personal service
- Quality control
- Reminders
- Shipping
- Speed
- Store environment
- Technical support
- Training

Successful distribution channels delight their key customers in various ways. As their key customers are different, these distributors delight them in different ways:

- Representatives of Mary Kay, Inc. prioritize personal service, training, and guarantees of its beauty products.
- Owners of Hallmark Gold Crown stores prioritize social status, enjoyment, and packaging.
- The employees of GoDaddy.com, LLC, prioritize speed, technical support, and reminders.
- Sales clerks at hhgregg, Inc. prioritize point-of-purchase promotions, product expertise, and financing.

Which Distribution Channels Are Best?

Your best channels consistently delight your key customers. Retain the top 20 percent of your distribution channels, find similar ones, and prune the other distribution channels.

Key #6: Deliver Delight



*Warren Buffet*¹⁰

*Your premium brand had better be delivering something special,
or it's not going to get the business.*

Warren [Edward] Buffett, business investor, CEO of Berkshire Hathaway, Inc., and philanthropist.

What Does the United States Consistently Export?

When I taught International Marketing I would challenge my students to guess the biggest export from the United States. My students usually mentioned obvious industries such as vehicles, weapons, or software. A student from Eastern Europe guessed, “Franchises.” Astonished, I realized he was right! When I visited Japan more than 40 years ago, we had a “Mac Attack” and headed for McDonalds. Today, travelers see franchises from the United States in every city around the world.

In descending order, the top 10 franchises are Subway, McDonald’s, 7-Eleven, Hampton Inn & Suites, Great Clips, H&R Block, Dunkin’ Donuts, Jani-King, Servpro, and MiniMarkets.¹¹ Until recently, all of

their headquarters were in the United States, but in 2005, 7-Eleven was purchased by Seven and I Holdings Co., Ltd. in Tokyo, Japan.¹²

Why Are Franchises So Successful?

The franchiser understands its key customers, knows exactly what they want, and develops systems to deliver it. The franchise system trains, manages, and regulates franchisees so they will consistently delight their key customers. To be more successful, imagine the distribution channels of your business are franchisees. Make sure that they consistently delight your key customers.

Summary

Jeffrey Seaman, grandson of the founder of Seaman's Furniture, avoided bankruptcy by starting Rooms-To-Go, a chain of innovative furniture stores. Aesop observes that consistency wins the prize.

Pareto discovered how to consistently predict results. Whenever scientists plot input and their results on logarithm scales, the points consistently traced a straight line. This indicates that the Pareto distribution is a law of nature.

Distribution channels win the prize of customer loyalty by consistently providing the services that their key customers seek. Franchises are successful because they understand exactly what their key customers seek and develop systems to consistently deliver it to them. A wise business retains the top 20 percent of its distribution channels, finds similar ones, and prunes the other distribution channels. The sixth key to enhancing profits is to deliver delight.



Deliver Delight to the Key Customers

Decide how the business will delight its key customers:

1. Which three distribution services are most important to key customers of the business?

2. Which distribution channels consistently delight key customers of the business?

3. Which distribution channels do not delight key customers of the business?

4. Which distribution channels will the business discontinue?

CHAPTER 7

Promotion: Trumpet Empathy

Overview

A businessperson asks Aesop to evaluate some silly stuff he wrote to promote his business. “I think you are quite right to praise yourself. You will never find anyone to do it for you.”

Aesop conveys that an egotistical businessperson is *his own trumpeter*. Most prospects ignore such hyperbole because they seek benefits from a business, not egotism.

Effective promotions are empathetic with key customers and prospects. Promotions should provide the information they need and convey this information when, where, and how they need it. Let us learn how to create empathetic promotions for the target market of the business.

Vignettes

Patrick Is Not Another Carpet Cleaner

Patrick is a carpet cleaner in a town full of carpet cleaners. “How can I promote my service when there are so many competitors?” He knows he cannot compete on price since his costs would drive him out of business. Some competitors brag their cleaning method is best. “Customers want clean carpets, not technology.” Others rely upon referrals from their customers, but Patrick is just starting his business.

Patrick notices a competitor that specialized in cleaning hand-knotted rugs has gone out of business. These rugs require special handling. “I know how to clean hand-knotted rugs, but other carpet cleaners may ruin them.”

Patrick visits stores in the area that sell hand-knotted rugs, becomes acquainted with their managers, and leaves some business cards for

referrals. “I can show them how to maintain the beauty of their hand-knotted rugs.” They want their customers to return to their stores so they schedule carpet demonstrations with Patrick. Before long, Patrick has a list of referrals from satisfied clients.

Who Believes a Conceited Ad?

An Aesop Fable

A businessperson asks Aesop to evaluate some silly stuff he wrote to promote his business. Concerned about his boasting, the businessperson says, “I hope you don’t think that I am too presumptuous or too cocksure of my ability.”

The man’s wretched trash made Aesop sick. “I think you are quite right to praise yourself. You will never find anyone to do it for you.”

Aesop conveys that an egotistical businessperson is “his own trumpeter.”

Should Promotions Trumpet Empathy?

Is Your Business Its Own Trumpeter?

Many business owners are conceited. Some brag about their longevity, experience, or certificates. Others provide testimonials, list clients, describe projects, and display self-portraits. Egotistical business owners claim the lowest prices, broadest assortment, best service, and highest customer satisfaction, but most prospects ignore such hyperbole.

Do they really care about these boasts? No, prospects seek what brings them joy, fulfills their needs, or helps them express their desired lifestyle. They seek to solve their problems with the products and services of your business.

Prospects want a hole, not a drill; a social group, not a twin-cam motorcycle; and glamour, not a stick of tinted wax. They care about the benefits and lasting value your business can provide them.

How Can Your Business Trumpet Empathy?

Effective promotions are empathetic with your key customers and prospects. Promotions should provide the information they need and deliver the information when, where, and how they need it.

The goal of a promotion is to convey how the target market can solve their problems with your products and services. Discover what really matters to them. Walk in their moccasins, empathize with their desires, and understand their buying behavior. Mirror their feelings, visualize their success, and assist them with their purchase process.

How Valuable Is Empathy?

What Is Revenue?

In simple terms, *revenue* equals the *price* that customers pay for items multiplied by the *quantity* of items they purchase. Key customers of most businesses are loyal, heavy users. They frequently buy its products and services and are willing to pay high prices for them.



*Tony Robbins*¹

Tony Robbins understands the value of empathy and predicts results with the 80/20 rule. Robbins Research International offers several events. The entry-level event is called *Unleash the Power Within (UPW)*, the next event is *Date with Destiny (DD)*, followed by several events about mastery. The top-level event is the *Platinum Partnership (PP)*.²

Each higher-level event offers additional benefits and more contact with Tony Robbins. Graduates can return to events at no cost and can obtain a discount for enrolling in the next higher event.

Along with about 3,000 others, I attended *UPW* in Orlando, Florida, in the fall of 2013. At its close, Robbins encouraged graduates to enroll in the next event in the sequence. He led us in clapping and chanting until about 600 participants committed to *DD*.

Table 7.1 Events with Tony Robbins

Pareto's law				Events offered by Tony Robbins			
Layer	Buyers	Profits	Return	Event	People	Price	Revenue
All	100%	100%	1-fold	UPW	3000	\$1,095	\$3,285,000
1	20%	80%	4-fold	DWD	600	\$4,380	\$2,628,000
2	4%	64%	16-fold	Mastery	120	\$17,520	\$2,102,400
3	0.8%	51.2%	64-fold	PP	24	\$70,080	\$1,681,920

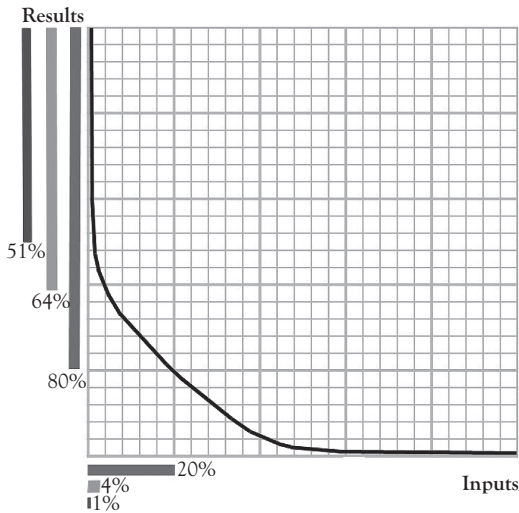


Figure 7.1 Layers of key customers

People who prospered from a *Mastery* event testified about its impact on their lives. We kept clapping, chanting, and watching videos until about 120 graduates of *DD* came forward and applied for a *Mastery* event.

Over lunch, I talked with someone who had spent about \$70,000 for the *Platinum Partnership*. He testified about its value and hoped Robbins would allow him to return for another year. Table 7.1 and Figure 7.1 are estimates for illustrative purposes.

How Did Saturn Trumpet Empathy?

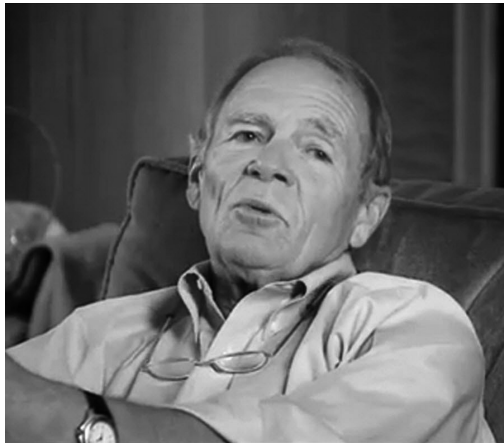
The advertising agency, Hal Riney and Partners demonstrates empathetic promotions for Saturn automobiles. Its owners still refer to their love for the brand. The agency successfully introduced a new American



2009 Saturn Sky³

automobile brand in June of 1990, to replace small, sporty Japanese automobiles. At that time Riney said:

No one had introduced a successful new brand in the automobile business We built a whole new personality for customer belief. That folksy little company from Tennessee is an American car.⁴



Hal Riney⁵

According to Riney, Saturn asked the advertising agency to make fundamental decisions:

We did everything ... [Saturn] came to us one time and asked us, “What should we name it?” ... “Just call it a Saturn coupe or a Saturn sedan and keep it simple” ... “What do we call the colors, Sante Fe Sunset or what?” “How about red?”⁶

The advertising agency created a charismatic brand with the overarching message, “a different kind of car company; a different kind of car.” Riney explained:

All you had to do was look at everything that Detroit did and just do the opposite, and that’s virtually what we did. We guided the company through all that. It was extraordinarily rewarding to find out that this kind of honesty and straightforwardness and integrity that we tried to maintain, actually worked.⁷

Riney found ways to forge relationships with Saturn’s customers:

Our job has not been to create commercials. Our job has been to solve problems Our answer is to find ways to make people like this company and that took the form of letters we wrote to consumers and a thousand other things besides television commercials.⁸

According to Riney, early ads featured the first customers in a community telling others about their new Saturn and encouraging them to buy one. Saturn used real customer stories in local commercials because customers prefer to buy a product or service that someone has recommended to them.⁹



*Jean's dance class*¹⁰

For example, one customer brags about how Saturn's traction-control system and antilock brakes cope with winter driving conditions. The spot features Wisconsin resident, Jean Jubelirer, who drives her Saturn through snow to teach her Polynesian dance class.

Riney believed that Saturn owners felt that they belonged to a family so he planned a homecoming for them:

This summer we invited everyone who owned a Saturn to come and visit us in Tennessee, the place their car was born. We called it the Saturn *Homecoming*.

People could see where their cars had been built and spend some time with the men and women who built them. They could see where the idea for a new kind of car company had taken shape. And we could thank them for believing we could do it.

Forty-four thousand people gave up their usual summer vacation to spend time with us at a car plant—a pretty good turnout for our first big party We were all in it together, the way it's always been.¹¹

Customer satisfaction with Saturn was amazing. Saturn finished third, behind two luxury brands, Lexus and Infiniti.¹² Experts rated its brand



*Saturn's homecoming*¹³

management higher than three luxury brands, Lexus, Mercedes-Benz, and BMW.¹⁴

Saturn's Vice President of Sales, Service, and Marketing Joe Kennedy believes that the enthusiasm of customers has fueled our sales success.¹⁵

Russ Hand, owner of two Saturn stores near Los Angeles, California, summarizes:

The advertising, marketing and positioning of the car in the marketplace has been an unqualified success. What's carrying Saturn is the perception it really is "a different kind of company."¹⁶

Did Saturn Capture My Heart?

My Saturn

With great anticipation, I drove my Saturn toward a Humorous Speech Contest of Toastmasters at a local university. My headlights shone on the entrance to the campus. I stopped in the median to cross the boulevard, but sea oats blocked my view of oncoming traffic.

How could I escape this impasse? I rolled down my window to listen for the sound of oncoming cars. I saw the light change at the next intersection, noticing how the traffic flowed with the traffic light. The shadows lengthened into night.

Finally, I peeked around the sea oats and dashed across the street. An unlit car sped out of the darkness and smashed into my Saturn. People gathered around as I searched inside the crushed glove box for my documents. My Saturn was totaled. Stunned, but unhurt, my tears flowed in grief for my irreplaceable Saturn.

Key #7: Trumpet Empathy

How Do You Create Empathetic Promotions?

What Are the Steps in a Promotional Campaign?

Just like Saturn, you can promote with empathy for your target market. These are the steps in planning a promotional campaign:

1. Review the overall marketing plan.
2. Analyze consumer behavior and the communication process.
3. Evaluate previous promotional campaigns.
4. Decide on the overall communication goal and objectives.
5. Establish communication goals, objectives, strategies, and budgets for the advertising, direct marketing, Internet marketing, sales promotion, publicity, and personal selling components of the promotional campaign.
6. Make promotional decisions that use these strategies to fulfill your goals and objectives within the allotted budgets.
7. Monitor, evaluate, and revise the promotional campaign.

What Are the Stages in a Purchase Process?

Each customer moves through the five stages of the purchase process:

1. Gaining awareness of their problem
2. Seeking options for solving the problem
3. Comparing choices
4. Making a purchase decision
5. Timing the purchase

Ask key customers about their purchase process. What event or passage in their life initiated their search process? What did they want to know and how did they feel at each stage of their search? What led them to actually buy its product or service? Their answers convey how to persuade key prospects to buy your products and services. At what stage are most of your prospects in their purchase process? Plan how your promotions will move key prospects along to the next stage in their purchase process.

What Are the Elements of a Promotion?

The most important element is conveying a unique selling proposition, a distinctive way your products and services provide the benefits and

lasting value they seek. Get inside the prospects' heads so the promotion speaks to their emotions and use their *self-talk* to support your claims. Be empathetic when creating the promotion's headline, subhead, copy, and call to action:

- Hook their attention with an emotional headline.
- Clarify the benefit with the subhead.
- Drive home the claims with the copy.
- Motivate them with a call to action.

Grab the attention of key prospects with graphics. Depict people who are similar to them or visualize their idealized self. Dramatize their problem and demonstrate how the product or service will solve it. Use colors and symbols that convey their emotions.

The business may wish to use a spokesperson to persuade key prospects to buy your product or service. Who would influence them with this purchase? Is that person a celebrity, expert, sports hero, physician, or another high-profile person? Maybe key prospects identify with a certain lifestyle or image of success. Which spokesperson would best convince customers they will benefit from using its products and services?

What Media Convey Promotions?

Customers can receive your message in many ways:

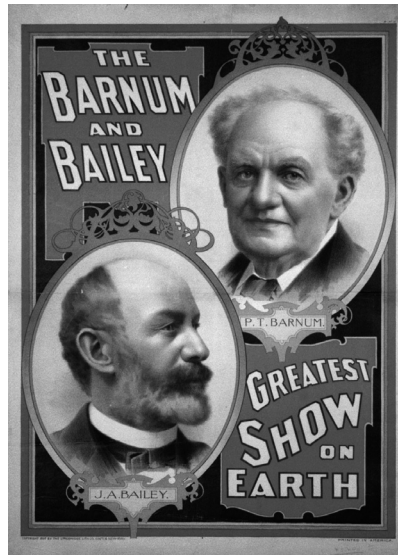
- Searching the Internet
- Asking friends for recommendations
- Listening to a television or radio program
- Referring to a magazine, newspaper, e-zine, or blog
- Reading publicity
- Attending a special event
- Competing in a contest
- Responding to a direct marketing campaign
- Seeing a poster, sign, brochure, spec sheet, or display
- Evaluating products in a store

Discover which media facilitated and triggered each stage of their purchase decision. What specific media vehicles moved them from one stage to the next? These answers determine where, when, and how often you should schedule promotions for your key prospects.

How Do You Evaluate Promotional Decisions?

You have many promotional decisions to make, but start with the most important decision. Rank your options by their empathy with your target market and select the most empathetic option.

Continue making promotional decisions based on their empathy with your target market and create a short list of possible promotions. Then ask a representative group of key customers to select their favorite promotion from these possibilities. Conveying empathy will satisfy key customers, attract similar prospects to the business, and retain their loyalty.



*Barnum and Bailey*¹⁷

Without promotion, something terrible happens—nothing!

[Phineas Taylor] P.T. Barnum, founder of the Barnum and Bailey Circus, author, 1810–1891.

Summary

Aesop conveys that an egotistical businessperson is *his own trumpeter*. Most prospects ignore such hyperbole because they seek benefits, not egotism. Effective promotions are empathetic with key customers and prospects.

Start with the most important promotional decision and select the most empathetic option. Then ask some key customers to select their favorite promotion from a short list of possibilities.

Conveying empathy will satisfy key customers, attract similar prospects to the business, and retain their loyalty. The seventh key to enhancing profits is to trumpet empathy.



Trumpet Empathy With the Target Market

Key customers are similar to key prospects, so seek to understand their buying behavior. Conduct a focus group or speak to them at a trade show for the industry or special interest group. Interview key customers and probe for in-depth responses. Keep interviewing key customers until their responses become repetitive. They will predict the buying behavior of key prospects and guide the business to create empathetic promotions.

Interview Guide for Key Customers

Specify what instigated your purchase.

- Change in your life Observation Occasion

Describe factors that motivated your purchase.

- Desire Emotion Need

How did you notice a problem?

How did you learn ways to solve the problem?

How did you search for information for comparing your options?

What information led you to decide to buy?

What information influenced the timing of your purchase?

Describe the information that influenced you the most.

What were your requirements relative to features, reputation, and services?

What was the most important factor in your decision?

- | | | |
|--|---------------------------------------|-------------------------------------|
| <input type="checkbox"/> Convenience | <input type="checkbox"/> Low price | <input type="checkbox"/> Reputation |
| <input type="checkbox"/> Less risk | <input type="checkbox"/> Relationship | <input type="checkbox"/> Uniqueness |
| <input type="checkbox"/> Long-time value | | |

Describe people and groups who influenced your decision.

What media informed you about the item?

- | | | |
|------------------------------------|----------------------------------|-------------------------------------|
| <input type="checkbox"/> Catalog | <input type="checkbox"/> Radio | <input type="checkbox"/> Television |
| <input type="checkbox"/> Magazine | <input type="checkbox"/> Signage | <input type="checkbox"/> Trade show |
| <input type="checkbox"/> Newspaper | | |

What publicity informed you about the item?

- | | | |
|---|--|---|
| <input type="checkbox"/> Blog | <input type="checkbox"/> E-zine | <input type="checkbox"/> Promotional items |
| <input type="checkbox"/> Contest | <input type="checkbox"/> Internet search | <input type="checkbox"/> Referrals/sponsors |
| <input type="checkbox"/> Direct marketing | <input type="checkbox"/> Materials | <input type="checkbox"/> Website |
| <input type="checkbox"/> Displays Event | <input type="checkbox"/> Packaging | |

Describe the options you considered.

- | | |
|--------------------------------------|--|
| <input type="checkbox"/> Competitors | <input type="checkbox"/> Other ways to solve the problem |
|--------------------------------------|--|

In general, how did you decide on your purchase?

- | | |
|--|--|
| <input type="checkbox"/> Convenience | <input type="checkbox"/> Impulse purchase |
| <input type="checkbox"/> Modeling another person | <input type="checkbox"/> Weighing alternatives |

How long did you search for information?

Where did you shop for the item and where did you actually buy it?

What buying terms did you seek?

What benefits did you receive from the purchase and what benefits did you receive?

Summarize the Responses of Your Key Customers

1. What usually instigated and motivated their purchases?

2. What specific information did they seem to need at each stage of their purchase decision?

3. What information did they prioritize?

4. Who usually influenced their decisions?

5. What advertising and publicity media did they often use?

6. What options would they consider?

7. Generally speaking, how did they decide on their purchases and how long did it take?

8. Where did they usually shop for the item and where did they buy it?

9. What buying terms were expected and received?

10. What benefits did they want from the purchase and what benefits did they receive?

Make the Following Promotional Decisions

1. Overall communication goal

2. Overall communication objectives

3. Strategy, objectives, budget, message, and media strategy for each program the business will be using:

- Advertising

- Direct marketing

- Internet marketing

- Sales promotion

- Publicity

- Personal selling

CHAPTER 8

Pricing: Price as Valued

Overview

Gay and Frank's eBay business proves that one person's junk is another person's treasure. My cousins notice items in junk that their customers would treasure. These key customers will gladly pay high prices to enhance their collections. Aesop reminds us, "Utility is most men's test of worth."

The business can increase the worth of its products and services by helping customers fulfill a desire, maintain a pleasant situation, or escape an unpleasant situation.

Charging too little will discredit the value of a product or service value. The customers assume an item is worth its price. Let us learn how to price your products and services.



Gay and Frank as newlyweds

Vignettes

Convert Junk into Treasures

For decades, Gay and Frank have run a successful eBay business named *Soup to Nuts*. The couple prowls garage sales, estate auctions, and flea markets identifying junk which their customers will treasure.

Their most profitable customers are collectors. You name it, they collect it: etched glass, baseball cards, costume jewelry, iconic purses, and on and on. Their home abounds with treasures for specific customers.

Gay and Frank respond with empathy for their *Internet friends*. These key customers will gladly pay high prices to enhance their collections and they richly reward my cousins for transforming junk into treasures.

What Saves an Apple Tree?

An Aesop Fable

A peasant decides to cut down a barren apple tree. The swallows defend their nesting site by protesting, “Our song enlivens your work in the garden! Don’t kill our chicks”

Not valuing their twittering or fearing their threats, the peasant raises his ax for the first blow. Before he strikes its hollow trunk, he notices a beehive brimming over with delicious honey.

Overjoyed, the peasant drops his ax and exclaims, “The old tree is worth keeping after all.”

Aesop reminds us that value is in the eye of the beholder. One person’s junk is another person’s treasure. “Utility is most men’s test of worth.”

Will Key Customers Pay the Price?

How Much Will Key Customers Pay?

The twittering of swallows is worthless to the peasant, but he values honey. The peasant keeps the old apple tree so its beehive will provide him an endless supply of delicious honey.

The business can increase the worth of its products and services in three ways:

- Fulfill the customers' desire for a product, a service, an emotion, or a self-concept like Harley-Davidson does.
- Maintain the customers in a pleasant situation like vacationing in Costa Rica does.
- Relieve the customers' pain, lower their risk, ease their effort, and lift their emotions like Bluebeam software does.

Charging too little will discredit the value of a product or service. Customers will perceive that its materials are shoddy, its design is obsolete, or its reputation is tarnished. For example, pricing a home too low encourages prospective buyers to imagine all sorts of problems such as a leaky basement, high utility bills, and noisy neighbors.

If key customers treasure its products and services, a business can charge higher prices. They will assume your items must be worth the price. In fact, my status-seeking cousin bragged that she bought her house for more than the asking price.

What Were My Pricing Successes?

Finding the sweet spot for pricing is difficult, but not impossible. For example, I priced five of my own homes at 1 percent below their market value and obtained my asking price by adding value:

1. The first couple avoided storage costs by storing their possessions in my home before the closing date.
2. The second family could not obtain a loan, so I financed their loan myself.
3. The third family wanted to close before the end of the year, so I expedited the transaction.
4. The fourth family wanted my riding lawn mower, so I included it in the transaction.
5. The fifth house was on such a steep hill that my next door neighbor used a pulley system to mow his lawn. I turned this problem into an asset by advertising its *commanding view*. I waited as a prospective buyer appreciated its commanding view of the neighborhood, and once again, I obtained my asking price.

What Were My Pricing Failures?

I developed MapWise, the first commercial software for correspondence analysis in English, and sold it for \$495 to marketing researchers in 42 countries.¹ Then I sent a direct mail promotion announcing its new version to all members of the American Marketing Association.

To my dismay, only three recipients responded to the direct mail promotion. My mistake was pricing the new version at \$9.95. The low price implied that MapWise was difficult, inaccurate, and infected with bugs. Actually, the \$9.95 version was easier, more accurate, and better tested better than the \$495 version.

Later, a highly respected statistical software company bundled correspondence analysis with other perceptual mapping software and charged a steep price for the package. Its buyers assumed from its high price that the software had a high quality. When I tested the company's correspondence analysis program, the software was inaccurate and froze up.

What Is Break-even Analysis?

Why is Pricing the Last Strategic Decision?

The four marketing mix decisions are the four P's of marketing, *product*, *place*, *promotion*, and *price*. We delayed our discussion of *price* until the business had made its decisions about *product*, *place*, and *promotion*. A business cannot price its products and services until it estimates the cost of these three decisions and its revenues from promotion. This information is required for break-even analysis and its decision about price. Figure 8.1 depicts break-even analysis.

How is Break-Even Analyzed?

A business must pay fixed costs even if it sells no units. *Fixed costs* includes overhead such as selling and administrative expenses, salaries and wages, advertising, rent, utilities, and other nonvariable expenses.

In contrast, variable costs vary with the number of units sold. *Variable costs* include the cost of merchandise and of using the inventory. *Total costs* is fixed costs plus variable costs.

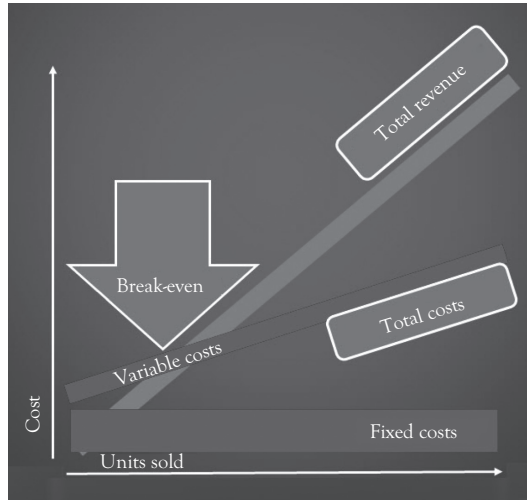


Figure 8.1 *Break-even analysis*

Both variable costs and *total revenue* vary with the number of units sold, so their lines slant. The *break-even point* is where the line of total revenue crosses the line of total costs. If a business sells fewer units than the break-even point, it loses money, but if a business sells more units, it earns money. When a business lowers its costs or raises its prices, the business needs to sell fewer units to break even.

How Should a Business Price Its Items?

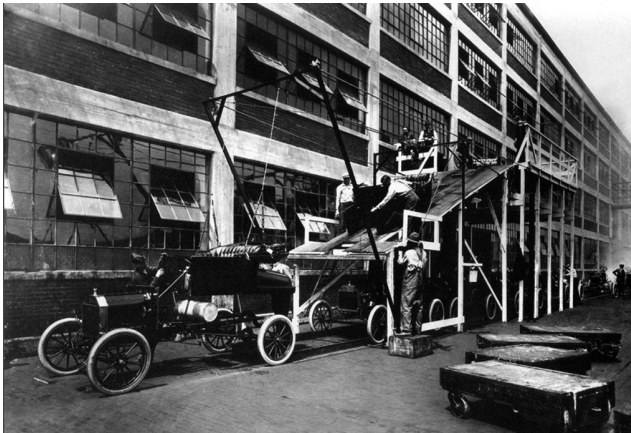
Pricing for a Mass Market

If the mission of the business is to appeal to the masses, charge a relatively low price. For example, Henry Ford envisioned every household owning an automobile and appealed to the *common man*. Ford realized that households felt no need for an automobile, were price sensitive, and would only buy one at a low price.²

In response, Ford lowered costs to \$365 each (or about \$7,000 in today's dollars) by building large quantities of identical models using the first moving assembly line. Conveyor belts transported small parts to workers, each of whom performed a repetitive task. By 1925, the Ford Motor Company was producing 9,000 a day and selling them for around \$800 (or about \$15,342 in today's dollars).³

Although Ford standardized production, his workers hated doing repetitive, specialized tasks hour after hour, day after day. Ford gambled that paying more than twice the going rate would attract reliable workers.

The benefits were almost immediate. The Ford Motor Company doubled its profits in less than two years. Ford ended up calling it the best cost-cutting move he ever made. Thus, Ford achieved his vision and revolutionized transportation in America.



Assembly line for the model T ford⁴

The man who will ... see how much he can give for a dollar, instead of how little he can give for a dollar, is bound to succeed.

Henry Ford, industrialist, founder of the Ford Motor Company, 1863–1947.

Pricing for a Select Market

If the mission of a business is to appeal to a select few, then charge a relatively high price. Ford appealed to the 80 percent of the households who were price sensitive about automobiles, but the other 20 percent were willing to pay for a premium automobile. Even today, buyers of Cadillacs remain loyal despite price increases. The business is leaving money on the table if it does not raise prices as high as the market will bear.

Pricing Strategies

Commodity Pricing

A business that competes on price uses the *commodity pricing strategy*. This strategy prompts competitors to compete on price, thereby inciting a price war. A price war is a *zero-sum game* that drives many businesses into bankruptcy. For example, if the cost per item is \$100 and competitors charge \$100 for similar items (commodities), none of them produces any profit (Table 8.1).

Value-Added Pricing

A business that competes on value, rather than price, uses the *value-added pricing strategy*. For example, if a business spends \$50 more per item and its key customers perceive the item is now worth \$100 more than its competition, it may double its price to \$200. According to Pareto's law, 20 percent will pay the higher price, but 80 percent may switch to a competitor. If so, the total cost is \$3,000, total revenue is \$4,000, and profit is \$1,000.

Price Skimming

A business that targets prospects who are similar to its key customers uses the *price skimming strategy*. If the business coverts these prospects

Table 8.1 Steps in pricing as valued

Pricing strategy	Price	Cost	Buyers	Total cost	Total revenue	Total profit
Commodity pricing	\$100	\$100	100	\$10,000	\$10,000	\$0
Value-added pricing	\$200	\$150	20	\$3,000	\$4,000	\$1,000
Price skimming	\$200	\$150	100	\$15,000	\$20,000	\$5,000

into highly profitable new customers, the business will magnify its profits. These key prospects can replace the 80 percent the customers it lost when the business raised its price. When 100 customers pay \$200 for the item, then the total cost is \$15,000, revenue is \$20,000, and profit is \$5,000.

What Are Some Pricing Mistakes?

Personal Watercraft

Sea-Doo offers five lines of personal watercraft (PWC). Recently their starting prices for the lines were \$4,999 for *Rec Lite/Sea-Doo SPARK*, \$7,899 for *Recreation*, \$11,849 for *Tow Sports*, \$11,899 for *Performance*, and \$12,399 for *Luxury*.

According to my in-depth marketing research, the buyers of the *Luxury* line tend to be social climbers. One bragged, “Our friends deserve the best, so we bought the best PWCs to entertain our guests.”

Obviously, Sea-Doo earns higher profits from its *Luxury* line whereas its other lines tarnish its reputation. Thus, I thought Sea-Doo should discontinue them and increase the perceived value of its *Luxury* line by increasing its price. Then Sea-Doo would attract more highly profitable customers and increase its overall profits.

No Hassle, No Hagggle Pricing

Like most women, I hate to haggle over prices at an automobile dealership because women tend to end up paying more than a man. A male friend haggled over the price of his new car and obtained such a low price that I insisted on the same deal.

Yes, I did obtain the same price for the same car, but the salesman detested my tenacity. I watched him order a technician to drill holes in the trunk of my new car. I had to buy an expensive luggage rack so water would not leak into my trunk.

Several years later, my employer asked me to check out Saturn’s *no haggle, no hassle pricing* policy. Saturn’s advertising claimed,

The worst part of the car-buying experience is the car-buying experience. There’s a better way, the Saturn way. Savor the great

price and our no haggle, no hassle policy. Experience the Saturn difference.⁵

True to its word, the Saturn dealership did not haggle over prices or hassle me. Basking in their respect for me, I impulsively traded my car for a Saturn.

Key #8: Price as Valued



J. C. Penney⁶

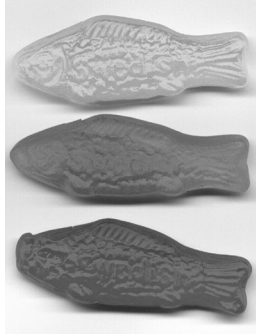
We get real results only in proportion to the real values we give.

James Cash Penney, entrepreneur, founder of J. C. Penney Company, Inc., 1875–1971.

How Much Would Key Customers Pay an Item?

Setting prices is a difficult marketing decision, but marketing research can reveal the price sensitivity of key customers. For example, my marketing research students at the Thunderbird School of Global Management in Glendale, Arizona, worked with a Swedish company, Malaco. They researched the value of Swedish Fish, pastel-colored, fish-shaped gummi candy with a licorice flavor. My class and I hated the candy, but its key customers were children.

Its closest competitor was Gummi Bears. My students asked children to taste the two types of candy and trade them by asking, “How many Gummi Bears do you trade for ten Swedish Fish?” Trading identified the value of Swedish Fish relative to its closest competitor. As a



*Swedish fish*⁷

result, the company introduced Swedish Fish at the right price for the U.S. market.

Only key customers of the business know how much they value its products and services. Decide to price items by their value to key customers.



*Ron Johnson*⁸

Customers will not pay literally a penny more than the true value of the product.

Ron Johnson, a retailing expert for J. C. Penney, Target, and Apple.

Summary

Aesop reminds us, “Utility is most men’s test of worth.” A business can increase the worth of its products and services by helping customers fulfill a desire, maintain a pleasant situation, or escape an unpleasant situation. Charging too little will discredit the value of a product or service.

The break-even volume is where total revenue crosses total cost. If a business sells fewer units than the break-even volume, it loses money, but if it sells more units, the business earns more profit. When a business lowers its costs or raises its prices, the business needs to sell fewer units to break even.

If the mission of the business is to appeal to the masses, then charge a relatively low price. However, if the mission of a business is to appeal to a select few, then charge a relatively high price. Marketing research can reveal its value to key customers. The eighth key to enhancing profits is to price as valued.



Price as Valued by Key Customers

Decide how the business will price as valued:

1. What product or service most directly competes with the item offered by the business and what is its price?

2. Identify what its product or service obtains for key customers that the direct competitor's does not offer. Examples are

- Progress toward a desired outcome such as more achievement, more confidence, a better relationship, or a better reputation
- Maintenance of a pleasant situation such as personal attention, a positive emotion, or a lifestyle
- Escape from an unpleasant situation such as effort, pain, risk, or a negative emotion

3. How much is this item worth to its key customers?
4. How can the business lower its perceived cost to key customers?

- | | |
|--|---|
| <input type="checkbox"/> Convenience | <input type="checkbox"/> Quantity discounts |
| <input type="checkbox"/> Financing | <input type="checkbox"/> Technical support |
| <input type="checkbox"/> Free shipping | <input type="checkbox"/> Training |
| <input type="checkbox"/> Guarantees | <input type="checkbox"/> Other services |

5. At what price would key customers switch to a direct competitor's product or service?
6. How much would key customers pay for the item?
7. Set the price slightly lower than this amount.

PART III

Taking Action

Overview

You have completed the positioning of a business by making marketing mix decisions such as to offer treasures, to deliver delight, to trumpet empathy, and to price as valued. The keys to taking action are to target key prospects, to reward the best, to concentrate resources, and to jump into action.

Summary of Taking Action

Target Key Prospects

Aesop advises, “Example is better than precept.” Many direct marketing companies use the traits of key customers to identify key prospects. For example, InfoUSA advertises, “We’ll analyze the customers to find hot prospects just like them!”¹

The first step is to describe and delight key customers. The second step is promoting to prospects who are similar to key customers.

These key prospects will be easy to convert into highly profitable new customers. When they replace the customers the business lost, the business will magnify its profits. The ninth key to enhancing profits is to target key prospects.

Reward the Best

A manager said, “We do whatever it takes to keep complainers from switching to a competitor.” Speechless from her flawed logic, I thought, “That’s why you’re going through a difficult time.” Aesop implies that a business cannot rely on a complainer to “save it in the time of trouble.”

Most sales people neglect those who become key customers, but they may switch to a competitor.

Dissatisfied customers seek what the business does not offer. According to Pareto's law, less than 1 percent of complainers spew over half of the complaints. Discourage complainers by stratifying your customer service policies. For example, automate routine interactions with the bottom 80 percent of customers or to redefine the target market to exclude customers who tend to complain.

Reward key customer as they reward the business. Options are to provide better products, value-added services, volume discounts, automatic reordering, and prestige. The tenth key to profitable marketing is to reward the best.

Concentrate Resources

Aesop's neighbor buries his wealth, but his servant steals it. Aesop says, "Unused possessions create no good."

A successful business provides benefits to its customers, income to its employees, and profits to its investors. Evaluate the profitability of various opportunities and select the one that promises the best profits. Pareto's law predicts that the top 20 percent of inputs will produce 80 percent of the results.

The eleventh key to enhanced profits is to concentrate resources. A financial review describes current and possible outcomes from these decisions. The eleventh key to enhancing profits is to concentrate resources.

Jump into Action

Aesop implies that we must prove the effectiveness of our marketing decisions by *deeds, not words*. This means that we must implement our strategic marketing plan.

We can put our marketing decisions into action with a project development schedule. Include how long each task requires, the critical path, and the duration of the project. Execute the project and then monitor and control its results until the project is completed.

A business creates a project development schedules for each project and accumulates them for each functional area and rolls them up the hierarchy of the business.

Let us review the keys to enhancing profits. Based on SWOT (**s**trength, **w**eakness, **o**ppportunity, **t**hreat) analysis, you decided to focus on quality, describe key customers compete on strength, and delegate weaknesses. Your marketing mix decisions positioned the business to offer treasures, deliver delight, trumpet empathy, and price as valued. The keys to taking action are to target key prospects, reward the best, concentrate resources, and jump into action.

When combined, these 12 key marketing decisions encompass all components of a strategic marketing plan. Each decision applies Pareto's law so that the business can magnify its profits.

Answer the questions at the end of each chapter and you will summarize the 12 strategic marketing decisions of the business. Revise the marketing plan at least annually and as often as necessary.

Once you have completed the entire marketing plan, you are ready to write a one-page executive summary of the 12 strategic marketing decisions. The executive summary only includes key activities and milestones.

If a black man in Alabama can start up a business and become a multimillionaire, so can you. Just notice what people need and fulfill those needs. The 12th key to enhancing profits is to jump into action.

CHAPTER 9

Prospecting: Target Key Prospects

Overview

The vice president of marketing for the National Linen Service (NLS) in Atlanta, Georgia, concluded from my research, “No one but dinosaurs will want our service. Without new prospects, we’re going out of business!”

Also bought NLS trusting that its key prospects would be like its key customers. Aesop advises, “Example is better than precept.”

Many direct marketing companies use the traits of key customers to identify key prospects. For example, InfoUSA advertises, “We’ll analyze your customers to find hot prospects just like them!” Let us learn how to target key prospects with a direct marketing campaign.

Vignettes

Dinosaurs Devour the National Linen Service

My first marketing research client was the National Linen Service (NLS) in Atlanta, Georgia. My client supplied and washed rolls of linen towels for restaurants, health care facilities, and industrial settings. In 1984, the vice president of marketing for NLS asked me to compare current and past customers of their linen service.

Proudly, I brought him the research results and displayed them on his table. The vice president cued into one important fact—past customers had newer buildings than did current customers. In anger, he shoved the results off the table and said, “Our current customers are dinosaurs. No one but dinosaurs will want our service. Without new prospects, we’re going out of business!”

The vice president of marketing for NLS believed that laundering rolls of linen towels was passé, but AlSCO, a worldwide leader in the industry, recognized the value of its services.



AlSCO plant¹

AlSCO provides a full line of professionally laundered linens delivered weekly for use in Food & Beverage, Healthcare, and Industrial settings [...] We deliver only the products you need, when you need them, freeing you to focus on your core business.²

How Does a Crab Learn?

An Aesop Fable

An old crab criticizes her son. “Why do you walk sideways like that, my son, and rub your sides against the wet rock? You ought to walk straight.”

Sweetly, the young crab replied, “Since you want to teach me, show me how to walk straight, my dear mother, and I’ll follow your example.”

The old crab tries, but she tries in vain. "I was foolish to find fault with you."

Aesop advises, "Example is better than precept."

What Are Ways to Identify Key Prospects

Who Are Key Prospects?

Was Aesop right—do we learn best by example? Can key customers predict who will be your key prospects? In fact, many direct marketing companies use the traits of key customers to identify key prospects. A business can use one trait or several traits of its key customers to target key prospects.

For example, the Advanced Customer Cloner by InfoUSA targets prospects in the United States and Canada. "We'll analyze your customers to find hot prospects just like them!"

Who Are Key Business Prospects?

InfoUSA compiles information about 17 million businesses on dozens of traits. Its sources include Yellow Page directories, government sources, annual reports, press releases, and websites. For example, a business can find distributors who spend at least a million dollars on travel. Maybe a business wants to target growing retail businesses in the Chicago metropolitan area. A government contractor can even identify certified minority contractors with a certain specialty, size, and longevity.

Who Are Key Consumer Prospects?

InfoUSA uses a hundred sources to update descriptions of about 230 million consumers. For example, a business can identify young women who recently bought a home in its area. Is your target market mail-order buyers who subscribe to a car magazine? Other examples are locating

diabetic pharmacists or major donors who are civic leaders in a small InfoUSA can also locate unemployed graduates in mass communication who spend hours on the Internet and buy many electronics. community.³

What Are the Steps to Higher Profits?

Step One

The first step is to describe and delight key customers. According to the 80/20 rule, the most profitable 20 percent of the customers will generate 80 percent of the profits. Delight them by designing products and services especially for them and by discontinuing other items. Consistently deliver them value for the price and promote your empathy for key customers. The business must quit producing, distributing, and promoting items for other customers and stop wasting resources on the 80 percent of the customers who only generate 20 percent of the profits.

Step Two

The second step is to promote to prospects who are similar to your key customers. Like them, these prospects will be delighted with your business. These key prospects will be easy to convert into highly profitable new customers. When they replace lost customers, the business will magnify its profits (Figures 9.1 and 9.2 and Table 9.1).

An Example of the Steps

My beautician is a young woman with deep purple hair and an eyebrow stud. Jessica worked for J. C. Penney's Beauty Salon in Volusia Mall, Daytona Beach, Florida. (The amounts in this example are estimates.)

Table 9.1 *Steps in prospecting*

Customers	Inputs	Profits
Original customers	100%	100%
Describe and delight key customers	20%	80%
Duplicate key customers	100%	400%

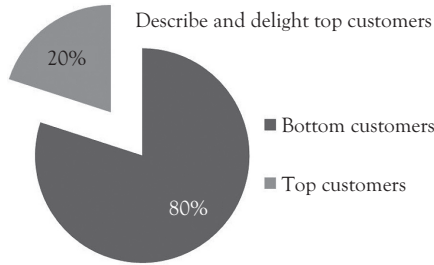


Figure 9.1 Focus on key customers

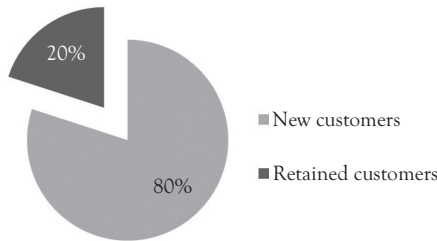


Figure 9.2 Duplicate key customers

Table 9.2 Steps in targeting key prospects

	Clients	Visits each	Total visits	Profit
Penney’s salon	1,000	4	4,000	\$40,000
Beautiful salon, year 1	800	1	800	\$8,000
Beautiful salon, year 2	1000	4	4,000	\$40,000

Each year Jessica beautified around 1,000 regulars and walk-in shoppers, and they averaged four visits per year. After subtracting her overhead, Jessica earned roughly \$10 per head so her annual income was around \$40,000 per year (Table 9.2).

Every August, Penney’s *back-to-school* promotion offered children free haircuts and paid the beauticians a pittance for their work. Jessica whispered to me, “I hate to cut their tangled manes. The kids challenge my patience, pre-empt my regulars, and cut my profits.” She vowed to never again participate in Penney’s *back-to-school* promotion.

Jessica moved her business to Beautiful Salon & Day Spa in Ormond Beach, Florida, an owner-managed salon in an upscale mall. About 80 percent of her clients (80% × 1000 = 800) followed Jessica to the Beautiful Salon, but they produced only about 20 percent of her profits

at Penney's Salon ($20\% \times \$40,000 = \$8,000$). The other 20 percent ($20\% \times 1000 = 200$) were frequent patrons or employees of J. C. Penney's. They averaged 16 visits per year and produced about 80 percent of her profits at Penney's ($80\% \times \$40,000 = \$32,000$).

Disappointed, Jessica identified the most profitable 20 percent of her remaining clients ($20\% \times 800 = 160$). They averaged four visits per year and produced roughly 80 percent of her profits ($80\% \times \$8,000 = \$6,400$). Her other 640 clients only produced around 20 percent of her profits ($20\% \times \$8,000 = \$1,600$) so she delegated them to another beautician who could better satisfy them.

Jessica offered her key clients a discount for referring their friends to her. They and their friends attracted 840 highly profitable new clients. Just like her key clients, they averaged four visits a year and produced generous profits ($840 \times 4 \times \$10 = \$33,600$). Soon Jessica was again earning around \$40,000 per year from 1000 clients.

Key #9: Target Key Prospects



John Romero⁴

In marketing I've seen only one strategy that can't miss—and that is to market to your best customers first, your best prospects second, and the rest of the world last.

John Romero, video game designer, cofounder of Id Software.

Embry-Riddle Aeronautical University Soars

Embry-Riddle Aeronautical University (ERAU) educates students at residential campuses in Daytona Beach, Florida and Prescott, Arizona, and through more than 150 locations in the United States, Europe, Asia, Canada, and the Middle East. ERAU expects to double in size by 2020. “Embry-Riddle Aeronautical University is the world’s largest, fully accredited university specializing in aviation and aerospace.”

This school is best suited for aviation enthusiasts—people that want to pursue a career in aviation business management, engineering, air traffic control, and piloting.⁵



Jets for the ERAU’s flight team⁶

Its key prospects are college-prep high school students who are aviation enthusiasts. Currently, ERAU offers a \$1,000 per year scholarship to students who are referred by alumni. Another way is to use InfoUSA’s Advanced Customer Cloner to match the top 20% of its students with prospects in the United States and Canada. These are many other ways ERAU could identify key prospects.

- Solicit referrals from InfoUSA’s list of Airplane Owners and Pilots.
- Contact teenage members of Academy of Model Aeronautics clubs and participants in its model competitions.⁷
- Contact teenage members of Experimental Aircraft Association (EAA) chapters around the world.⁸

- Collect contact information from high school students who attend air shows. For example, the EAA sponsors AirVenture Oshkosh, one of the largest air shows in the world. In 2015, ERAU is sponsoring 20 events and workshops plus performances by its Eagles Flight Team.⁹

You can learn from these examples how to target key prospects of the business with a direct marketing campaign.

Summary

Aesop advises, “Example is better than precept.” Many direct marketing companies use the traits of key customers to identify key prospects. For example, InfoUSA advertises, “We’ll analyze your customers to find hot prospects just like them!”

The first step is to describe and delight key customers. The second step is to target prospects who are similar to your key customers.

These key prospects will be easy to convert into highly profitable new customers. When they replace lost customers, the business will multiply its profits. Examples of a beautician and ERAU demonstrate this process. The ninth key to enhancing profits is to target key prospects.



Target Key Prospects Like Its Key Customers

Decide how the business will target key prospects:

- 1a. Target key *business* clients by describing a few of their most important traits from this list of possibilities:
 - Type of business: SIC or NAICS code, Yellow Page heading, and sales volume
 - Category of business: new, home-based, small, growing, big, or bankrupt
 - Management: gender, ethnicity, title, occupation, profession, and ownership

- Spending: credit rating, computers, and other business expenses by category
 - Other information: location, longevity, number of employees, and brand
- 1b. Target key *consumers* by describing a few of their most important traits from this list of possibilities:
- Household: socioeconomic status, housing, investments, and donations
 - Spending: vehicles, electronics, other expenses, and credit card use
 - Residents: gender, age, ethnicity, religion, income, insurance, or occupation
 - Major event: new home owners, bankruptcy, and college students by field
 - Usage: subscriptions, medications, mail ordering, and online activities
 - Lifestyle: opinions, interests, hobbies, and social group
2. What traits will the business actually use to target key prospects with a direct marketing campaign?

CHAPTER 10

Customer Service: Reward the Best

Overview

A manager said, “We do whatever it takes to keep complainers from switching to a competitor.” Speechless from her flawed logic, I thought, “That’s why you’re going through a difficult time.” Aesop implies complainers cannot *save us in the time of trouble*.

Most sales people neglect people when they become key customers, but we should reward them as they reward the business.

Complainers seek what the business does not offer. Let us learn how to discourage complainers and to reward your best customers by stratifying its customer service policies.

Vignettes

Accounting for Failure

I sat next to the manager of a Certified Public Accountant (CPA) firm at a luncheon and mentioned the 80/20 rule. She said, “Long ago we realized the 80/20 rule predicts our sales so our sales reps seek prospects who are similar to our most profitable clients.” I asked, “How do you describe them?” She replied, “Many CPA firms are chasing the same clients.” “What special benefits do you provide your top clients?” “We treat our clients equally.”

I asked her, “What about complainers?” “We’re going through a difficult time so we don’t want to lose any clients. We do whatever it takes to keep complainers from switching to a competitor.” Speechless from her flawed logic, I thought, “That’s why you’re going through a difficult time.”

Can a Soldier Ride a Donkey?

An Aesop Fable

A soldier feeds his horse well on barley when they are at war. The horse says, "We share our adventures."

When the war is over, the horse complains, "You make me work like a slave. I must carry heavy loads and get nothing to eat but chaff."

The trumpet sounds the call to arms. The soldier bridles the horse, arms himself, and mounts him, but the horse has no strength.

Stumbling at every step, the horse says, "You better go join an infantry regiment for I'm no longer worth riding with the cavalry. You changed me into a donkey. How can you expect to change me back into a horse?"

Aesop notes that a soldier cannot ride a donkey into battle to "save us in the time of trouble."

Which Customers Do You Neglect?

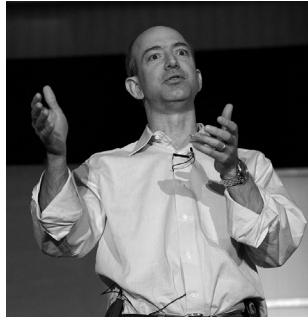
Aesop warns us against neglecting an important asset like a soldier's horse. Similarly, most sales people wine and dine prospects during the sales process, but neglect them when they become key customers. When a business raises its prices, neglected customers may lose interest and switch to a competitor. "I'm no longer a customer since I'm buying from a competitor. How can you expect me to return?"

A wise business rewards its key customers so they will remain loyal when they raise their prices. Key customers deserve a reward because they produce 80 percent of your profits and refer key prospects to the business.

Does your business reward key customers or neglect them? Most businesses neglect their key customers and attend to complainers, but your business can increase its profits by doing the reverse.

Complainers produce little profit, yet are hard to satisfy. As my grandmother said, "The squeaky wheel gets the grease." They complain because the business does not fulfill their requirements. Dissatisfied customers seek what the business does not offer. Maybe a competitor specializes in serving people just like them and can better meet their needs. Encourage them to switch to a competitor that can better satisfy them.

Discourage complainers by stratifying the customer service policies according to relevant criteria. The business is not discriminating against complainers if the business is being consistent with its policies. Provide benefits to key customers, but limit benefits to other customers. Reward key customer as they reward the business.



Jeff Bezos¹

The best customer service is if the customer doesn't need to call you, doesn't need to talk to you. It just works.

Jeff Bezos [Jeffrey Preston Jorgensen], founder of Amazon.com, investor, and technology entrepreneur.

How Much Trouble Do Complainers Cause?

My Condominium Suffered from Complainers

In 2004, the Pendleton Condominium suffered from a *time of trouble* when four hurricanes, Charley, Frances, Jeanne, and Ivan, slammed into Daytona Beach, Florida. Originally, the 127 condominium units had screened balconies, but most owners had installed windowpanes in flimsy frames that were built for screens. The hurricanes buckled the frames, sucked out windowpanes, and pierced the ground with shards of glass.

A few years later, the president of its board of directors wanted to enclose our balconies with hurricane-proof glass, but some owners complained about this assessment. (The amounts in this example are estimates.)

About 25 households made 80 percent of the complaints and five households made 64 percent of the complaints. For several days, these

five couples protested in the office of the chief building code official of Daytona Beach, “The condominium cannot force us to pay the assessment!” One couple made 51 percent of the complaints and threatened to sue the association (Figures 10.1 and 10.2 and Table 10.1).

The president of the board of directors waited for everyone to quit complaining before starting the project. For over a year, condominium owners could not rent their units or obtain building permits to prepare their unit for sale. During the delay, the housing bubble burst and many owners lost a fortune.

The impasse was resolved when the chief building official decided that the building code did not allow glass in screen frames. His decision silenced the complainers and the board assessed the owners for the project.

Once the project was completed, all owners were delighted. Each unit gained over a hundred square feet of air conditioned living area and a window wall overlooking the Halifax River.

Table 10.1 *Complainers*

Layer	Units	Top complainers	Complaints	Rate
1	25	20%	80%	4-fold
2	5	4%	64%	16-fold
3	1	0.8%	51%	64-fold

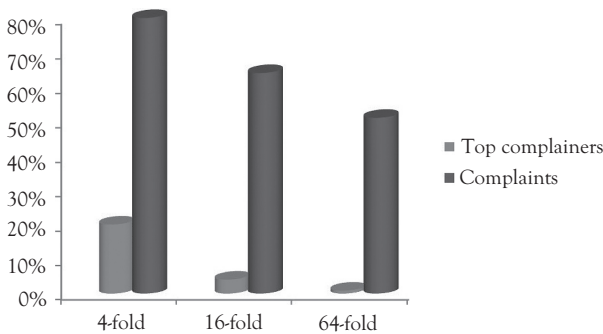


Figure 10.1 *Comparison of complainers*

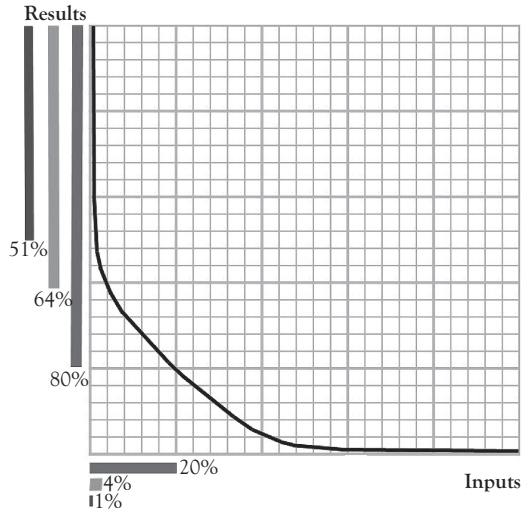


Figure 10.2 Distribution of complainers



View from my new windows wall²

Key #10: Reward the Best

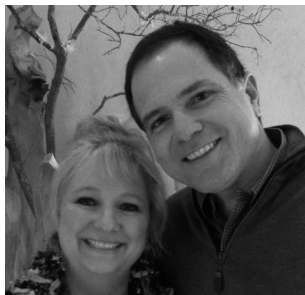
Mr. Iocco Starts a Business

For many years, Mr. Robert Iocco, CPA, Certified Insurance Counselor (CIC), was a regional executive vice president of Brown & Brown Insurance, one of the largest independent insurance agencies in the United States. At Brown & Brown, Mr. Iocco was responsible for hundreds of sales executives who collectively produced more than 500 million dollars of insurance premiums per year in the northeastern region.

“Brown & Brown taught its sales representatives to focus on personally servicing the most profitable 20 percent of its customers.” As directed, Mr. Iocco stratified the customer service policy for offices in his region by automating routine interactions with the other 80 percent of customers. Although this policy seemed capricious to some sales executives, Mr. Iocco noticed that the top 20 percent of his customers consistently produced 80 percent of his region’s sales and profits.

Throughout my years of selling and servicing insurance, the results were exactly as Dr. Kruger predicts in her book. In both the large and small businesses, 80% of our revenue and business profit came from the top 20% of our customers.

Learn from Mr. Iocco how to reward your most profitable customers and discourage complainers by stratifying your customer service policies.



Mr. and Mrs. Robert Iocco³

Step 1

Mr. Iocco became tired of traveling throughout his region, left his position, and decided to launch a business from his home. He consolidated insurance agencies in Bristol, Norton, Richland, and Salem, Virginia, into Trustpoint Insurance. These four branches offer personal auto, homeowners, business, and benefits insurance. Initially, they treated their customers equally.

Step 2

When Mr. Iocco consolidated them, he stratified their customer service policies like offices of Brown & Brown Insurance (Table 10.2).

Step 3

The sales representatives complained that taking away 80 percent of their customers would lower their personal income. Mr. Iocco obtained their “buy in” by increasing their sales commission pay rate from 20 percent to 25 percent.

Step 4

The sales representatives discovered that they could earn the same commission from one-fifth of their previous customers. “We need to work only one day a week.” On the other four days, the sales representatives went hunting—for new customers to replace the customers they had lost. The sales representatives identified prospects who were similar to the most profitable 20 percent of Trustpoint’s customers. They converted most of these key prospects into highly profitable new customers. Just like the key customers, their new customers produce fourfold commissions.

Further Steps

Some sales reps focus on the top 4 percent of Trustpoint’s customers and seek prospects just like them. These customers produce 16-fold

Table 10.2 *Sales commissions*

Step	Clients	Percentage of sales	Results	Pay rate	Sales (000)	Pay (000)
1	100%	100%	1-fold	20%	\$100	\$20
2	20%	80%	4-fold	20%	\$80	\$16
3	20%	80%	4-fold	25%	\$100	\$20
4	100%	400%	4-fold	25%	\$400	\$100

commissions. A few sales representatives focus on the top 0.8 percent because they expect them to produce 64-fold commissions.

Summary

Most sales people ignore people when they become key customers. These neglected customers may switch to a competitor.

Dissatisfied customers seek what the business does not offer. According to Pareto's law, the top 0.8 percent of complainers spews over half of the complaints.

The solution is to discourage complainers by stratifying your customer service policies. For example, automate routine interactions with the bottom 80 percent of customers or redefine the target market to exclude customers whom the business does not satisfy.

Reward key customer as they reward the business. Options are to provide better products, value-added services, volume discounts, automatic reordering, and prestige.



Stratify the Customer Service Policies

Decide how the business will reward the best:

1. How will your business reward its best customers?

- Automatic reordering
- Better products and services
- Faster service and shipping
- Free insurance and guarantees
- Free training and support
- Influence over future business decisions
- Personal value-added services
- Recognition and prestige
- Reports, autographs, and trinkets
- Volume discounts

2. How will your business discourage less profitable customers and complainers?

- Automate routine interactions with them
- Establish other rigid procedures that discourage less profitable customers and complainers
- Only accept returns with a receipt or in exchange for a similar item
- Redefine the target market to exclude customers with these traits

CHAPTER 11

Budgeting: Concentrate Resources

Overview

Aesop's neighbor buries his wealth, but his servant steals it. Aesop says, "Unused possessions create no good." In one interpretation of the parable of the talents, Jesus praises businesspeople who trade to increase their owner's wealth. A successful business provides benefits to its customers, income to its employees, and profits to its investors.

Evaluate the profitability of various opportunities and select the one that promises the best profits. Let us learn how to allocate the budget of a business to maximize its return on investment.

Vignettes

What Use Is a Miser's Gold?

An Aesop Fable

Aesop's neighbor converts all of his riches into gold, melts it into an ingot, and buries it in a secret place. Every day he gloats over his treasure for hours. Aesop said, "He left his heart and spirit in the hole."

His servant snoops on him, sneaks back to the place, and snitches his gold. When the miser returns, he discovers that the hole is empty. In despair, the man pulls his hair and cries, "My treasure is gone!"

Aesop sympathizes with his neighbor's loss. "Don't despair like that, my friend. You won't miss it. Just put a brick in the hole and imagine it's your gold. You won't be any worse off than before. Before you lost it, your gold was of no earthly use to you."

Aesop chides misers. "Unused possessions create no good."

Trade the Talents of the Business

Jesus lived several centuries after Aesop. Where his parables influenced by Aesop's fables? This is one way to interpret his parable of the talents.

A man entrusts his wealth to three servants while he travels. Two servants trade his talents to increase the man's wealth. The third servant digs a hole in the ground and hides the wealth. When the man returns, he praises the two successful businessmen, but condemns the unprofitable miser.¹

How Should Wealth Be Used?

Both Aesop and Jesus encourage you to use your resources for good, instead of hoarding them. The resources of a business are its money, time, and efforts. A successful business provides benefits to its customers, income to its employees, and profits to its investors.

What Is the Cost of Losing an Opportunity?

Opportunity cost is the amount a business could have profited from an opportunity. If a business exploits an opportunity, it produces profits, but if not, the loss in profits is ignored by accountants. A wise entrepreneur evaluates the profitability of various opportunities and selects the one that promises the best profits.

Key #11: Concentrate Resources



Lexus-Riley prototype²

If money follows results, we will get more results for our money.

Bob Riley, race car designer and cofounder of Riley Technologies.

Constance Concentrates Resources

Constance, the owner of a business, wants to roll over the budget to the next year, but Dwight, her marketing consultant, disagrees.

Your business should invest its money where it will earn the best profits. If your business focuses on serving its key customers, its profits will magnify. The top 20 percent of your customers will produce 16 times more profits than your other customers.

Confused, Constance asks, “Where will my business find the money?”

Mission

Dwight says,

Let’s start with the mission of the business. Its most profitable customers seek high-quality products and services so focus on quality. Less profitable customers prefer cheaper versions. Your business should quit spending money to dilute its reputation.

Target Market

“What benefits does your business provide and who really benefits from them?”

Constance describes her key customers and explains how the business benefits them.

Strength and Weaknesses

“How can my business improve its reputation?”

Your business has a stellar reputation in its strength so compete on this strength. If the business delegates its weaknesses to suppliers, the business can specialize in its strength. Your business should contract with professionals, specialists, and service companies.

Products and Services

“Your business offers treasures for its most profitable customers, but why does it offer product and services for other customers?”

“Maybe my business should discontinue the less profitable items and add value to products and services that are treasured by its key customers.”

Distribution

“Which distributors and retailers consistently delight your key customers?”

Constance lists them and says, “Some others tarnish our reputation and cause more problems than they’re worth. My business should discontinue them and replace them with new distribution channels that will delight our key customers.”

Promotion

Your promotions seem to focus on all customers, not the top 20 percent of your customers. Your key customers have different motivations, timing, media usage, and influences than your other customers. Your promotions must trumpet empathy with its key customers.

Pricing

“How much profit would you lose if your business charges more than its direct competitors?”

“The bottom 80 percent of its customers may switch to them, but my business would only lose 20 percent of its profits. Increasing the price would greatly increase our profit per item and increase our total profits.”

Prospecting

“Let’s evaluate your direct marketing campaign. Does it currently target your key prospects?”

“Oops, we should focus on results, not reach.”

Customer Service Policies

“Why does the business reward complainers?”

“I was taught in school to treat everyone equally.”

“Does everyone treat your business equally? Reward the best, not the rest.”

Budgeting

“We have brought up many ways your business can allocate money to its key customers and away from its other customers. Focus where your business will get the best profits. Don't feel overwhelmed. Just make one budgeting decision at a time.”

Taking Action

“Decisions are useless until your business acts on them. Consider the 80/20 rule as an engine that can empower your business. Your budget will ignite the engine when you jump into action.”

That night Constance dreams about the bedtime story, *The Little Engine That Could*. In her dream, she chants, “I know I can, I know I can, I know I can.” She visualizes the Pareto law as the engine of her business, building momentum and chugging upward at an ever-accelerating pace.

Does this story inspire you to concentrate its resources on serving your key customers?

Financial Review

Balance Sheet

A sophisticated marketing plan uses financial documents to review the financial condition and the growth potential of a business. In a *balance sheet*, *assets* minus *liabilities* equal *net worth*. In other words, the net worth of a business is its total assets minus its total liabilities.

Total assets include current assets, fixed assets, plus goodwill. Accountants consider cash, accounts receivable, and inventory as *current assets*,

but real estate, fixtures, equipment, vehicles, and licenses are considered *fixed assets*. They calculate *goodwill* when a business is sold.

Total liabilities include current liabilities and long-term liabilities. *Current liabilities* include accounts payable, short-term notes payable, accrued expenses, and taxes owed, whereas other liabilities are *long-term liabilities*.

Income Statement

An *income statement* summarizes the profits or projected profits of a business. *Gross revenue* is total sales and revenue minus returns and allowances. *Gross profit* is gross revenue minus the cost of goods sold (variable costs). *Total operating income* is gross profit minus total operating expenses (fixed costs). Other revenue and expenses affect *pretax income* while any extraordinary gain or loss affects *net income after taxes*.

Profit-and-Loss Statement

In a profit and loss statement, *gross profit* is total net sales minus the cost of sales whereas *net profit before taxes* is gross profit minus controllable and fixed expenses. *Controllable expenses* include salaries, payroll taxes, security, advertising, automobile, dues and subscriptions, legal and accounting, office supplies, telephone, plus utilities. *Fixed expenses* include depreciation, insurance, rent, taxes and licenses, plus loan payments.

Cash Flow Projection

Cash flow is the beginning cash plus cash income minus cash expenses. *Total beginning cash* includes cash on hand, in a bank, and in investments. *Total cash income* is cash sales, payments, investment income, and loans during the month. *Total cash expenses* include new inventory, taxes, overhead, loan repayment, and other cash expenses.

A startup must project their monthly cash flow for three years to qualify for a loan from the Small Business Administration. An ongoing business needs to know its cash flow for buying materials, scheduling production, hiring personnel, and promoting its products and services.



Donald Rumsfeld³

Prune—prune businesses, products, activities, people. Do it annually.
 Donald Rumsfeld, Secretary of Defense under George W. Bush
 and Gerald Ford.

Summary

A successful business provides benefits to its customers, income to its employees, and profits to its investors. Evaluate the profitability of various opportunities and select the one that promises the best profits. Pareto's law predicts that the top 20 percent of inputs will produce 80 percent of the results.

A financial review describes current and possible outcomes from business decisions. The 11th key to enhanced profits is to concentrate resources.



Concentrate Business Resources on Top Inputs

Decide how the business will concentrate resources:

1. How will the business alter its budget to improve the quality of its products and services?
 - Buy higher quality components and materials
 - Sell off inferior parts of the business
 - Reward and nurture high-quality employees

2. How will the business alter its budget to avoid or overcome threats?
Redefine its target market
 - Focus on a different region
 - Redefine the problem it solves
 - Form a strategic alliance with a competitor
3. How will the business alter its budget to specialize in its strengths?
Expand buildings and equipment for producing the specialty of the business
 - Hire and train employees in this specialty
 - Sell assets that produce other products and services
 - Outplace employees whose skills are not compatible with its specialty
4. How will the business alter its budget to delegate its weaknesses?
 - Outsource weaknesses in tasks, projects, functions, and other responsibilities to suppliers
 - Contract with relevant professionals, specialists, and service companies
 - Build strategic alliances with suppliers who compensate for weaknesses of the business
5. How will the business alter its budget to focus on its key customers?
 - List the top 20 percent of its customers and profile their typical traits
 - Conduct marketing research so the company better understands its key customers
 - Encourage other customers to switch to competitive businesses that can better serve them
6. How will the business alter its budget to offer treasures to key customers?
 - Discover what benefits and values that key customers seek from its offerings
 - Add value to products and services that are treasured by key customers
 - Discontinue products and services they do not treasure

7. How will the business improve its revenue from key customers?
 - Identify the price at which its key customers would switch to a competitor
 - Gradually raise the price near this price point
 - Compensate for lost customers by increasing the profit margin
8. How will the business alter its budget to delight its key customers?
 - Reward distributors and retailers who delight key customers of the business
 - Discontinue contracts and agreements with other distribution channels
 - Find new distributors and retailers who can consistently delight its key customers
9. How will the business alter its promotional budget to empathize with key customers?
 - Research the process that key customers use in deciding to buy the products and services of the business
 - Target key customers and prospects with promotions, spokespeople, and publicity
 - Quit targeting other customers with its promotional budget
10. How will the business alter its budget to target top prospects with direct marketing?
 - Research how to best influence top prospects with a direct marketing campaign
 - Use a list of key prospects from a direct marketing business like InfoUSA
 - Discontinue direct marketing campaigns that target other prospects and customers
11. How will the business alter its budget to reward key customers, rather than complainers?
 - Stratify the customer service policy to reward key customers
 - Discontinue benefits to less profitable customers and complainers
 - Encourage top complainers to switch to a competitor

12. How will the business alter its budget to implement its decisions?

- Assign responsibilities and tasks within the business
- Hire experts, contract with suppliers, or trade skills with others businesses
- Buy software, equipment, facilities, or a business to implement these decisions

CHAPTER 12

Action Plan: Jump into Action

Overview

The novice distributor shares her progress with her mentor and thanks Aesop for his insights. Aesop implies that we must prove the effectiveness of our marketing decisions by *deeds, not words*. Let us learn how to implement our marketing decisions.



Latte at starbucks¹

Vignettes

Your Mentor Is Proud of You

Two months later the two distributors meet again at Starbucks to enjoy their lattes. The novice gushes about her latest achievements and her mentor displays an award that names her as the “Most Valuable Distributor.” They don’t notice that Aesop is looking over their shoulders.

After summarizing their last two months of business activities, her mentor asks, “How is your prospecting coming along?”

Confidently, the novice shows her a short list of prospects. “I’ve learned that quality, not quantity counts.”

Pleased, her mentor asks, “How did you prune your list?”

“Instead of frantically chasing prospects, I calmly analyzed my key customers. I know that haste makes waste.”

“How did you analyze them?”

“I’m skilled in sales, not analysis. I was too lazy to analyze them myself. I’ll go further by using my own gift.”

“Who helped you?”

“A friend imported my customer database into Excel, calculated their profitability, and put them in sequential order. I offered to refer him to others if he would do the analysis for me. I’m as good as my word.”

“Did you interview representatives of the most profitable twenty percent of your customers?”

“Yes, I wanted to be able to empathize with them. I’ll use different strokes for different folks.”

“What surprised you?”

“I didn’t realize how much my customers value our products and services. Maybe we should raise our prices. After all, utility is the test of worth.”

“What else did you learn?”

“Consistency wins the prize of customer loyalty.”

“Did the interviews change your approach to sales?”

“Yes, I’ll be more empathetic and quit trumpeting our products and services.”

“Did the traits of your key customers help you identify your key prospects?”

“I profiled my top customers and eliminated all prospects who did not fit the profile. Their example was my precept.”

“What about complainers?”

“Most companies reward complainers, but, I refer complainers to a competitor that can better serve them. I reward customers as they reward my business. My key customers can save me in a time of trouble.”

“Were you able to convert key prospects into highly profitable customers?”

“Oh, yes. my direct marketing campaign to key prospects converts them into new customers. Unused wealth create no good.”

The mentor dashes off to an appointment as the novice sips her latte. Looking up, she notices Aesop. “Your insights made all the difference. You mean so much to me.” With a nod of his head, Aesop vanishes.

What Proves the Truth?

An Aesop Fable

A man practices jumping, racing, wrestling, and throwing the javelin and discus for the Pentathlon. His fellow citizens tease him for being unmanly and he escapes their teasing by traveling abroad.

When the man returns, he boasts about performing remarkable feats in various countries. The man brags that his long jump in Rhodes was longer than the winner in the Olympic Games. “Just go to Rhodes and ask them. Everyone will tell you it’s true.”

A bystander says, “If you can jump that well, we needn’t go to Rhodes to prove it. Let’s just imagine for a moment this is Rhodes and now—jump!”

Aesop reminds us that talk is superfluous when we can prove the truth by taking action. He encourages “deeds, not words.”

What Are Tools for Project Management

Constance is eager to implement her marketing decisions. The first step is to specify tasks, assign responsibilities, and allocate costs. The business can visualize these components as a cube (Figure 12.1).

The next step is to estimate how long each task takes and which tasks depend on the completion of other tasks. For example, in Table 12.1, the critical tasks are obtaining a list of key prospects and e-mailing to them.

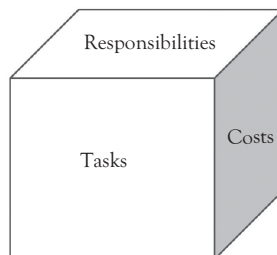


Figure 12.1 Project management cube

Table 12.1 *Project development schedule*

Task	April	May	June
Direct marketing supplier obtains a list of key prospects market	\$2,000 →4/14		
Advertising agency produces and blasts an e-mail 3 times	\$4,300 →4/16	\$300 5/16	\$300 6/16
Inbound sales force earns commissions from inquiries	4/16		→6/30

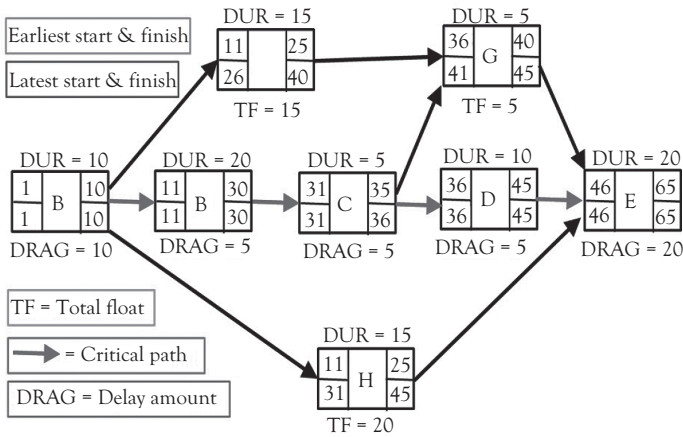


Figure 12.2 *Complex project²*

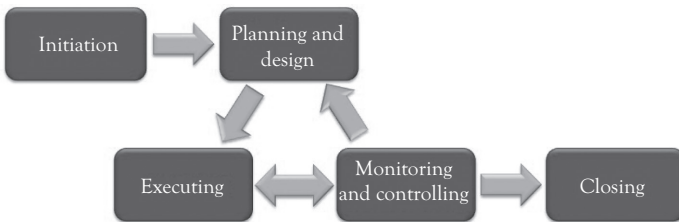


Figure 12.3 *Steps in project management³*

As shown in Figure 12.2, some businesses use red to indicate the critical path for completing the project on time and mark drag on the critical path. Black indicates the duration of tasks. Green indicates excess time plus the earliest possible start date and finish dates. Blue specifies the latest possible finish date.

Figure 12.3 shows how to monitor outcomes and control results. When all tasks are completed, the business closes a project.

A business creates a project development schedule for each project, accumulates them for each functional area, and rolls them up the hierarchy. The executive summary only includes key activities and milestones.

Prove Pareto's Law by Jumping into Action

The bystander challenges the traveler to prove the truth of his boast by jumping. Likewise, I challenge your business to prove Pareto's law by jumping into action.

You made key marketing decisions that prioritize your key customers. From SWOT (**s**trength, **w**eakness, **o**pportunity, **t**hreat) analysis, you decided to focus on quality, describe key customers, compete on strength, and delegate weaknesses. The marketing mix decisions are to offer treasures, deliver delight, trumpet empathy, and price as valued. Action decisions are to target key prospects, reward the best, concentrate resources, and jump into action.

When combined, these 12 key marketing decisions encompass all components of a strategic marketing plan. Each of your decisions applies Pareto's law to the business and clarifies how the business can magnify its profits. Table 12.2 shows how to focus on higher layers of your customers.



Ben Carson⁴

What Can Be Learned from a Black Multimillionaire

Dr. Ben Carson, a retired Director of Pediatric Neurosurgery at the Johns Hopkins Medical Institutions, interviewed Arthur George Gaston, a major contributor to the civil rights movement in the South. "Mr. Gaston,

Table 12.2 *Layers of Pareto's Law*

Layer	Top inputs	Profits	Return	Bottom inputs	Output	Return
1	20%	80%	4-fold 80/20	80%	20%	0.25 20/80
2	4% (20% ²)	64% (80% ²)	16-fold (4 ²)	96%	36%	0.375 36/96
3	0.8% (20% ³)	51% (80% ³)	64-fold (4 ³)	99.2%	49%	0.49 49/99
4	0.16% (20% ⁴)	41% (80% ⁴)	256-fold (4 ⁴)	99.84%	59%	0.59 59/100

how did you as a black man become a multimillionaire in Birmingham, Alabama, in the 1930s to 1950s?"

Mr. Gaston said, "It's very simple. I just opened my eyes, looked around, and asked myself, what do people need? I then went about fulfilling those needs."⁵



Jump into Action

Strategic Marketing Plan

Part I: SWOT Analysis

1. Your mission is to respond to an opportunity.
What problem will your business solve for its key customers?
 - a. The mission of a business is to assist (Customers) to overcome a (Type) problem to (Benefit) them with (Items). (Be specific).
 - b. Summarize the mission of the business with a catchy slogan.

2. The target market remains despite threats in the macro environment.
Profile the typical traits of key customers of your business:
 - a. Demographics
 - b. Lifestyle
 - c. Buying behavior

3. The specialty of your business is its strength.
 - a. What specifically is the unique strength of your business?
4. What suppliers can compensate for its weaknesses?
 - a. What specific projects, tasks, and functions will the business delegate to relevant suppliers?

Part II: Marketing Mix Decisions

5. Products and services
 - a. How will the business improve the value of its products or services for key customers?
 - b. Which features, options, products, and lines will the business discontinue?
6. Distribution
 - a. Which distribution channels consistently delight key customers?
 - b. Which distribution channels will the business discontinue?
7. Promotion
 - a. Develop a promotional campaign that is empathetic with the needs of the target market and its search process.
8. Pricing
 - a. How much will key customers pay for the item?

Part III: Taking Action

9. What traits will the business use to target key prospects with direct marketing?
10. How will your customer service policies reward key customers and discourage complainers?

11. How will the business implement its allocation decisions?
12. Combine your answers into a strategic marketing plan for the business, decide how to implement your plan, and summarize it with an executive summary.

Executive Summary

Usually, the chief executive officer writes the strategic marketing plan with input from managers of every area of responsibility plus major contractors, distributors, and other suppliers. The goal is to align the strategic marketing plan to align with their goals, objectives, and decisions.

Use headings, subheads, bullets, and milestones so that its audience can quickly scan the strategic marketing plan for understanding. Be sure the marketing decisions are logical, consistent, and congruent with the mission for the business.

Use appendices for supportive materials such as technical data, product specifications, financial documents, profiles of the management team, competitive data, and market analyses. Do not share confidential information, procedures, and systems that might be leaked to competitors.

Revise the marketing plan at least annually and as often as necessary. For example, revise the marketing plan if the business misses projections, lacks a unique positioning, grows too fast, is affected by changes, has unmotivated employees, or loses key customers.

Key #12: Jump into Action

Congratulations, Fellow Traveler, for completing *Marketing Plan Templates for Enhancing Profits*. If a black man in Alabama can startup a business during the depressing and become a multimillionaire, so can you.

Notice what people need and fulfill those needs. You know how to apply Pareto's law to the business. Now prove the profitability of your marketing decisions and—jump into action.

Summary

Aesop motivates us to prove the effectiveness of our marketing decisions by *deeds, not words*, and to implement our strategic marketing plan.

Use a project development schedule to specify the length of each task, the critical path, and the project's duration. Execute the project, monitor effects, and control results until the project is completed. Accumulate the project development schedules for each functional area, and rolls them up the hierarchy.

Let us review the keys to enhancing profits with Pareto's law. Based on SWOT analysis, you decided to focus on quality, describe key customers compete on strength, and delegate weaknesses. You positioned the business with marketing mix decisions. These are to offer treasures, deliver delight, trumpet empathy, and price as valued. Now implement your decisions and target key prospects, reward the best, concentrate resources, and jump into action. When combined, these 12 key marketing decisions encompass all components of a strategic marketing plan.

Usually, the chief executive officer writes the strategic marketing plan with input relevant managers. The document must be compatible with their goals, objectives, and plans. Revise the marketing plan at least annually and as often as necessary.

Once you have completed the strategic marketing plan, you are ready to write a one-page executive summary of your decisions. The executive summary only includes key activities and milestones.

Congratulations, Fellow Traveler, for completing *Marketing Plan Templates for Enhancing Profits*. Now prove the profitability of your marketing decisions and—jump into action.



Tony Robbins⁶

It is in your moments of decision that your destiny is shaped.

[Anthony] Tony Robbins, peak performance coach, consultant,
and author.

Appendix I



Joshua Gray, Owner
Spray Soft Exterior Cleaning

Joshua Gray is a young man with a mission—financial freedom for himself and his family. He has been the General Manager of Go-Kart City in Port Orange, Florida, and has cleaned the local fleets of Car Max and the United States Post Office for many years.

Joshua loves cleaning cars, but he aspired to clean other surfaces. Seven years ago he saw a used hot water pressure washer on Craig’s List and impulsively decided to buy it with half of his savings. On the way to pick it up, his wife Stacey asked him to call his friend Jason Temple who owns Flagler Clean, in Flagler County. Jason advised Joshua to turn his car around and learn the business from him.

The first thing Jason and Joshua did was go to the convention of the United Association of Mobile Contract Cleaners in Orlando, Florida. Joshua won the raffle prize, a roof pump system. He learned about chemical solutions and bought other equipment for his startup, Spray Soft Exterior Cleaning (Spray Soft).

SWOT Analysis

Opportunities/Mission

Aging housing and commercial developments in Volusia County means a growing demand for exterior cleaning of roofs, walls, pavements, and screen enclosures. The mission of Spray Soft is to deliver top-quality exterior cleaning and build a life-time relationship with its clients. Unlike many competitors, Joshua is a licensed, insured, and professional who takes pride in guaranteeing his work and his slogan is *exceeding expectations*.

Threats/Target Market

Many poor-quality competitors offer low prices to gullible home owners. In the past, Joshua has targeted home owners in upscale residential developments. Now he is targeting commercial buildings such as schools and home or condominium owner associations. Other prospects are shopping centers and malls, retail shops, restaurants, banks, office buildings, parking lots, apartments, senior living communities, hotels, motels, and resorts.

Strengths/Specialty

Joshua's unique competitive advantages are educating prospects about the cleaning process and customizing the chemical solution for their situation. Competitors can damage surfaces by using high-pressure equipment, but Spray Soft uses as much pressure as a garden hose so the process is safe for all surfaces.

Weaknesses/Suppliers

His team includes a CPA, attorney, sister, and some part-time employees. Spray Soft was able to clean a multilevel building, the Hammock Beach Resort, Palm Coast, Florida, because his workers brought their own equipment.

Joshua learns from Craig Harrison about mixing cleaning solutions with his chemical, F9 BARC. Joshua sends him a photograph of the discolored surface and Craig advises him how to mix the chemical solution to get the best results. Craig provides backup support so Joshua can *fake it until he makes it* as an expert in exterior cleaning.

Marketing Mix Decisions

Services

Spray Soft removes decontaminants such as algae, mold, and mildew from roofs and walls; calcium, rust, oil, and grease from pavements; and insects, dust, and vegetation from screen enclosures. All chemicals are biodegradable and nontoxic to humans and animals. He prevents harm to vegetation by covering them and rinsing off the residue. He guarantees the quality of his work.

Distribution

Joshua trades referrals with friends at the Victory Lane Chapter of Business Networking International, the local Rotary, and the Top Business Professionals in Port Orange, Florida.

Promotion

Joshua rarely uses promotions other than business cards, a newsletter, and a professional website with Youtube.com videos.

Joshua is always on the lookout for discolored surfaces. For example, Joshua noticed the discolored trim of my condominium building. He told me that his service could delay the need to paint the building for one-tenth of the cost of painting the building.

When Joshua identifies a commercial prospect, he obtains a warm introduction from a friend and listens carefully to the prospect's concerns. Then Joshua tells the prospect how his cleaning process can solve the problem. He will persistently follow up with information until the prospect trusts him enough to commit to the project.

Pricing

At first, Joshua priced projects too high, now that he can better estimate his costs for labor and materials, Joshua prices projects competitively. Joshua filters out price-sensitive prospects with his recorded message because competitors can easily beat his prices. This eliminates futile trips to give estimates.

Taking Action

Prospecting

Joshua targets key prospects through the United States Post Office. Its mail carriers can deliver *Every Door Direct Mail* to home owners in a specific housing development. First, he tests various versions of the post card in a small area and then rolls out the best version throughout the housing development.

Customer Satisfaction

Customers rarely complain about his exterior cleaning service because he informs prospects about the criteria for choosing an exterior cleaner and prepares their expectations. For example, no chemical can remove oxidation on aluminum gutters, but he can prepare the gutters for painting. As a result, about 80 percent of his clients are referrals or repeat customers.

Budgeting

Joshua believes the secret of happiness is freedom from financial worries. He is willing to work double time now to gain financial freedom in the future. As a result, Joshua refuses to borrow money for his business. His family lives on his salary from managing Go-Kart City and his wife's teaching career and he invests all his profits from Spray Soft.

Action Plan

When Spray Soft generates enough income, Joshua plans to quit managing Go-Kart City and his wife plans to quit teaching.

How can Joshua earn more money by scaling himself?

Appendix II



George Ilie, Owner
Geoda Systems Inc.

George grew up in a resort town near Bucharest, Romania. He graduated with a B.S. in Industrial Automation and worked in his profession in Romania. When he was a young man George escaped Romania and sought political asylum.

George became a technician for office equipment in Daytona Beach, Florida, and then its service manager. Three years later, George had two children and a wife to support, but only \$600 in savings. George boldly launched a competitive business, Geoda Systems Inc., out of a garage. His first client is still loyal after 20 years of steady growth.

SWOT Analysis

Opportunities/Mission

The mission of Geoda Systems is to help small businesses save money on their copies. Its slogan is *dedicated to meeting your office needs*. George uses his technical skills to calculate the best solution for his clients, gain customer loyalty, and profit from long-term contracts for servicing small business equipment.

Threats/Target Market

Unlike his competitors, George does not recommend a new printer even though he makes less money in the short term. His target market is heavy users of copiers such as private school systems, advertising agencies, and other businesses that use at least two reams of paper per month. Currently, George has 450 customers on a service agreement.

Strengths/Specialty

Competitors win government contracts based on low prices for equipment and servicing. Instead of cutting corners, George competes for clients based on the cost per copy. His unique competitive advantage is his strength in diagnosing equipment failures.

Weaknesses/Suppliers

Suppliers provide parts, ink, and used copiers. In 2006, George bought specialized software for managing his business. The software remotely accesses the history of every machine, calculates the life expectancy of each part, dispatches technicians, and handles inventory. For example, the software predicts when a \$375 color imager will break down and how much it will cost to repair it. Based on this data, the software sets up a preventative maintenance program.

Marketing Mix Decisions

Products and Services

A monthly service contract alleviates the need to buy a new printer or to buy ink, parts, and other consumables. George buys used copiers after their lease expires, refurbishes them to factory specifications, and resells them as demo models with the same service agreement as a new machine. Three technicians service the office equipment, usually within four hours.

George trains the technicians to diagnose malfunctions and fix problems, not symptoms.

Distribution

George does not hire distributors. Most of his new customers are referrals or know George through networking groups such as the Victory Lane Chapter of Business Networking International, the Ormond Beach Chamber, and Executives of Daytona Beach.

Promotion

George does not promote his business with advertising or publicity. Typically, he explains the financial outcomes of various choices and lets the customer make an educated decision. About 70 percent of his customers are repeat business.

Pricing

George provides the lowest cost copies to small business owners in the area. George sells demo models of printers for less than half price even though they meet factory specifications and will last about seven years. The service contract for 2,000 copies per month is \$28 or 1.4 cents per copy. Within a year, the client saves about \$1800 by avoiding the cost of Ink Jet cartridges. Heavier users enjoy even better savings.

Taking Action

Prospecting

Key prospects for Geoda Systems are heavy users of copies. A direct marketing company could obtain a list of local businesses that are key prospects.

Customer Service

George discounts the service contract for his most profitable customers. When a customer delays payments, the software eventually warns technicians to stop providing supplies and service.

Budgeting

George keeps overhead low and trains technicians to provide preventative maintenance. After buying the software, he was able to streamline his business and reduce the number of employees.

Action Plan

Geoda Systems continues to be successful because George provides high-quality service contracts for the lowest cost per copy.

What types of small businesses are key prospects for Geoda Systems?

Appendix III



Dr. Andrew Harris, Co-Owner
Florida Spine and Wellness Institute

Dr. Andy worked for many years as an electrical engineer, but he aspired to become a physician. After suffering from a severe rugby accident, he discovered that physicians could not rectify his physical condition. But a chiropractor did heal him so Dr. Andy decided to become a chiropractor. He and his wife Dr. Heather started a practice in Pennsylvania and served around 300 patients per week for 15 years. Recently they sold their chiropractic practice and moved their four children to Ormond Beach, Florida. His new practice has been operating for less than a year.

SWOT Analysis

Opportunities/Mission

The mission of the Florida Spine and Wellness Institute (FSWI) is to educate and adjust as many families to optimal health as possible. FSWI provides the safest, most effective, and medically proven treatments to their patients and coaches them to achieve optimal health.

Threats/Target Market

Each state has different insurance reimbursements. Florida's insurance reimbursements for private insurance are not as strong as those in Pennsylvania. FSWI's target market tends to be local women between the ages of 25 through 65 years. Women are the gatekeepers to health for their families and tend to encourage their husbands and children to seek chiropractic care.

Strengths/Specialty

Dr. Andy's greatest strength is his ability to educate his patients. The similarity between an electrical system and a nervous system makes the switch from electrical engineering to chiropractic an easy transition. Like an electrical system, a spine is a structure that requires maintenance to stay strong and healthy throughout a lifetime.

Weaknesses/Suppliers

Dr. Andy has belonged to professional chiropractic consulting groups since his graduation from the Chiropractic College. These groups have helped him to market, retain, and provide top quality services to his patients. Dr. Andy feels that Chiropractic College taught him to be a good chiropractor, whereas these consulting groups teach him how to be a good businessman.

Marketing Mix Decisions

Products and Services

FSWI's practice alleviates symptoms, corrects spinal problems, and coaches patients to engage in a healthy lifestyle.

Distribution

Dr. Andy belongs to networking groups such as Business Networking International and the Ormond Chamber of Commerce. He also networks

with local gyms, trainers, and other health-related professionals in the Ormond Beach area.

Promotion

Each month, FSWI offers five outside marketing events. Three events are usually for charities and two are *lunch and learn* speaking events for local businesses, churches, and civic groups.

Pricing

Presently, 85 percent of the patients pay cash for services rendered. His fee structure is competitive with local chiropractors, but Dr. Andy feels prices could be increased because of the level and quality of the services he provides. FSWI encourages families to receive care and provides affordable family plans.

Taking Action

Prospecting

Dr. Andy expects to continue to grow his business through referrals and customer loyalty. He builds recognition and his brand through visibility at civic, social, and school events. The best return on investment has been screenings and lectures, rather than through direct marketing.

Customer Service

Dr. Andy creates great patients by educating them about the possibilities and coaching them to engage in a healthy lifestyle. If a patient has a severely negative attitude, Dr. Andy referred the patient to a chiropractor that may be more suitable for that individual.

Budgeting

Each month Harris budgets \$1,000 for events and about \$300 for marketing materials. Dr. Andy has not hired a receptionist because

his software can handle administrative matters. His records show that 97 percent of his patients do not miss appointments.

Action Plan

Dr. Andy helps people correct structural problems with their spine and offers an advanced scoliosis program to rehabilitate patients. The program stretches ligaments, decreases curves, and improves function while minimizing scoliosis. He will be hiring an assistant to implement and oversee this program and to set up and instruct patients in treatment protocols.

Who specifically is Dr. Andy's target market?

Appendix IV



Lorene King, Executive Director
NASCAR Foundation

Lorene is the Executive Director of the NASCAR Foundation. Its Board of Directors includes executives at NASCAR, community leaders, corporate sponsors, and most importantly, relatives of Bill France, the founder of NASCAR.

The overall mission of the NASCAR Foundation is to help children learn how to win, both inside and outside of the classroom.

For example, its Speediatrics program has provided medical treatments to 50,000 children at the Halifax Health Medical Center in Daytona Beach and the Homestead Hospital in Homestead, Florida. The Foundation has also provided children access to 3D (three-dimensional) printers and gave 28,000 children iPads.

This is the marketing plan for initiating a blog within the website of the NASCAR Foundation.

SWOT Analysis

Opportunities/Mission

Prospective donors are becoming more involved in blogs on social media. The mission of the blog is to educate and activate readers to become more involved with the NASCAR Foundation. Its slogan is *improving the ability of children to live, learn, and play*.

Threats/Target Market

Donors need to identify with their charity and to build a personal relationship with its spokespeople. The target market for the blog is prospective donors who seek to improve the health and technological resources of children.

Strengths/Specialty

The foundation has access to NASCAR celebrities and recipients of its donations.

Weaknesses/Suppliers

The foundation contracts with technology experts for website design and advice on best practices for social media blogging.

Marketing Mix Decisions

Products and Services

Lorene King, NASCAR experts, and donation recipients will write the blog posts from a first person perspective. In addition to sharing the foundation's events and causes, the posts will provide a historical perspective on NASCAR.

Distribution

The posts will leverage content on its corporate website for social media, newsletters, and e-mail blasts.

Promotion

The posts will publicize the foundation's award program, classroom donations, scholarships, STEM contest for middle schools, and health programs for children.

Pricing

The posts are available to all at no charge.

Taking Action

Targeting Prospects

People who search for NASCAR-related keywords will find the blog. These visitors are likely to enjoy NASCAR races, participate in foundation events, and donate to its causes.

Customer Service

The foundation will filter comments to posts before posting them on the blog.

Budget

The initial cost of setting up the technology infrastructure is completed. Future costs will involve travel expenses, video production, and publicity.

Action Plan

These examples demonstrate its blog posts provide a first person perspective.

- NASCAR Elite Visit Kansas City School! <http://www.nascarfoundation.org/impact/nascar-elite-visit-kansas-city-school>
- 2014 Chase for the Sprint Cup School Visit by NASCAR driver Kyle Busch <https://youtu.be/JpxdY5WT7q4>

What is real mission of the blog for the NASCAR foundation?

Appendix V



Tom Lenzini, Business Broker
Transworld Business Advisors

Tom Lenzini graduated from the University of Oklahoma with a Masters of Business Administration (MBA) and managed enormous budgets as a Lieutenant Colonel for the United States Army. Upon retirement from the military, Tom founded, managed, and sold several large businesses and conducted workshops for business owners. The Institute of Business Appraisers certified him to determine the value of businesses. For nine years, Tom has been a Certified Business Intermediary with the International Business Brokers Association. Tom is gaining credibility by writing a book about the eight capabilities of successful entrepreneurs. Recently, Tom moved from the Orlando office of Transworld Business Advisors (Transworld) to Daytona Beach Shores, Florida.

Transworld has specialized in the sale of businesses in the Florida market for 35 years and has 86 agents. Both buyers and sellers sign exclusive agreements that may have time-sensitive exclusions. However, nearly half of signed contracts do not close because of inaccurate records. On average business brokers close 20 percent of their client's businesses, but Transworld closes a much higher percentage.

The Small Business Administration provides loans to a few buyers, but most are owner financed. Transactions for over a million usually involve a merger, acquisition, or private equity group (venture capitalists). Sometimes turnaround experts flip large businesses.

SWOT Analysis

Opportunities/Mission

The mission of Transworld is to assist those who seek to buy or sell a business. Specifically, Transworld guides them through the steps that properly structure the business sale. Its slogan is *good people do good deals*.

Threats/Target Market

The target market of Transworld is buyers and sellers of businesses who seek assistance with the complexities of the transaction. Tom's key customers are practical, achievement-oriented business people who wish to live near Daytona Beach, Florida. Many buyers seek to fulfill the *American dream* of running a business. Sellers may face a life passage such as retirement, failing health, divorce, or a dispute with a business partner, but some are just ready to move on to a new business venture.

Strengths/Specialty

Transworld specializes in providing high-quality brokerage services. Its unique competitive advantage is its multiple listing service (MLS). Prospective buyers can search for a suitable business by location, subcategory, listing price, down payment, sales, earnings, or other important factors. Tom specializes in big deals.

Weaknesses/Suppliers

Transworld and its business brokers contract for direct marketing services, maintenance, and repetitive tasks. Transworld also relies on the expertise of attorneys, insurance experts, and accountants.

Marketing Mix Decisions

Products and Services

Business brokers makes deals happen for both buyers and sellers. When representing sellers, Tom writes an attractive business profile, sets the right price, prescreens buyers, negotiates terms, and expedites the transaction. He helps buyers achieve their life goals by evaluating their capabilities and resources and by guiding them to select the right business.

Distributors

Websites such as BizBuySell.com and many others drive prospective buyers and sellers to the website for Transworld. Buyers search for an appropriate business online, whereas sellers evaluate Transworld and check out its competitive online listings. About 30 percent of inquiries are from foreign buyers in Europe, Asia, and South America. Tom guides foreign buyers to obtain a visa, a necessity for purchasing a business.

Promotion

Business owners often retain the direct mail promotions sent by Transworld and its brokers until they are ready to buy or sell their business. Sellers exit from a business for many different reasons, whereas buyers seek to convert a hobby into a business, to be their own boss, or to progress to a larger business. Buyers and sellers select a business broker they trust will obtain the best value for them. Tom builds trust by speaking at no cost to associations, Rotary Clubs, and other business groups and by networking with groups of business people. Prospects often desire to *go to the beach*—to buy a business near Daytona Beach or to retire from a local business. In the initial meeting, Tom empathizes with their situation and explains how Transworld could assist them. Tom delights both buyers and sellers with his empathy, wisdom about the sales process, and business acumen.

Pricing

Sellers are willing to pay Transworld its commission because Transworld sells more businesses in Florida and usually sells them faster than

competitors. Business Brokers of Florida trains, evaluates, and licenses business brokers. Business brokers earn commissions based on their annual production. Top brokers earn as much as 70 percent of the commission. Brokers pay commercial realtors 20 percent for referring a buyer to them but split commissions with licensed business brokers.

Taking Action

Prospecting

Both Transworld and Tom send confidential direct mail promotions to key prospects. The target market is local nonfranchise businesses. They know from experience the traits of their key customers and what copy that is most effective—a list of possible reasons for selling their business. Transworld offers to help them prepare for the eventual sale of their business. At no cost, Tom tells them how to increase the value of the business and expedite its sale at no cost until the transaction is closed.

Customer Service

Tom rewards key customers with extra services. He may notify prospects a buyer is interested in a business like theirs or may sell a large business by structuring a complicated deal. He does not deal with unreasonable buyers and sellers. For example, some buyers refuse to sign the confidentiality agreement or to disclose financial data, whereas some sellers demand an unreasonable price for their business, are dishonest, and have inaccurate books.

Budgeting

He concentrates his attention on his key customers and solicits more clients just like them.

Action Plan

Tom is implementing this strategic marketing plan to build up his reputation in the Daytona Beach area.

How can Tom be more efficient in screening potential sellers?

Appendix VI



Carrie Greene, Owner
Carrie Greene Coaching

Carrie Greene spent 15 years on Wall Street working in marketing and product development for major brokerage firms and The New York Stock Exchange. After the destruction of the World Trade Center by terrorists, Carrie took charge of her life and started a business to coach others to take charge of their lives.

Her business, Carrie Greene Coaching, guides entrepreneurs to recognize their value and to create a business that brings them joy. Carrie Greene is a speaker, author, and business coach, as well as a business strategist and productivity expert.

Carrie's first book is *Chaos to Cash: An Entrepreneur's Guide to Eliminating Chaos, Overwhelm, and Procrastination So You Can Create Ultimate Profit!* Her second book is *Because You're Worth It: How to Make More Money By Charging More Money*. Carrie lives in South Orange, New Jersey, with her husband and their family.

SWOT Analysis

Opportunities or Mission

The mission of Carrie Greene Coaching is to guide clients who have been discredited in their past to recognize their true value. Carrie mentors them to build a business that supports them financially as well as emotionally. It's about doing the things they enjoy doing so they are both profitable and happy. She helps entrepreneurs to get clear on what they want and to create simple, straightforward plans to get there.

Threats or Target Market

Her target market is owners of small businesses and the overwhelming majority of her clients are women. Her coaching helps clients relieve their pain and solve their problems.

The outside world thinks you're doing great. But you know the truth. You're afraid. You're hanging on by a thread. You feel scattered and muddled up inside. One false move and everything will fall apart

Strengths or Specialty

Carrie simplifies complexity, calms confusions, and focuses thoughts. She provides perspective, propels actions, and positions each business with a unique identify. Another of her gifts is forging relationships with clients through empathic personal coaching.

Weaknesses or Suppliers

She realizes that we teach what we need to learn. Her own coach, Suzanne Evans, provides Carrie the perspective she provides her clients. In addition, Carrie contracts with experts for technical projects and for producing her books.

Marketing Mix Decisions

Products and Services

Her two books, *Chaos to Cash* and *Because You're Worth It*, provide credence to her business. Carrie Greene Coaching offers private coaching, intensive VIP days, and retreats. For example, *Business Made Simple Mastermind* is a two-day retreat. They learn to get out of their own way. This retreat guides participants to understand their value, to feel confident, and to grow their business with their unique path to profits.

Distribution

Carrie participates in events for owners of small businesses. For example, her company sponsors an event led by Suzanne Evans called *Be the Change*. She introduces her company to its participants, leads a break-out session, and interacts with participants at her booth. She also assists Suzanne Evans by coaching protégés in various levels of Suzanne's mentorship programs.

Promotion

Instead of advertising, Carrie Greene Coaching provides teleclasses, online summits, and a weekly newsletter. She has followers on Facebook and LinkedIn, and writes weekly articles on her blog. Carrie also presents seminars and speaks at local events.

Pricing

In addition to her coaching programs and retreats, Carrie provides lifetime support for \$497. This package includes twice monthly conference calls and access to modules about empowerment, value management, ideal customers, networking, productivity, motivation, and personal development.

Taking Action

Prospecting

Carrie targets new prospects with the same promotions, message, and programs that attracted her key customers. Often her clients recommend her to prospects.

Customer Service

She sets reasonable expectations and encourages clients to get past their past. She listens to their complaints and either fixes their problem or refunds their money.

Budgeting

Although Carrie lost money in writing books, they provide credibility and allow her to charge more for her services. She allocates time and money to whatever worked for her in the past. Carrie prioritizes opportunities according to her expectations of their return on investment. Her tradeoff analysis considers both time and money. For example, if she invests her time and money in one opportunity, she has less to spend on other opportunities.

Action Plan

Carrie hires accountability partners and works regularly with them. Together, they break projects into small steps, commit to achievable goals, and set deadlines. Her overall goals are to enjoy her daily life as a business coach and to increase the value of her clients.

How would you benefit from working with a business coach?

Appendix VII



*Ken and Anne-Marie Poulin, Co-Owners
First Response Disaster Team*

Ken Poulin remembers “manning” a hammer for his dad when he was a small child. After graduating from high school, Ken enlisted in the navy and discovered he was a natural leader. When he returned home, Ken graduated in finance, worked as a financial advisor, but soon became a general contractor like his dad. The night Ken and his wife Anne-Marie celebrated their move into a new home, its garage caught fire. That disaster inspired the couple to start the First Response Disaster Team (First Response). A few years later Bright House named First Response the Small Business of the Year in Central Florida.

SWOT Analysis

Opportunities/Mission

The mission of their company is to help people recover from disasters due to hurricanes, fires, floods, mold, and mildew. Its slogan is “We help people through difficult times.”

Threats/Target Market

The target market of First Response is the owners of properties that are damaged by a disaster.

Strengths/Specialty

Ken is a visionary and specializes in sales and project management, whereas Anne-Marie handles contracts and implements decisions. Since she is the majority owner, First Response is a minority supplier to the government.

Weaknesses/Suppliers

After quickly responding to a disaster, First Response rebuilds properties so its customers can return to them. Afterwards, some customers hire local general contractors for long-term improvements to their properties.

Marketing Mix Decisions

Products and Services

Within five minutes, First Response is mobilized, sending emergency vehicles, equipment, and a disaster team to the site of the disaster. When the team arrives, they quickly get to work, following corporate procedures and check lists. Between disasters, First Response resolves problems with mold and mildew and works on its commercial real estate properties.

Distributors

When a disaster strikes, Ken notifies nearby BNI members that relief is on its way to the site of the disaster.

Promotion

Ken and his Director of Business Development build trusted relationships with property managers and insurance adjusters. First Response wraps its

trucks with its branding message. When a disaster strikes, First Response uses local media to convey its quick response to the disaster.

Pricing

First Response uses a competitive pricing strategy.

Taking Action

Prospecting

Its prospects are property owners or managers of properties that have suffered from a disaster. These include home owner associations, condominiums, commercial developments, hotels, restaurants, and government agencies.

Customer Service

Employees of First Response develop deep empathy for disaster victims by participating in extensive empathy training.

Budgeting

Currently First Response has offices in Edgewater and Orlando, Florida. The company seeks to establish locations throughout the United States and budgets about \$50,000 to establish each new location.

Action Plan

Consistently, First Response focuses on the inputs that generate the greatest profits. Every Friday morning Ken, Anne-Marie, and two other members of the leadership team identify two or three problems and decide how to solve them. An hour later, the leadership team meets with other managers to implement their decisions that week.

How can First Response find and train managers for its new locations?

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Index

- Action plan, 145–150
- Audiences, strategic marketing plan, xvii–xviii

- Balance sheet, 139–140
- Barnum, B. T., 93
- Bastiat, Frederic, 47
- Bethune, Mary McLeod, 68
- Bezos, Jeff, 127
- Break-even analysis, 102–103
- Budgeting. *See* Financial review; Resource concentration
- Buffet, Warren, 79

- Cain, Herman, 64
- Carson, Ben, 149
- Cash flow, 140
- Child prodigies, 37
- Commodity pricing strategy, 105
- Complainers
 - causes, 127–129
 - comparison of, 128
 - description, 126–127
 - discouragement, 127
 - distribution of, 129
 - rewarding best, 129–132
- Consistency, 72–78
- Controllable expenses, 140
- Cultural trends
 - opportunities, 17
 - threats, 29
- Current liabilities, 140
- Customer service. *See* Complainers

- Deliver delight
 - consistency, 72–78
 - distribution channels, 78–80
 - franchises, 80
 - Pareto distribution, 73–75
- Demographic trends
 - opportunities, 16
 - threats, 28

- Distribution. *See* Deliver delight
- Drucker, Peter F., 27

- Economic trends
 - opportunities, 16
 - threats, 28

- Financial review, 139–140
- Fixed expenses, 140
- franchises, deliver delight, 80
- Franklin, Benjamin, 36

- Goodwin, Doris Kearns, 15
- Gray, Joshua, 155–159
- Greene, Carrie, 179–182
- Gross profit, 140
- Gross revenue, 140

- Harris, Andrew, 165–168
- Holland, David, 47

- Ilie, George, 161–164
- Income statement, 140
- InfoUSA, 117–118

- Jobs, Steve, 35
- Johnson, Ron, 108

- Kern, Frank, 3, 43
- Key business prospects, 117
- Key consumer prospects, 117–118
- Key customers
 - description of, 27–28
 - duplicate, 119
 - equal treatment, 24–25
 - focus on, 119
 - innovation, 66–67
 - Pareto distribution, 25–26
 - profitability of, 25
 - rewarding, 111–112, 129–132
- King, Lorene, 169–172

- Lenzini, Tom, 173–177
 Liabilities, 140
 Long-term liabilities, 140
- Macroenvironmental audit, 1
 Marketing audit, 1
 Marketing mix decisions
 distribution, 55–56
 pricing, 56–57
 products and services, 55
 promotion, 56
 Media, promotions, 92–93
 Mission statement, 18
 Myers-Briggs Type Indicator, 35
- Natural trends
 opportunities, 16
 threats, 28–29
 Net income after taxes, 140
- Offer treasures
 description, 63
 innovate for key customers, 66–67
 key customers, 69
 prune features, 64
 prune options, 64
 prune product/service lines, 65–66
 pruning, 62
 successful startup secrets, 67–68
- Opportunities
 business on quality, 15
 cultural trends, 17
 demographic trends, 16
 economic trends, 16
 macroenvironmental audit, 1
 mission, 2
 natural trends, 16
 political trends, 17
 technological trends, 16
- Opportunity cost, 136
- Pareto distribution, 25–26
 Pareto distribution, 2, 62–63, 73
 Pareto's law, 149–150
 Pareto, Vilfredo, 2, 11, 13
 Political trends
 opportunities, 17
 threats, 29
- Porter, Michael, 40, 51
 Positioning, SWOT analysis, 2, 54
 Poulin, Ken, 183–186
 Price skimming strategy, 105–106
- Pricing
 break-even analysis, 102–103
 commodity pricing strategy, 105
 failures of, 102
 key customers, 100–101
 marketing mix decisions, 56–57
 mass market, 103–104
 mistakes of, 106–108
 price skimming strategy, 105–106
 select market, 104
 success of, 101
 value-added pricing strategy, 105
- Products and services. *See* Offer treasures
- Profit and loss statement, 140
 Profit prospects, 118–120
- Project management
 complex project, 148
 cube, 147
 schedule, 148
 steps, 148
 tools, 147–149
- Promotion. *See* Trumpet Empathy
 Promotional campaign, 90–91
- Prospects
 description, 115–117
 key business, 117
 key consumer, 117–118
 profits, 118–120
 targeting key, 199–122
- Pruning, 62
- Purchase process, 91
- Quality *vs.* quantity
 consistency, 11–13
 count of, 8
 80/20 rule, 13–14
 scientific results, 11
 workshop learning, 9–11
- Resource concentration, 112,
 137–139
- Revenue, 85–86
 Rewarding, 111–112, 129–132

- Riney, Hal, 87
- Robbins, Tony, 85, 154
- Romero, John, 120
- 80/20 rule, 2, 13–14
- Rumsfeld, Donald, 141

- Strategic marketing plan
 - audiences of, xvii–xviii
 - components of, xix–xx
 - definition, xvii
 - needs of, xvii
 - purpose of, xix–xx
 - scope of, xviii–xix
 - sections of, xx
- Strengths
 - description of, 36
 - marketing audit, 1
 - specialty definition, 3
 - unique, 38–40
 - value of, 38–40
- Suppliers
 - strengths *vs.* weaknesses, 46
 - types of, 46
- SWOT analysis
 - competition, 53
 - growth strategies, 53
 - life cycle, 54
 - opportunities, 1–2
 - positioning, 2, 54
 - strengths, 1, 3
 - threats, 1–3
 - weaknesses, 1, 3

- Targeting key prospects
 - business, 117
 - case study, 121–122
 - consumers, 117–118
 - higher profits, 118–120
- Technological trends
 - opportunities, 16
 - threats, 29

- Theory of comparative advantage, 3
 - with trade, 49
 - without trade, 48
- Threats
 - cultural trends, 29
 - demographic trends, 28
 - economic trends, 28
 - macroenvironmental audit, 1
 - natural trends, 28–29
 - political trends, 29
 - target market, 2–3
 - technological trends, 29
- Timeless wisdom, 7
- Total assets, 139–140
- Total beginning cash, 140
- Total cash expenses, 140
- Total cash income, 140
- Total liabilities, 140
- Total operating income, 140
- Trumpet empathy
 - business owners, 84
 - case study, 86–90
 - elements of promotion, 92
 - evaluations, 93
 - media, 92–93
 - promotional campaign, 90–91
 - purchase process, 91
 - revenue, 85–86

- Unique capability, 39
- Unique strengths, 38–40

- Value-added pricing strategy, 105

- Walton, Sam, 75
- Weaknesses
 - delegate, 51
 - marketing audit, 1
 - marketing research, 35–36
 - suppliers compensation, 3

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