

THE STOKELY LETTER



Strategy, Marketing, Mergers & Acquisitions

THE POWER OF THE NEW MARKETING™ ★ CUSTOMER

Market success is all about providing better Value today... and tomorrow. That is how each of us makes our purchase decisions, isn't it?

The New Marketing delivers greater Value by its focus on **Customer, Convenience, Cost and Communication**. These "4 Cs" are becoming the essential success drivers for all businesses.

The Old Marketing and its well known "4 Ps" are losing effectiveness.

Let's compare **The New Marketing** to the Old Marketing.

| | THE NEW MARKETING | | OLD MARKETING |
|-------------------|----------------------|------------|------------------|
| <i>It's about</i> | CUSTOMER | <i>NOT</i> | PRODUCT |
| <i>It's about</i> | CONVENIENCE | <i>NOT</i> | PLACE |
| <i>It's about</i> | COST | <i>NOT</i> | PRICE |
| <i>It's about</i> | COMMUNICATION | <i>NOT</i> | PROMOTION |

IT'S ABOUT THE CUSTOMER NOT PRODUCT

It is so easy to lose sight of what really matters.

Common sense tells us that it all begins and ends with Customers. Who they are, what they want, why they want it, how they want it, when they want it.

"First, you decide who you want your customers to be. Then you figure out what they need and want. Then you figure out which of those needs you can meet, and then you do that better than anyone else." Robert Herres, CEO, USAA a \$6 billion financial services company.

Beginning with who the target customer is (and isn't) is key.

Why?

We know we can't be all things to all people. Customers also follow the 80/20 rule. *The Wall Street Journal* reported that Banc One of Columbus, Ohio found that 20% of its Customers provided all of its profits, while the remaining 80% cost the

bank money. The article also said that 20-25% of cellular telephone Customers account for 60-80% of the industry's revenue. *Chain Store Age* reported that 20% of Customers generally account for 80% of retailing profits.

A clear focus on target Customers encourages a firm to concentrate on providing the products and services that these Customers want. Developing even more offerings for these Customers is generally the most effective growth strategy.

"The surest and ultimately cheapest way to increase your total sales is to persuade your existing customers to buy more products", states a recent *Fortune* article on "Growth".

Building your "share of Customer" rather than overall "share of market" is the goal. This is accomplished through continually improving individual Customer relationships.

■ FOCUS ON CUSTOMER SATISFACTION

Assuring that the Customer is fully satisfied is the key measure of success.

A recent study by Larcker and Ittner of Wharton found that major U. S. companies ranking highest in the American Customer Satisfaction Index ranked highest in stock market performance.

Smaller firms also recognize the power of focusing on Customer satisfaction. A recent Roper Starch Worldwide survey conducted for Sprint of 1,000 U.S. owners and executives of businesses with gross revenues of \$10 million and less were asked, "What is the single most important measure of business performance?" 53% said Customer satisfaction, 28% said profitability, 10% said productivity and 6% said market share.

Trying to sell products to Customers doesn't work like it used to. Today's Customer is more knowledgeable and demanding (aren't we?).

Today, the Customer is truly King.

■ CUSTOMERS AND THE CAR INDUSTRY

Most people would probably rather have a root canal than buy a car, especially if a trade in is part of the transaction.

Saturn recognized this, and has developed a loyal following of customers who are drawn to their straightforward, no haggle approach.

Now there are competing buying services on the Internet that have aligned with participating dealers nationwide to sell a new

vehicle to a Customer for approximately 5% over dealer invoice. Guaranteed. No hassle. One Chicago area dealer reports selling 30 to 40 vehicles per month through their Internet buying service connection.

Auto superstores Car Max and AutoNation USA are promising to simplify and speed the process of shopping for a car with a Customer focused massive retail selection and no haggle approach.

Ford is even buying up all of its dealerships in Indianapolis in order to evaluate a consolidation of its retail offering into several new mega retail locations based on a similar Customer oriented approach.

Many Customers now rely on independent evaluations such as *Consumer Reports* to guide their vehicle selection process.

Why will any Customers want to continue buying a car the old way?

■ CUSTOMERS TRANSFORM AN INDUSTRY

For years bulky encyclopedias were sold door to door by independent contractors. The multi-volume sets sold for hundreds of dollars, and were purchased mostly by families with school aged children.

But the Customer changed. Over 40% of U.S. households now own a personal computer, and kids are comfortable with keyboard learning. Computers, the Internet, on-line services and CD-ROMs now offer powerful and efficient alternatives to printed information.

Encyclopedia Britannica has recently and reluctantly recognized this. *"We are responding to fundamental changes in North American consumer buying patterns,"* said chairman James Goulka, *"In-home selling served us well for many years, but today our Customers want to buy in other ways."* New CD-ROM titles and an enhanced Internet site are planned to replace the 32 volume book sets previously offered.

World Book has learned the same lesson with their \$800 book set. They are now introducing a two CD-ROM product which includes all the information from the printed version, plus a 225,000 word dictionary and lots of video and audio clips.

A proactive Customer focused business approach could have encouraged these decisions to be made much earlier with potentially greater upside opportunity.

■ CUSTOMER FOCUSED WINNERS

Harley-Davidson motorcycles learned their Customer lesson the hard way. Ignoring Customer quality complaints almost destroyed the company. Today CEO Rich Teerlink leads a

Harley team of active listeners. The company holds town meetings to gather Customer comments. They sponsor ride-in shows for Customers to show off their bikes and how they have customized them.....all carefully observed by note taking execs. They also conduct company-sponsored service seminars for Customers so that the company can learn more about their Customers.

Customer focus is behind the incredible retailing approach of 7-Eleven Japan according to *RIS News*. Customers are issued cards for their version of a loyalty program. Aggregating the data revealed that their stores have three uses each day. In the morning the store is a breakfast stop. At lunch it is a sandwich shop with sushi offerings. In the evening customers want fresh produce and meat to take home and prepare. By understanding Customer behavior by time of day and by location, the stores are now constantly changed to maximize their appeal. Between 30% and 40% of the store's presentation is reset three times each day!

SUMMARY

The New Marketing is replacing the Old Marketing because it delivers the best **VALUE** to consumers.

Value is determined by **Customer, Convenience, Cost and Communication**.

Understanding who the target Customer is (and isn't) is key.

Assuring that target Customers are fully satisfied today and tomorrow is the important measure of business success.

Our next issue will feature the power of **Convenience**, and how it is transforming traditional behavior.

As always, we look forward to hearing your thoughts and experiences.



We have to spend more time asking, "Who is our customer?"

Tom Beaver, Corporate V.P., Motorola

One thing is for sure, nothing is for sure.

Ad for Chevy Blazer

THE STOKELY PARTNERSHIP INC.

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