

DISPATCHES™

Insights On Brand Development From The Marketing Front

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THE PURPOSE OF BUSINESS

Back in the dark ages, when we were attending B-School, we seem to remember being told that the purpose of business is to earn profits. Certainly, a corporation needs to earn profits if it is to survive, remain competitive and fuel growth. Profits are to the corporation what oxygen is to the body. They're absolutely essential.

It seems, to our way of thinking, that the quest for and exclusive focus on more, more, more profits has taken an unhealthy turn and become somewhat of a perversion. Certainly Wall Street comes to mind but is not the only one. Many corporate executives are making the type of decisions that discount the underlying value of the business, its customers. The way we see it is that ***the purpose of business is to satisfy customers better than the competition so as to create brand loyalty***. If we are able to do this, and operate our business efficiently, then the corporation will be handsomely rewarded with profits.

During this most recent recession we have witnessed many companies cutting services that had previously been part of their whole product offering (i.e., getting beyond tangibles like features to include intangibles such as terms) in order to maintain profitability or the street's expectations of it. This has had the effect of reducing or eliminating meaningful differentiation to foster the perception of "sameness" among customers for the competitive set of goods and services. The result is that customers perceive the category of products as commodities, with subsequent pressure to reduce pricing (or increase promotional sales). The impact is just the opposite of what they seek - a reduction in the quantity and/or quality of profits.

Worse yet, cutting services undermines loyalty and may even lead to alienating customers. Those services (or features) that customers have grown accustomed to, which constitute the whole product offering, are soon perceived as "entitlements." (What do you mean that I'm going to have to pay to use the lavatory on an airplane?) People, whether they are employees or customers, don't take kindly to losing their entitlements (like the free use of a lavatory while in flight). In fact they can become quite

resentful and bitter. The impact is we throw loyalty out the window and drive the company's customers into the waiting arms of competitors.

We are also witnessing increasing reports of quality issues and even a spate of recalls of products. Perhaps, these have been unavoidable. But we doubt it. More likely they have resulted from the corporation's demands to deliver profits today, rather than take care of its customers. The choice: profits or satisfy customers. The result is that executives are choosing in favor of profits to keep their jobs and customer loyalty is eroding. After all, loyalty is a two-way street. How can we expect customers to be loyal to the corporation (or brand!) if the corporation is not loyal to its customers? The answer is "you can't!" The impact is a weakening of the franchise and, once again, a reduction in the quantity and/or quality of profits.

We've heard estimates that it costs 5-times more to create a new customer than to retain one. Whatever the factor, we do know from experience that maintaining customers is significantly less costly than earning new ones. Lose one customer and the corporation will squander precious opportunity profits to capture another. The net impact is our recurring theme of a reduction in the quantity and/or quality of profits.

Conversely, better satisfy, or better yet delight, a customer to drive preference and we open the door to more easily attracting new customers. Take Apple Corporation for example. Their Mac, iPod, iPhone and, presumably, iPad are converting customers into evangelists for the company, its brands and products. The incredible buzz that customers are generating is contributing to record sales growth. The impact is, not a reduction but an increase in the quantity and quality of profits.

BOATS & HELICOPTERS:

1. ***Rethink the purpose of business*** – Make customer satisfaction not profitability your main focus. Seek first to satisfy customers better than your competitors rather than stretch for profits at the expense of satisfying customers. Make it your first order of business. Whenever you make a decision regarding the business ask yourself, "How will this benefit my customer?" Choose customer loyalty before short-term profits. Choose to make the decisions and resultant actions you take benefit the customer in a way that meaningfully differentiates your offering from the competition. In this way you will better earn and set-up the corporation to be rewarded with increased quantity and/or quality of profits (providing you operate efficiently!).

2. ***Know the customer you are serving*** – We’ve been through this many times in past issues of DISPATCHES. Start with choosing the customer you plan to serve. It is impossible to serve everyone, no less equally well. Concentrate your resources (product development, sales and marketing support, etc.) on a select segment of the population who will be capable of appreciating your differentiation such that they will reward you with their loyalty by reaching into their pockets to purchase your offering. Define this customer going beyond mere demographics to include psychographics, lifestage, attitudes, current usage and dissatisfactions, telling behaviors, and needs (both rational and emotional) that your offering can better satisfy than your competition. Give that customer a face and a name. Make sure everyone in the organization understands the chosen customer and can anticipate that customer’s needs, and response, to the company’s actions.

3. ***Create a code of conduct in dealing with customers*** – This will serve to establish your priorities when it comes to serving your customers and satisfying their needs. Jim Burke, former chairman of Johnson & Johnson, stated that the company’s Credo guided his decision and, in Buddhist terms, the “right actions” of the company in response to the 1982 tampering of Tylenol. The company’s actions elevated the trust enjoyed with consumers for decades. Your code of conduct cannot be just an empty set of words. Actions speak louder than words. Live by them! The real test is choosing for the customer when your bottom line is being threatened.

4. ***Dialogue and adapt*** – Get out and talk with customers. Use marketing research and field checks to engage in a dialogue with customers. Stay in touch with your customers. Never substitute a third party for direct contact yourself. Get into the market and find out their likes and dislikes, what is working and what is not working, how they see your offering and those of your competitors, what they think about what you’ve done, are doing and plan to do. Give them choices. Listen and adapt to iterate your way to success.

5. ***Tend to the business*** – Satisfying customers doesn’t excuse us from managing the business efficiently. If we lose money on each sale we are not going to make-up the loss with more sales. Instead, we are going to exhaust the company of its oxygen and it will suffocate. If we are to reap the rewards of customer loyalty we must operate in a way that will enable us to do so profitably. One of the many actions we marketers can take is to know the ROI (return on investment) for each and every marketing support dollar (or whatever your currency). If we can show that a dollar spent will lead to more profit than a dollar that is cut from our marketing support budgets we demonstrate we are managing the business and helping to do it profitably.

Keep in mind that business cannot exist without customers. Keep them happy and they will come back for more.

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