SALES & MARKETING MANAGEMENT

CUSTOMER-CENTERED MARKETING

Gregory S. D'Amico, Ph.D.

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INTRODUCTION

See the Target Clearly

A decade ago, it was a pretty widely held belief in the printing industry that few companies understood the difference between sales and marketing—and that, in fact, most "marketing" efforts were really sales pitches limited to equipment lists and the occasional glossy capabilities brochure. That has changed considerably in recent years, as more and more printing companies have not only gained enviable expertise in marketing their own services, but have even transformed themselves into marketing resources for their clients, opening whole new business areas in the process.

One thing hasn't changed as radically, however, as most marketers (inside and outside the printing industry) tend to concentrate their marketing messages on themselves, explaining who they are, what they do, why they do it better than anyone else. Although it is important to let prospects know these things, they should not be at the heart of a company's marketing efforts. To be truly effective, marketing must not be inward looking, it must look outward to the recipient. In short, successful marketing is not company-centered, it is customer-centered—the message is not be about the company, but about what resonates with (appeals to, interests, attracts) the customer. Put another way, it is not about what the company can do, but about what positive effect the company's services can have on the customer, e.g., don't tell a prospect you can print a variable-data mail piece, but that you can increase the readership of his mailings by X% through your ability to provide him with personalized communications to his prospects.

To carry out this customer-centered marketing strategy, a company must start with a thorough knowledge of its customers or prospects—their needs, their desires, their fears, their business aspirations. It then taps into that knowledge to find the best touch point at which the company's offerings and each customer's needs,

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desires, etc., dovetail. Needless to say, it begins with knowing which products and services to offer—understanding the environment, the marketplace, and our industry, and being open to developing new offerings and eliminating old ones on the basis of their profitability potential. And, of course, it also requires identifying the best prospects for our marketing messages—air conditioner salespeople should not expect great results with a direct mail piece to Alaska in January. Florida in August? Whole different story.

Only after the right offerings have been developed, the right prospects identified, and the right information about those prospects gathered, is it then time to develop a carefully targeted marketing message.

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HOW TO USE THIS BOOK

Putting Theory Into Profitable Practice

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You're leading on the front lines, managing a deadline driven business that is beset by competitive challenges in an industry that has been in the midst of fundamental change for nearly two decades—with no end in sight. You operate in the real world, so why should you bother to read about management theory?

Simple—because sometimes you need to take a step back and see the big picture in order to make the big decisions correctly. Yes, dealing with everyday problems and "fighting fires" is important to keep the daily operations moving, but failing to look at the long-term business patterns, the basic changes in the very structure of an industry that seldom knock directly on the front door, can mean the difference between profitable year after year or going out of business.

Business theorists may not have front-line experience, but they do have management information and methods that can help you clear out some of those pesky trees so that you can see the entire forest and make the critical strategic decisions that will position you for the future past.

This isn't a textbook; it is, rather, a judicious presentation of those actionable management theories that have practical applications in the graphic communications industry. There is no attempt here to offer an overview of current or recent management theories. This is information that you are not expected to study, but to put into action.

Many years of working and meeting with commercial printers at industry events and in their plants, listening to their concerns, and hearing their stories of failure and success, have contributed to an understanding of the challenges they—and their industry—face, and a desire to provide them with information that offers them the very best change of operating successfully now and well into the future.

How to use this book? Read it; review each chapter's "Takeaways," which make it easy to grasp and remember the key points; then roll up your sleeves and complete the Action Steps for each chapter, which will help you see how the theories can be applied in your own operations. Finally, and most importantly, put the ideas into practice by making the changes these theorists advocate in your business—and in how you think about your business—changes that will position your organization for significant growth and profitability in the years ahead.

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PART I: VISIONARY THINKING

Business that simply reacts to the needs of the moment may have short-term success, but its prospects for extended growth and profitability are doubtful.

Building a business that will prosper over the long term means understanding what the organization's core values and vision are, then studying every facet of the market environment in which it operates, and finally fulfilling well-conceived plans that will meet current customer needs while preparing for, and being open to, new missions that may result from industry and economic change.

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Chapter 1:
Focus on Objectives

Some business leaders consider a company "vision" to be little more than a "feel-good" nicety far detached from day-to-day operational success. They couldn't be more wrong.

A vision will actually have a substantial, positive bottom-line impact by projecting a common company objective that galvanizes employees, improves the effectiveness of decision-making, and enhances marketing efforts.

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"A vision helps marketers create a clear, compelling, and competitive message."

In an environment of rapid change, such as the one in which we currently are—and have been for some time—experiencing in the graphic communications industry, it is important for a company's management to set a clearly defined course for its enterprise so that it will not be bounced around with each new industry wave, but remain true to its ultimate objective—and so that everyone in the organization will not only be pointed towards the same destination, but also rowing together in the same direction.

That's why developing a company "vision" is so important. A vision unites an organization in pursuit of its objectives. This unity of purpose can provide the company's marketing managers with a focal point for their efforts, helping them establish and maintain a clear, compelling, and competitive message both internally and externally.

Later in this book, we will show how important it is for company management to create an organizational culture that is open to change so that it can seize marketing opportunities for growth and prosperity in an ever-changing industry. And we will discuss the need to create a Transition Management Team of individuals from various areas of the company who can lead the organization through a multi-step change process and fight the all-too-frequent resistance to making the changes that are often integral to the company's vision for the future. We need to be open to change because a company's vision, while a unifying force, is not a static objective—it can, and should, be adjusted for changing market, customer, and competitive circumstances in order to keep the company viable, growing, and profitable.

For many company leaders, the word "vision" can seem vague and mysterious, even somewhat impractical or distanced from the company's real-world objectives. For many business executives, a vision cannot be important because it isn't quantifiable, can't be measured in numbers on the Profit & Loss statement. But it will ultimately show up on the P&L through its effect on performance.

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These leaders question why a company needs a stated vision and, if they agree that it should have one, wonder how they can create it. They wonder what components go into making up a vision. How can this vision be communicated effectively throughout the entire enterprise? And, perhaps most worrisome, if the vision is to move the company in directions far removed from its current day-to-day operations, how can a sequence of short-term missions be implemented to support that vision while the company still remains responsive to current market conditions, i.e., how can it prepare for revolutionary change while operating in an evolutionary industry?

Primary Benefits

In their book, *Beyond Entrepreneurship*, authors James Collins and William Lazier outline the benefits a company can reap from a well-defined corporate vision and look at its various components. It is their belief that a corporate vision offers four primary benefits:

- **"Vision forms the basis for extra human effort."** Individuals often will go to great lengths to meet the ideals of an organization. It has been noted in employee survey after survey, that people generally want work that can provide meaning and substance to their lives, want to contribute to something that goes beyond their day-to-day tasks. A well-defined vision can validate the importance of what each employee is doing by demonstrating how each person's work contributes to achieving a company-wide aim.

- **"Vision provides a context for strategies and tactical decisions."** A well-defined vision functions as a framework on which people at all levels of the organization can make effective decisions. Each challenge and response can be weighed against how it works toward the central aim of the company or how it distracts from achieving that aim. The vision does not only explain the overall corporate objective, but provides real direction toward meeting it.

- "**Shared vision creates cohesion, teamwork and community."** A company, like any other team of individuals executing diverse tasks, is more than the sum of its parts when each of its members plays his or her role united in search of a common goal. The vision communicates to every team member what that goal is and helps

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bond the members of the team into a cohesive unit cooperating and working together to defeat the opposition.

• **"Vision lays the groundwork for the company to evolve past dependence on a few key individuals."** By opening up the company's strategic objectives to all employees, the vision not only motivates each team member to contribute, but provides an incentive for him to work towards them, thus taking the enterprise beyond the dreams of the founders or executive team alone and calling on each member of the organization to contribute his or her individual talents and strengths to its success.

Or, as author Karl Albrecht defines it in his book, *The Northbound Train,* a Vision statement is "a shared image of what we want the enterprise to be or become, typically expressed in terms of success in the eyes of its customers or others whose approval can affect its destiny...It answers the question, 'How do we want those we care about to perceive us?' The vision statement," says Albrecht, "usually implies an element of noble purpose and high values, something considered especially worthwhile."

The Starting Point

In addition to reviewing the benefits of a vision, Collins and Lazier discuss in very specific terms the components and framework of an effective vision that can be applied in the marketing process of any graphic communications company. They explain that an effective vision is made up of three key components: *core values/beliefs, purpose, and mission.*

Core values or beliefs are the starting point. An extension of what's inside the hearts and souls of the company's founders or leaders, they become, by definition, the guiding philosophy of the organization. The higher the values set by these leaders, the greater the company's purpose and ultimate achievement will be. Core values may, for example, include a dedication to social aims, a focus on excellence, or a pursuit of total quality in all operational areas. They are the bedrock of the company, the foundation upon which the company is built. Whatever these values are, they do not change over time; they remain constant.

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Core values and beliefs may contribute to achieving the purpose of the company, but they are not the same thing. Purpose relates to the basic reason for a company to be in existence—the way in which it will serve its customers. A company may change the way it delivers on its purpose, but it will apply the same core values and beliefs to its new tasks.

And, indeed, a purpose, too, is not something that changes every time the market or economic winds change direction. A statement of purpose generally goes beyond specific products or services and should be broad enough to guide the company for at least 100 years. For instance, Merck's statement of purpose declares, "We are in the business of preserving and improving life. All of our actions must be measured by our success in achieving this."

Collins and Jerry I. Porras note in "Building Your Company's Vision" (*Harvard Business Review,* September-October 1996) that The Walt Disney Company sums up its reason for being in four words: "To make people happy." The core values of the company that contribute to actualizing that purpose: "No cynicism; nurturing and promulgation of 'wholesome American values;' creativity, dreams, and imagination; fanatical attention to consistence and detail; and preservation and control of the Disney magic."

In a graphic communications company's statement of purpose, one would avoid the mention of paper and ink, for instance, and might describe the purpose as "helping others effectively organize and visually communicate information to better serve their customers" or "enabling people to achieve their aims through communication media." Thus, the business model may change from ink on paper to database management, but the purpose remains the same and the core values are unshakeable.

Collins and Porras note that one way to help companies articulate their purpose is what they term, "the five whys." They write: "Start with the descriptive statement, We make X products of We deliver X services, and then ask, Why is that important? Five times. After a few whys, you'll find that you're getting down to the fundamental purpose of the organization."

Mission Possible

The third and, some would say, the most practical or day-to-day component of a vision is mission. Collins and Lazier define mission as "a

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clear and compelling overall goal that serves as a focal point of effort." Each mission should be big and bold, and it should have a specific time frame for its accomplishment. There should also be a strong element of passion. A perfect example of a well-defined mission is President John F. Kennedy's declaration in 1961 that, "This nation should dedicate itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to earth."

Missions change, are updated to meet new market and competitive conditions, and are reflective of the individual company's strategic aims. Collins and Lazier identify three types of missions that would be appropriate for a small to large graphic communications company: *targeting, common enemy, and role model:*

● A "Targeting" mission comprises a process by which an enterprise sets a clear, specific goal, and then aims for it. The goal could be expressed in terms of market share, revenue, or industry position, such as being one of the top three providers in a given segment. In the late 1980s, for example, Home Depot established a mission of being able "to go national with $10 billion in sales and 350 locations by 1995."

● A "Common Enemy" mission taps into employees' competitive instincts by picking out a common enemy for the company to "seek out and destroy." This is often the type of mission chosen by companies that desire to be number one in terms of market share in their segment, but have not, as yet, achieved that position. It may also be the mission of companies that are themselves under attack by another company seeking to either surpass them in market position or eliminate them as a viable competitor.

● One hundred and eighty degrees removed from the common enemy approach is the "Role Model" mission, which focuses on another company, but in a very positive way—using the other enterprise as an example of what management would like its own organization to become. A mid-sized commercial graphic communications company might, for example, model itself after the growth of Southwest Airlines in the airline industry by imitating that company's commitment to customer service; or a small quick printer might want to grow his franchise by modeling it after the growth path of Domino's Pizza.

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Getting Inside

As we noted above, missions can (and, generally, must) change in response to both external and internal conditions, so it is incumbent on management that seeks to move toward its overall vision to ensure that each mission it pursues remains timely in light of the changing environment. In *The Northbound Train*, Albrecht suggests that, in order to ensure this timeliness, a company should periodically conduct an "environmental scan" and monitor conditions in the outside world.

Such a scan, he explains, "answers the question of what's happening in the business environment. It identifies the shock waves we must ride, the major trends we can exploit, and the key events we must manage." He goes on to note that "a major shock wave may come through a particular industry only once in a decade, and nine years of complacency can leave most of the players dangerously vulnerable."

Albrecht outlines eight critical environments to be studied in a well-conducted environmental scan:

- *Customer environment*
- *Competition environment*
- *Economic environment*
- *Technological environment*
- *Social environment*
- *Political environment*
- *Legal environment*
- *Physical environment*

Scanning the **customer environment** enables business leaders to determine "the identity, wants, needs, behaviors, habits, values, and life situations of those who do business with you," he says, noting that scanning the customer environment means looking at both "demographic"—gender, age, education, buying habits, etc.—and "psychographic"—social values, attitudes toward institutions, gender relationships, etc.—factors.

"Get yourself mentally inside your customers' worlds and lean what they're experiencing and how they are reacting to the changes in their worlds," says Albrecht. "By studying closely what's happening *to* your customers, you can better understand and even anticipate what's happening *with* them."

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Customer Competitors

The **competitor environment** should be studied to identify the strengths, weaknesses, and behaviors of other organizations competing for our customers' resources. While it is not necessarily a good idea to build your business around what your competitors are doing, it is wise to monitor their actions closely and understand how they might conflict with or hamper you from accomplishing your current mission. Of particular importance is being aware of any competitor alliances or acquisitions that could put your business at a disadvantage. And any competitive environment scan should be sure not to overlook potential competitors on the horizon, such as competition that may come from new technology areas or international players.

Albrecht also reminds us that, in some instances, our own customers can actually become our competitors as they "in-source" various processes that they previously purchased from you. This is of particular importance in the graphic communications industry where advances in digital printing and desktop publishing have led to businesses both bit and small purchasing their own in-house digital color copying equipment, or designers forming alliances with other printers and transforming their businesses into full design and procurement services.

The **economic environment** must also be monitored carefully for any factors, ranging from availability of critical resources and prices to the strength of currency and international trade, "which may affect the buying patterns of the customers, the behavior of competitors, and the opportunities open to your own enterprise." What economic factors affect the graphic communications industry? What are the leading economic indicators (e.g., GNP, direct mail, print vs. Web advertising)? How are domestic and global markets affecting your market share? What economic factors are affecting your customers' businesses and their market share?

Study the **technological environment**—perhaps the most rapidly changing area—to see how new technological applications can help you create added value for your customers and grow your business, or, on the flip side, how they can threaten your company's very survival. Be aware of technologies that are expanding, as well as those that are shrinking. Albrecht suggests being alert to the "one technology

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capability" that "could make the biggest difference in your ability create value for your customers."

The **social environment**, including the emergence of broad social issues or changes in attitudes, can also impact an industry and customers' demand for certain products and services. The environmental movement of the 1970s, for example, put new demands on printers from customers who wanted to print on recycled or recyclable paper, use vegetable-based inks, and—particularly in the case of major corporations—limit their supplier list solely to environmentally responsible organizations. The resurgence of environmental concerns in the face of the global warming threat have once again rekindled customer mandates for these "green" resources, as well as for an even greater commitment to environmentally conscious issues such as using renewable energy resources and paper whose chain-of-custody from managed forest to printing plant can be documented at every step.

"What part does the issue of corporate social responsibility...play in your business?" asks Albrecht. "How do people feel about your kind of industry or your organization?" And, finally, "what must you start doing differently to position your enterprise with the set of values you consider necessary?"

Even the **political environment** can have a profound effect on your business, Tax and trade policies; various local, state, and national regulations on how an industry must conduct business; and the influence of pressure groups and activist organizations are all important considerations in being able to operate a business profitably.

Paralleling the political environment, the **legal environment** must also be monitored. New legislation at any government level can affect the success of your company—particularly laws relating to equal employment issues, sexual harassment, product liability (a key concern in the packaging segment), and the rights of employers to hire and fire at will. "The prospect of expensive or even catastrophic litigation requires that the leaders of the enterprise have a conscious risk-management approach suitable to the realities of their business," says Albrecht.

Finally, you should regularly assess your **physical environment** to determine how your location, appearance, and layout can affect customer access and satisfaction, recruiting success, and production efficiency. This scan should cover everything from your position in a

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flood-prone vicinity to the quality of roads around your plant (making paper deliveries easier or more difficult) to your distance from public transportation, expanding or shrinking your potential employee pool.

Fitting Together

Albrecht cautions leaders not to look at these eight “environments” as separate components—a separation suggested simply to make analysis more workable—but to seeing how they fit together. “In many cases,” he says, “the most valuable insights come from discovering phenomena that weave through all of them or that transcend any imaginary intellectual dividing line between one and another.”

When all the components of the environmental scan have been studied, digested, and considered as a whole, they will provide a firm foundation upon which to build a strategic plan. And this is not a one-time exercise, for all these environments change minute by minute. Companies that continually conduct an effective environmental scan in line with the creation, communication, and realization of a common vision will be best prepared to stay on course for growth and prosperity during times of change in any or all of these areas.

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Chapter 2:

Counter Internal

Resistance to Change

Adding new technologies and skills to your company so that you can market yourself as a more robust graphic communications services provider can be a wise strategic move, but your change-based mission can be sabotaged by employees who won't let go of the status quo.

Changing a company's fundamental offerings is a strategic decision, made at the highest levels of management, but it will not succeed unless it is transmitted successfully to customers, prospects, and—perhaps most critically—employees.

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"The real contribution of leadership lies in managing the dynamics, not the pieces."

If there is currently a common factor that is running through every facet of communications—evidenced in both graphic and electronic media—it is change. From single-shop small printers to giant television networks, regional telephone companies to cable television monopolies, one-on-one email to open-to-all social media sites, how people communicate with each other is being transformed and redefined on a daily basis.

We have been inundated with a cascade of new communications devices, changing and adding features at a dizzying pace: laptops, cell phones, iPods and iPhones, Blackberries and GPS systems, Broadband and WiFi, plus digital cameras and video devices, and, of course, the framework that seeks to serve as the one link to it all—the Internet.

And while electronic media may be grabbing the general consumer headlines, an abundance of technological advancements are also propelling change in graphic communications, where new products, improvements, and innovations are entering the industry at an ever accelerating rate. Faster press speeds, more highly automated digital workflows, and minimized makereadies are generating more industry over-capacity each year.

At the Heart

Applications in variable-output digital printing are growing exponentially—opening new avenues for personalization on a scale that had previously seemed impossible to achieve—as are those in static-content digital printing. And competing media, such as the Internet and CD-ROMs, are changing the methods our traditional customers use to find graphic communication solutions.

Changes in the industry go beyond new devices, bells, or whistles, however; they extend to the heart of how business is now conducted. For example, graphic designers—who themselves went through a difficult

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decade of transition from a manual dexterity skill of preparing camera-ready paper mechanicals to an all electronic, all digital workflow requiring extensive software and computer training—are gaining more influence with clients who are confused about the dizzying array of production and output choices today's technology offers, and are often being engaged to coordinate the entire production effort.

As a result, some printers are opting to bring these design capabilities in house, offering their own design services in conjunction with printing and mailing, thus leveraging both the value-added aspect of these services and capitalizing on the long-standing position graphic designers have occupied as primary screeners in the printer selection process. If a client is going to count on a designer to recommend the best printer for the job, why not make that designer someone on your own printing staff? And if a printer is going to offer mailing services at the back end of a job, why should he not also offer design services at the front end?

As the Internet has opened the competition for each graphic communications job well beyond a handful of local printers and extended it to a universe of easily accessible printers—both domestic and international—clients have become less loyal to their traditional print vendors and flexed their "buyer's market" muscles to demand that the cost of print be lowered while simultaneously raising their expectations in terms of quality and service delivered.

Same Playing Field

With many printers entering mailing, distribution, and fulfillment service areas as value-added offerings, companies that never competed with one another because they occupied only one of these industry segments, now find themselves squaring off on the same playing field and competing for customers who are increasingly on the lookout for "one-stop shopping" vendors who can ease their workload by reducing their number of supplier contacts. At the same time, global competitors are making inroads at an alarming rate in key areas of commercial, publishing, and packaging printing.

Never before have marketers had so many available choices—and so many new decisions to make—when it comes to how they will get their message out to the customers and prospects they want to reach. And these changes have also had a significant impact on the internal workings of graphic communications providers whose staffs must now

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be able to meet new customer demands by explaining, selling, and shepherding their new product and service offerings throughout the entire estimating and production process—and often beyond it to fulfillment, personalization, list management, mailing services, multi-media campaigns, results tracking, and database upgrades.

Any graphic communications company that is really serious about developing a consultative relationship with its customers and marketing itself as a trusted adviser who will work together with a customer to help him achieve his strategic goals--rather than just fulfill a series of separate printing jobs on a transaction by transaction basis—must first gain the buy-in of its complete organization to change the way it does business. Proclamations from the corner offices will do little to alter the way a customer perceives a company's intent if the message has not gotten to, and been accepted and internalized, by every salesperson, customer service representative, and pressman.

If part of the way a graphic communications company decides to respond to change is to add new complementary services, such as mailing, fulfillment, or database management, it may also need to add new employees who can bring to the organization special skills or expertise in non-traditional printing areas—and the rest of the company must respond to these new disciplines by integrate the news of working these non-traditional employees bring with them into the company's existing workflow without serious disruption.

Simply put, diversifying a company's business or changing its fundamental offerings or services is a strategic decision that must be made at the highest levels of management, but the strategy has virtually no chance of succeeding unless it is transmitted successfully to customers, prospects, and—perhaps most critically—employees. The mission that has been targeted is unreachable if the desire and determination to complete it is confined to the corporate office. Strategy is important; execution is vital. Part of any corporate mission must be the dedication of the company leadership to *communicate to every employee* that the company's future rests on the willingness of every worker to support that mission.

Underlying Causes

Some might believe that the acceptance of a high-level strategic decision should be a given among employees. Unfortunately, it is not. Despite this seemingly all-encompassing atmosphere of faster and

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faster technological change and the increasing availability and accessibility of alternate communications media—and the powerful and far-reaching forces driving industry transformation, there still remain forces within individual organizations that are entrenched in the past and steadfastly determined to resist change. Executives and managers in organizations where change is viewed an unnecessary intrusion on "business as usual" should consider this fact: Research has shown that leaders of companies able to grow consistently, and profit in the midst of changing conditions, understand and address reactionary business forces. In fact, they create an organizational culture that is not only open to change, but thrives on it—and, conversely, that does not allow itself to remain mired in the past by those who cannot see where the future is headed.

Resistance to change can seem bewildering to leaders who have carefully studied the general business and specific industry environments (see Chapter 1) and determined what their strategic direction must be. These leaders may be tempted to think that their employees will just "come along" with the changes or "jump on board" the new direction, but employees—especially those who are not privy to all the facts and investigations upper management has digested—may be doubtful about the new direction, suspicious of management's rationale for moving away from what has always worked in the past, and feel that they are actually helping the company by paying lip service to the new ideas while still hanging on with all their might to the status quo.

Staff resistance to change—whether overt or subtle—can be a silent killer of new strategies, preventing any new ideas from taking root, let alone blossoming. Leaders must meet this resistance head on before it is too late to prevent it from sabotaging new initiatives, but before you can dispel resistance to change, you must first understand its underlying causes. Company executives often cannot fathom why faithful, long-term employees would be so resistant to ideas that management believes will improve the company's chances for future success and growth, but one of the most common reasons has absolutely nothing to do with the market prospects of the new ideas, and everything to do with individual employee fears.

The Only Thing to Fear...

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Many middle managers and production workers simply fear change, any change. They are secure in doing their job they way they have always done it, they understand it, and know that they know how to do it well. When a new strategy or tactic is introduced, their confidence dissipates through fear of the unknown. Often, this reaction is part and parcel of a "fear of failure" among employees, particularly those who are known to be the best in their existing field or discipline, and who worry that they will not be able to grasp the intricacies of a new method or service, making it impossible for them to maintain their leadership position. In many cases, employees fear—and not without some justification, as previous industry advancements into digital prepress and other new technologies have shown—that their jobs will disappear completely under the onslaught of a brand new technological application.

We work in an industry where it is not uncommon for an employee to learn a job over the course of several years, developing a mastery over the requisite skills or tools, so there is often an internal intolerance for change that is viewed as being disruptive to systems and processes that have long worked well—especially when those with the current skills do not realize that a whole set of new skills will be required in the often not-so-distant future.

When the responsibilities and qualifications for a particular job change drastically, it can be very problematic for workers who want to maintain the basic status quo, keep doing things in ways that they are good at (and for which they have been praised in the past). And, perhaps most critically, employees often misunderstand (or, worse still, aren't even told) why a particular change is needed in the first place.

Overlooking the need to bring *all employees* on board in support of a company's new direction is a critical strategic mistake that all too many companies make. "Change is intensely personal. For change to occur in any organization, each individual must think, feel, or do something different. Even in large organizations, which depend on thousands of employees understanding company strategies well enough to translate them into appropriate actions, leaders must win their followers one by one," writes Jeanie Daniel Duck in a 1993 *Harvard Business Review* article entitled "Managing Change, the Art of Balancing." "Small wonder," she adds, "that corporate change is such a difficult and frustrating item on virtually every company's agenda."

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She prescribes what she believes is a method of establishing an organizational culture that will not only be open to change, but consistently prosper from it. She proposes that companies establish a Transition Management Team (TMT), made up of company leaders from throughout the enterprise, who will be committed to managing the process of change. "Managing change means managing the conversation between the people leading the change effort and those who are expected to implement the new strategies, managing the organizational context in which change can occur, and managing the emotional connections that are essential for any transformation," writes Duck.

Eight-Step Process

In Duck's approach, the TMT members, reporting directly to the CEO or company president, will work together to guide the organization through this transformation. One very important caveat: They should not do this in what she calls an "information vacuum." Employees throughout the company should be kept aware of what is going on during the process of developing or implementing change. "When task force members put off communicating with the rest of the organization...they unwittingly prevent the people who are expected to implement the change from participating or buying in," she explains. "As a consequence, no matter how good the new design turns out to be, it doesn't produce the expected results."

According to Duck, the TMT members should move the company through its transition by means of an eight-step change process:

1. "Establish context for change and provide guidance." The first step is for the TMT to ensure that the company vision established by the CEO is understood and communicated properly throughout the organization to begin the process of aligning the activities of every employee with the new vision.

2. Stimulate conversation. Keeping change a closely guarded management secret is a counter productive strategy in most organizations, but especially where some employee push-back is likely to occur. A lack of information creates a void quickly (and invariably incorrectly) filled by the rumor mill, which is often fueled primarily by negative opinion by dissatisfied employees or those resistant to any change—often even before they even know what it might be. When

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companies enable open-ended conversations to take place throughout the company early on, outcomes are consistently more productive. Even though there may seem to be little precious time to spend on communication, warns Duck, skipping this step may doom to change initiative to failure before it even gets off the ground.

3. Provide appropriate resources. The TMT must make sure that needed resources, including both time and money, are properly allocated to the change effort. Expecting employees to embrace change without adequate tools or training will ultimately sabotage your transformation efforts. According to Duck, the team should also be responsible for making sure that any existing projects that are no longer needed are abandoned so that employees will have some time freed up to learn and adopt the new processes. Current expectations of a multi-tasking workplace notwithstanding, a critical strategic transition is not something that can simply be "added on" to existing workloads. The importance management has accorded it must be backed up with actions as well as words.

4. Coordinate and align projects. The TMT must coordinate and align the various sub-projects that are part of the transition process in a logical order and then communicate company-wide how these individual pieces fit together to accomplish the goal, so that all members of the organization can see how the company's vision will be realized and the role they must play if it is to be a successful endeavor. No one should be allowed to feel that he is outside the effort—even if his role is simply to be supportive of areas where more substantial change is taking place.

5. Ensure congruence of messages, activities, policies, and behaviors. While working to ensure employee buy-in, the TMT must also help generate an environment in which senior management supports the change effort as it moves from a strategic to a tactical phase, respecting the efforts of the TMT to implement the basic policy throughout every project and sub-project, and not acting in a manner that is inconsistent to the change effort. "The message, the measures, the behaviors, and the rewards must match," notes Duck. People believe in a new direction, she says, "because they're actually seeing behavior, action, and results that lead them to conclude that the program works."

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Ignite 'Passion'

Obtaining employee buy-in to the company's vision is recognized by business strategists as crucial to an organization's success, particularly when it is attempting to transform that vision in response to a changing environment. In their book, *Leading on the Edge of Chaos*, Emmett C. Murphy and Mark A. Murphy term such a successful buy-in a "Committed Culture."

"In a Committed Culture...employees are devoted to fulfilling the organization's mission while working towards achieving its vision," they explain. "A Committed Culture is one that, especially in turbulent times, aligns the individual interests of employees with those of the organization and its customers." And, they note, such cultures have lower turnover rates and labor costs, as well as "greater numbers of satisfied customers, and a greater ability to manage change." And they attract "the best and brightest talent."

They maintain that "high-performing leaders measure two broad dimensions of culture: *purpose* and *people architecture*." They believe that purpose—"the extent to which employees understand and share the organization's vision, and the passion they feel about their contribution to the vision"—can be measured by asking two questions: What percentage of employees truly understand the organization's mission and values and what percentage agree that they are worthwhile.

"When these two percentages are not high and/or relatively equal, an organization's purpose is unclear and confused," say the authors, noting that if employees understand the mission and values, but don't believe in their worth, their "hearts are elsewhere." If the opposite is true, they say, there is an opportunity to create a Committed Culture, but "it needs to be nurtured with better communication, involvement, and attention."

Defining "people architecture" as "the alignment between the organization's purpose and its reward and evaluation systems," they say measuring it requires an inventory of the "reward and evaluation system used to motivate employees" and an understanding of the extent to which it supports the company's mission, vision and values. "If these two issues are not aligned"—if the organization encourages actions inconsistent with its mission—"then the culture will not hold together," they explain.

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6. Provide opportunities for joint creation. Duck encourages creation of an environment where all managers at every level, directors, technicians, and front line employees can work together to make the right decisions, take action, and help "create the future." In short, empowerment must be more than a catch phrase used to encourage employees to participate; it must be a means by which every employee can contribute to the change implementation by being given enough information to understand what is expected and knowing that any ideas or suggestions that are offered will be given a fair hearing.

7. Anticipate, identify, and address people problems. The needs, frustrations, and desires of a company's employees are clearly at the center of the change effort, and will be greatly responsible for its success or failure. Listening, communicating, and educating are an effective leader's primary responsibilities. Duck suggests that both the company's Human Resources and Communications teams should be represented on the TMT.

8. Prepare the critical mass. A major strategic transition is a complex undertaking that must essentially translate an (often unproven) idea into a new reality that may be very different from what a large number of people have been accustomed to for a very long time—and on which they depend for their livelihood. To make it happen, the TMT and the company's leadership must prepare "the organization to think, feel, and act differently," in Duck's words. "The real contribution of leadership in a time of change lies in managing the dynamics, not the pieces," she says. "The fundamental job of leadership is to deal with the dynamics of change, the confluence and congruence of the forces that change unleashes, so that the company is better prepared to compete."

Understood by All

A Transition Management Team is not a bridge between the status quo and a new company vision, but also spans the gap between senior management decisions and employees on the front line who must put those decisions into everyday practice in their individual departments and disciplines. The TMT provides numerous advantages with respect to fighting individual employees' resistance to change and seizing the

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opportunities for growth and prosperity that have been created by the external forces of change on the company: Communications are effectively increased because the team comprises members from all company levels who now actively contribute and champion the change effort; the need for change becomes apparent in every area and is understood by all as team members actively disseminate information and encourage employees to ask questions and offer ideas; and suggestions and contributions are welcomed from all sectors and levels of the organization.

The TMT itself must be guided by an effective team leader who positions each team member in a way that allows him to build on his own personal strengths and play a role that draws from his own inner drives and emotions. And each member of the team must follow the same philosophy as he guides the change process through various levels of the organization. The shared goal of the TMT is to form an unstoppable movement toward a common vision for the company—a vision that not only embraces, but thrives on change. The road to successfully attaining that common vision is paved with presenting and completing a logical sequence of short-term missions. As each victory is celebrated along the way, the movement will gain increased strength and momentum and the organization as a whole and in its many parts will develop a deeper belief in its ultimate success.

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Chapter 3:

An Evolutionary Approach to Growth

A vision-based marketing plan, built on thoughtful industry and customer analysis, is an important stepping-stone to profitability. But rigidly adhering to such a plan at the risk of losing unforeseen opportunities will ultimately be counter-productive.

In today's rapidly changing graphic communications environment, it is crucial for a company to be open to new ideas, allow them to blossom into more profitable services, and be willing to prune away legacy products and services that have lost their competitive clout.

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Sometimes rigid long-term planning is less important than being open to experimentation.

We have spoken thus far about responding to change in the most fundamental way by creating a company vision and identifying company missions that may require a new way of thinking and working by every employee. Armed with these new frameworks, an organization can then begin to look more closely at how it markets change that may range from simply adding a few diversified services to developing an entirely new identity in response to industry demands.

As we review various marketing approaches, keep in mind that no single strategy is right for every company, nor may any strategy be right for a company at different times or during different market conditions. We will look at a number of effective marketing strategies based on several sound business theories. When used in combination, these theories and strategies can help a printing company executive begin to look differently at what the company *is* doing—and what it *should be* doing with respect to changing industry structures and the changing needs of clients in a volatile marketplace.

Efficiently Inefficient

At the outset, it is important to be open to looking at everything the company is doing with an unbiased eye, understanding that although a company might be doing a great number of things, and doing them very efficiently and very well, it is more than likely that it is doing a great many of *the wrong things* efficiently and well. We will review this by looking at what Peter Drucker calls the principle of "managing for business effectiveness."

Secondly, markets and industries are in a constant state of change, the key reason we have stressed the importance of continually evaluating and redefining a company's fundamental mission, but understanding how industries change becomes a crucial component in

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applying creative and successful marketing techniques. We will, therefore, look at an innovative theory by Anita McGahan that can help leaders recognize four common patterns of change in any given industry.

The third business theory we will investigate comes from James Collins and Jerry Porras, who suggest that successful visionary companies might evolve and adapt to their changing environments in a manner that is essentially similar to Darwinian evolutionary principles, i.e, through "undirected variation and natural selection."

Analyze True Costs

Pareto analysis, based on the work of Italian economist Vilfredo Pareto, is a technique that has been widely applied with considerable success in quality control theory. The Pareto Principle states that most problems are produced by a few factors (events, customers, etc.). When applied to quality fprograms, it translates into the assessment that "80% of quality problems are caused by 20% of the causes" and is popularly used to identify critical causes of problems in statistical process control.

Business management theorist Peter Drucker believed that the basic Pareto Principle—a "vital few factors" can have a statistically significant impact far exceeding their number—could be extended to be used to analyze business results. In his classic 1963 *Harvard Business Review* article, "Managing for Business Effectiveness," Drucker states that in a social situation such as a business enterprise "a very small number of events—10% to 20% at most—account for 90% of all results, whereas the great majority of events account for 10% or less of the results."

Consequently, he continues, "while 90% of results are being produced by the first 10% of events, 90% of the costs are being increased by the remaining and result-less 90% of events." In other words, 90% of our business results (i.e., our profits) are coming from only 10% of our efforts in relation to our customers, orders, or sales personnel, while 90% of our efforts are doing little more than add cost to the overall process, since they yield a scant 10% of results.

In explaining this phenomenon, Drucker notes that revenues and true costs are not necessarily in the same money stream: "Economic *results* are, by and large, directly proportionate to revenues," he writes, "while *costs* are directly proportionate to number of transactions." Put in another way, just being busy doesn't equate to being successful. In a

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sales context, sending out 10,000 direct mail pieces is not a result; it is an action that can be measured only by the number of responses that lead to paying jobs—and the revenue from whatever results are garnered is ultimately diluted by the costs of those that yielded nothing. And unfortunately, he notes, revenues and efforts generally "will allocate themselves according to the *number of events* rather than according to results."

Drucker recommends that companies conduct a careful analysis of the true costs of their products and services—taking into account the many hidden costs of such items as order entry, set-up, sales expenses, equipment downtime, packing materials, work-in-process inventories, job rejects—and allocate resources accordingly.

When applying the Pareto principle, he suggests that managers concentrate their energies on the *smallest number of products or services that will produce the largest level of revenues*. This holds true not only for the allocation of equipment time and production workers, but for knowledge workers, sales staff, and administrative staff as well. "Efforts should be concentrated on the very few activities that are capable of producing truly significant results," states Drucker.

In terms of developing a marketing plan for one's company, the implications are very clear: The most promising areas for future business growth must get the fullest resource support before the next promising area on the horizon receives anything. This also implies that the "painful step" must be taken of deciding what products or services that have not brought significant results to the company—or do not have a reasonable expectation of doing so in the foreseeable future—should be abandoned.

In Drucker's words, "No matter how painful, one rule should be adhered to: *in allocating resources, especially human resources of high potential, the needs of those areas which offer great promise must first be satisfied to the fullest extent possible.* If this means that there are no truly productive resources left for a lot of things it would be nice, but not vital, to have or to do, then it is better—much better—to abandon these uses, and not to fritter away high-potential resources or attempt to get results with low-potential ones."

Making such decisions may not always be as straightforward as might be imagined. Just as we noted earlier that some employees may dig in their heels and resist change, employees who are closely identified with projects on the watch list for abandonment may be

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expected to wage a considerable battle to attempt to keep them from being dropped. Many employees—especially those early in their careers—seem to gravitate naturally to projects that are more interesting, exciting, or challenging. As a result, they may offer little support for the "cash cows" of the business, those somewhat mundane jobs that offer a higher profit level because the expenses attached to them have been refined over the years, while lobbying strongly for the "new ideas" that gain a lot of press coverage but offer little potential for profitable return for months or years to come. "The most expensive and potentially most productive resources (i.e., highly trained people) will misallocate themselves the worst," says Drucker. "For the pressure exerted by the bulk of transactions is fortified by the person's pride in doing the difficult—whether productive or not."

Developmental Lines

Although it is obvious (particularly to anyone who has been in the printing industry over the last two decades) that industries change, when attempting to navigate the future, it is important to understand that they change in different ways or may be in different states of change. Anita McGahan has theorized that industries tend to evolve along four distinct lines of development: *Radical, Intermediating, Creative, and Progressive.* She contends that you can't make intelligent investments within your organization unless you know and understand what specific trajectory your business is on.

According to McGahan, an industry is experiencing *Radical* transformation when obsolescence threatens both its core activities and core assets, and when an outside alternative is affecting its established capabilities. Over the last century, radical transformation has been relatively uncommon, usually occurring as the result of the introduction of a new technology on a mass scale, such as automobiles replacing horse-drawn vehicles and thereby eliminating the previous strong demand for the blacksmith trade.

What McGahan terms as *Intermediating* change is a more common phenomenon. It results when buyers and suppliers have acquired new ways to get things done because they have gained access to information. The core activities of the industry are threatened (e.g., MP3 players and easy downloads of massive digital files have made CDs and DVDs obsolete for many consumers, while Internet auto sales sites are diminishing the role of the traditional auto dealership).

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Stable Relationships

When an industry is experiencing a *Creative* change trajectory, the relationship with its clients and suppliers usually remains stable, but its assets change constantly (e.g., the pharmaceutical industry, which is constantly developing, testing, and commercializing new drugs).

Progressive change is similar to creative change, but the industry's core assets are not threatened. While progress and technology can have a strong impact on the industry, it happens within the existing framework of the business. The movement from paper mechanicals to digital files is an example of progressive change—the method of getting material from the client/designer to the printer changed dramatically, but the process responsibilities and relationships between parties remained the same and the ultimate output (a printed piece) did not change.

When managers are able to recognize what evolutionary trajectory their industry is on, they are able to make more effective marketing decisions. Operating within an industry experiencing radical or intermediating change, for example, can become a "balancing act" between aggressively seeking profits in the short run while carefully redefining the company's mission and pursuing new opportunities for the future.

On the other hand, when managing companies in industries undergoing radical or creative change, where the core assets and/or assets are being challenged, investments with the greatest risk must be abandoned—even if it disappoints the company's best buyer or supplier. And the impact of progressive change is a hard look inward at how processes can be improved since this type of evolution, in McGahan's words, "can raise the standards for doing business to a point where only a handful of companies are competitive."

McGahan points out, however, that the impact from all four trajectories usually evolves over decades and that this extended time factor can help observant managers recognize and exploit new market opportunities in a changing world. She cautions, "We must continually ask ourselves, how will the buyer and seller relationship be affected?"

Trial and Error

Since change—particularly intermediary, creative, or progressive change –is not always immediately apparent, it is often difficult to

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recognize and react to it with a carefully thought-out scheme. In fact, in researching the evolution of successful visionary organizations within changing industrial worlds, business experts James C. Collins and Jerry I. Porras were amazed to discover how often a company's success was not necessarily based on "detailed strategic planning, but rather on experimentation, trial and error, opportunism and – quite literally – accident."

In their book, *Built to Last: Successful Habits of Visionary Companies, they cited* case studies that included companies such as 3M, which evolved from a failed mining attempt to a provider of sandpaper and grinding wheels (using the low-grade grit from the failed mine) to an unplanned product called "Scotch tape" (a serendipitous offshoot of an experiment whose original goal was to develop a fool-proof masking tape). The growth of American Express from a regional freight company to a dominant worldwide provider of financial and travel services provides another enlightening case study of organizational evolution.

The authors point out that the critical concept of Darwinian theory posits the evolution of a species as an accident that gives a distinct advantage to survival. "To my imagination it is far more satisfactory to look at [well-adapted species] not as specially endowed or created instincts," wrote Darwin, "but as small consequences of one general law leading to the advancement of all organic beings—namely, multiply, vary, let the strongest live and the weakest die."

Trial and error may not be the most comforting business strategy, but when it comes to capitalizing on new market opportunities, keeping an open mind about new ideas and a willingness to experiment can be a highly profitable approach. Developing a marketing plan is undoubtedly a worthwhile activity—one that can position a company for future growth and success by putting it on a clearly marked path towards its desired destination—but as anyone who has ever taken an unstructured vacation will likely affirm, wandering off the beaten path can sometimes lead you to far more interesting discoveries than you will find on a carefully marked map.

As the examples above attest, Collins and Porras discovered that the success of visionary organizations was not necessarily based on carefully crafted "detailed strategic planning," where every step is laid out in advance, but rather on a willingness to employ experimentation or trial and error approaches, and an open-mindedness in respect to following any new market opportunities that may arise—what the

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authors call "unplanned progress." This Darwinian approach to a company's evolution suggests, in their words, that an organization should not be afraid to "try a lot of stuff and keep what works."

Printing industry stalwart Pantone, Inc., has evolved into a modern-day graphic communications giant by doing just that. Pantone defines the purpose of its business as simply "the successful communication of color." In its definition, the company is neither product- nor manufacturing-specific. This approach has helped it remain open-minded in terms of what markets it enters and what new products or services it offers. This open-ended philosophy has enabled Pantone to grow from its original and printing industry standard product offering—the *Pantone Color Formula Guide* for printing and graphic design—to worldwide leadership in color communications products and services, not only in the graphic communications industry, where it has evolved to meet the new needs of a digitally based printing process, but in serving the color reproduction demands of the textile, architectural and interior, plastics, and retail industries.

Learn Every Day

During an interview with Pantone President Richard Herbert (son of company founder and Chief Executive Officer Lawrence Herbert), he explained that, with the *Pantone Color Formula Guide*, "Pantone got most of the second-tier ink companies on board. Then, shortly thereafter, we came out with a way for designers to specify colors via the chip." But the company did not limit itself to its comfortable printing industry niche because it understood that its mission was not printing color, but color itself as it is applied in every conceivable business area. "In its broadest sense, we enable people to communicate color precisely from point A to point B—from creation, selection, specification, all the way to reproduction," said Herbert. "What you really have to look at is how people work and how they need to work with color—something we learn something new about every day."

By trying many new approaches of color communication in key market areas, Pantone was ready when major changes began to affect the graphic communications industry. It was the company's early experiments with defining color via the computer in the early 1980s that allowed it to capitalize on both the industry's digital desktop revolution as well as the emerging international industrial revolution. Herbert explains that a lot of it happened by chance—or by his

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fortuitous career preparation choices. He earned his undergraduate degree in interactive computer engineering at Rensselaer Polytechnic Institute in 1983, before earning his M.B.A. in finance and joining the family business. It was Herbert's undergraduate studies in computers that helped Pantone gain a distinct advantage in the digital color world long before the actual explosion of desktop color publishing occurred in the early 1990s.

"It all happened so fast – it was like a revolution," says Herbert. "Had I not been taking interactive computer graphics at college and growing up with Pantone, maybe we would not have had the electronic development happen when it did. It was easy to see that we needed to create the digital equivalent of the Pantone language. *We spent a lot of years developing and thinking – trying and failing – and trying and succeeding."* Herbert explains that as late as 1989, 90% of art creation was still accomplished mechanically with galleys of paper type meticulously cut and pasted on "boards"—and that after a scant two-year changeover period, 90% of artwork was being done on computer.

This incredible 24-month turnaround, accomplished only via a virtually complete reeducation of the graphic design community and printer's prepress staffs is evidence of the speed change can attain when a new idea really takes fire. This kind of global change makes it too late for companies who sat on the sidelines to play "catch up," but by virtue of its years of experimentation, Pantone was ready when the desktop revolution took hold with a full palette of colors for computer graphics, and soon signed licensing agreements with companies such as Adobe, Quark, Apple, and Epson. Today, more than 400 firms license the Pantone name.

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Global Industry

Pantone's experimentation efforts also put it in a position to prosper via another transformation that was occurring, the global transmission and production of graphic communication materials. The company was able to take advantage of this change as a direct result of its earlier diversification into the graphic design community with the development of the Pantone Chip. The desktop publishing revolution brought designers further into the actual production workflow stream in the graphic communications process. Now, as files are transferred over the Internet, a truly global production workflow exists, and Pantone has

discovered that, in many cases, it is the designer who now makes key decisions with respect to where a particular piece will be produced.

According to Dr. Juergen Stolt, Pantone's Executive Vice President of Sales and Marketing, thanks to digital file transfer capabilities, the graphic design community and printing workflow are now truly international. "While a product's creative work may be done in New York or Milan, it can then be produced somewhere else, say through alliances in India or China. The link is digital color communication through the Pantone Matching System," said Stolt. In terms of corporate expansion and diversification, he believes that there must be a balance between the cultivation of the existing business and reaching out to aggressive new entrepreneurial frontiers. "Although you need to try more than one new project to be successful, you can only afford to try those new things when you have the base of business that can support it," he offered.

Pantone is currently exploring the inspirational side of color with respect to designers and their choices of particular colors. "That's the next edge," explained Herbert. "How do designers want to select colors? Eventually it comes back to a Pantone standard," he said, "but we can do a lot more at the front end." Stolt described how the company's baseline product, the *Pantone Color Formula Guide*, just went to a whole new format to better serve designers. "It is a higher quality printed piece with larger color chips to better serve the creative community and it has already been very successful. So, there's a classical evolution from a product that is 40 years old."

For graphic communications companies trying to capitalize on the new demands of an evolving industry, it's clearly a good strategy to remain open to change and nurture a culture that welcomes serendipitous opportunities. After all, developing a marketing plan strictly "by the book," without responding to experience and evolution, is like managing a baseball team that way. Prevailing wisdom may say that you should send the runner from first on a 2-0 count, but that doesn't mean the opposing team won't ignore the odds and still call a pitchout.

Printers taking the Darwinian approach advocated by Collins and Porras in exploring new service options or potential markets would also do well to keep in a mind the often-quoted expression that "luck is when preparation meets opportunity." It's O.K. to leave the beaten path in search of new prospects, but it's not a bad idea to take a compass along

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with you so you don't become hopelessly lost. Laying out a set course while remaining open to change is definitely a balancing act, but one that will at the very least enable you to go off-road profitably whenever the moment is right.

Tough Decisions

The ability to take advantage of that right moment may lie in how resources—both dollars and staff time—have been allocated. Few companies, if any, have the ability to pour unlimited resources into every existing activity and every new idea. As a result, some tough decisions must be made about how to husband those resources, and that may mean letting go of some old favorites if there is to be enough capital left to follow new opportunities.

Collins and Porras describe their corporate evolutionary theory with a metaphor of branching and pruning: "If you add enough branches to a tree (variation) and intelligently prune the deadwood (selection of the strongest), then your tree will likely evolve into a collection of the healthiest branches well positioned to prosper in its changing environment." The key at the outset is not the pruning, which might happen with or without the intercession of the gardener (i.e., the marketplace may itself trim away what it does not want), but the proliferation of branches, which with each new shoot increases the odds that there will be a greater number of healthy branches and the probability that the tree will ultimately be strong and healthy. Applying the idea to business, they suggest that an evolving company only finds its healthiest branches when it "tries a lot of stuff and keeps what works."

Collins and Porras do not imply that all great companies evolve by accident alone, i.e., throwing the proverbial pot of spaghetti against the wall and seeing which strands stick, nor do they suggest that companies should not engage in market planning because on environmental market studies and best strategic judgment. What they do recommend is that companies should practice a good number of short-term experiments based on anticipated or even potential customer needs rather than unwaveringly following a rigid, long-term marketing plan that is so cumbersome that it cannot adapt to changing conditions.

Of course, companies generally do not have the resources to follow up on every possible idea, so when they are seeking out new short-term

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opportunities and striving to grow their business with change, leaders will have a major advantage if they understand what change trajectory their industry is in and focus on those positive results that Drucker says will "have an extraordinary impact on the economic results of our business."

Thoughtful Pruning

And while allowing shoots to blossom into new branches may be the first step, pruning cannot be ignored altogether. In fact, pruning may be the hardest step for some companies that just can't let go of existing products and services or those tempting new ideas that they have been chasing enthusiastically. Nonetheless, if a business is to succeed by adapting to change, it is imperative for it to abandon what doesn't work while concentrating all of its resources on what does. The hardest part of successful pruning may be knowing when to make the cuts—it's a bit of a "Goldilocks" situation where the company leaders must walk the fine line between abandoning an idea too early (not giving it sufficient time or attention to blossom) and waiting too long (investing too many resources and too much staff time) before cutting bait. Adept managers weigh all factors and get as much information as possible to try to find the "just right" moment to say it was a good try, but it's time now to move on to something else.

Pruning must be done thoughtfully and with a certain amount of risk aversion suspension if it is to yield new growth and budding profitability, but it must be done if a company is to respond successfully to change. If we tie the evolutionary approach of Collins and Porras to Peter Drucker's concept that a company's "efforts should be concentrated on the very few activities that are capable of producing truly effective results," we find a strategic methodology that can be proof of the axiom that less is more.

Eugene Lee, President and Chief Executive Officer of Rolling Press, Inc., a general commercial printing company located in the Park Slope area of Brooklyn, N.Y. (as well as a former exceptional student in my graduate Graphic Communications Management class at New York University), decided to apply this concept to his business. Lee went beyond the required reading for the class and purchased everything that Drucker has written on the subject of managing a business effectively.

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As we noted earlier, Drucker recommends starting the process by conducting a careful analysis of the true costs of all your products and services, and that's where Lee began. What he soon found was that Rolling Press could be best described as a "generalist" printing company that had many different clients and handled a wide variety of different job demands. It was bidding competitively on this work and attempting to produce all the jobs it undertook in a very timely fashion.

He also found that the wide variety and unpredictability of work made scheduling of the pressroom problematic, that producing quality work with exceptional service was difficult, and that a relatively large amount of paper inventory crowded the physical facility and, even more important, tied up the company's cash flow. "I was trying to satisfy everyone with everything," said Lee, adding, "This was a proven formula for failure."

Conducting an analysis of his operation in the manner that Drucker suggested in his book, *Managing for Results,* he found—not surprisingly—that at Rolling Press the Pareto Rule was operating in full effect. Lee saw clearly that 20% of his company's clients were accounting for nearly 80% of its revenues (and, conversely, that the remaining 80% of his clients were generating only 20% of revenues). In addition, he discovered that 80% of customer complaints and production problems were coming from that same 80% group of less profitable clients.

The facts were inescapable and after reviewing them Lee came to a dramatic conclusion: "After so many years of struggle, I have come to realize that we have reached a level where we can potentially run a comfortable operation with just our top 10 clients alone," said Lee. He admits that it might not be fruitful to suddenly exclude the remainder of his clients, but believes this knowledge can help redefine the mission of his company. "If we were to concentrate our resources and strengths on just 20% of our existing clients, we could deliver a better product with world-class service–a comfortable benefit for both parties," he declared.

Rolling Press backed up the decision with an adjusted resource allocation decision, and as part of placing its full attention on the 20% group of highly profitable clients, the company Press purchased a new, highly automated six-color printing press. "The capabilities of this new press far exceed our previous four-color press, particularly with respect to speed, automation, and color capabilities," noted Lee.

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Impressive Results

Since it made its leap of faith move toward doing the *right* things efficiently, Rolling Press has seen impressive results in a number of key areas, including a reduction in scheduling conflicts and inventory levels, and an increase in quality, service, productivity, and potential for profitable growth. “The press scheduling is becoming more open-ended, giving us more flexibility in planning the production of jobs,” said Lee. “Last minute rush orders can be accepted, and the speed of the new press has also helped reduce bottlenecking issues in the pressroom.”

When it comes to paper inventory levels, he has realized another opportunity. “I’ve noticed my core group of clients [the top 20%] share a similar use of paper stock,” he explained. “By focusing primarily on their needs, we can reduce the variety of stock held in inventory by up to 80%.” This allowed the company to purchase stock at greater volume discounts, while the overall smaller paper inventory occupied less space in the plant and freed up the company’s cash flow. The new, focused approach has also resulted in marked improvements in terms of the company’s ability to follow through on its commitment to quality and service. “With better service, comes better customer relations–and with stronger relations comes more business,” says Lee.

More service of the profitable variety for customers who are well satisfied with the work. In fact, Lee soon discovered that for some of his top clients, the jobs they produce at Rolling Press represented only a small fraction of their print purchasing power, providing a window of opportunity for the company to gain a greater share of customer. “If we continue to demonstrate that our abilities are truly professional, there is little reason why such clients will not award us with more projects,” he noted.

Rolling Press seems living proof of the validity of Peter Drucker’s statement that “economic results require that managers concentrate their efforts on the smallest number of products, product lines, services, customers, markets, distributive channels, end-users, and so on, *that will produce the largest amount of revenue*.” Drucker believes that the most promising areas for future business growth must get the fullest resource support and that companies must decide what services must be abandoned because they don’t bring the organization significant results. Yes, it is hard to turn down business, but when done with careful attention to the return to the company in terms of profitability

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gained for time, trouble, and resources invested, it is often a business necessity.

When he first started the company, Eugene Lee had a vision of becoming an exclusive printer, serving only about one dozen clients and giving each of these clients as much attention as they desired. He envisioned "a boutique that would produce only high-end projects, each catered to with exact precision and measured results." The haphazard influx of unrelated projects over time, which seems to many to be an inescapable fact of the printing business, moved him far from achieving that vision, but by applying Drucker's theory of managing for business effectiveness, and by being unafraid to use the pruning shears as drastically as necessary, Lee feels he has moved Rolling Press much closer both to his goal and to greater profitability.

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PART II: CREATING VALUE

Businesses that simply react to the market needs of the moment may have short-term success, but their prospects for extended growth and profitability are suspect.

Building a business that will prosper over the long term means understanding what the company's core values and vision, then studying every facet of the market environment in which it operates, and finally fulfilling well-conceived plans that will meet current customer needs while preparing for, and being open to, new missions that may result from industry and environmental change.

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Chapter 4:
Offer New Value
To Current Customers

Combat the industry profit squeeze and find growth opportunities by taking an innovative approach that enables you to respond to change and leverage your organization's transition strategy:

While looking for new markets and customers for your traditional offerings, don't overlook the strategic potential of developing new value offerings for your current market and customers.

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"Understand everything
the customer goes through
to purchase your service."

As you no doubt discovered when you completed the Action Steps for Chapter One, creating a company vision can be a challenge when you are operating in a highly competitive industry such as graphic communications. Writing in the National Association for Printing Leadership (NAPL) *2006 State of the Industry Report,* Andrew D. Paparozzi, NAPL Vice President and Chief Economist, and Joseph V. Vincenzino, NAPL Senior Economist, listed some of the factors that were contributing to the increasingly more competitive nature of the industry, including:

- The growth of the Internet and electronic alternatives to print;
- Expanded domestic and international competition;
- Clients becoming competitors by bringing graphic capabilities in house; and,
- New competitors, such as mailers, fulfillment providers, and designers entering the marketplace, particularly in digital printing applications.

The annual study, issued by the Association's Printing Economic Research Center, is based on extensive surveys of several hundred executives in the commercial printing industry. The authors noted that virtually all the study participants expressed concern about "an intense profit squeeze" in the industry. All this puts increased pressure on graphic communications companies to recognize new opportunities for growth by means of which they can combat the competitive challenges and increase their opportunities for profit generation.

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Two paths toward this goal exist: A company can look for new opportunities to provide customer value in one of its existing markets or it can search for opportunities to provide value in new markets. Either way involves responding to change and transitioning the organization to go beyond its existing "comfort zone," whether it is applying its product and service expertise in market areas of which it is essentially unfamiliar—and necessitating a quick study of that market's needs and demands—or learning how to deliver new services and products to customers with which it is familiar—necessitating a quick study of new processes and workflows. In this chapter we will focus on the first path and explore new ways to generate opportunities for unprecedented growth by providing increased value to an existing customer base.

Breakaway Technique

In a *Harvard Business Review* article entitled, "Breaking Compromises, Breakaway Growth," authors George Stalk, Jr., David Pecaut, and Benjamin Burnett offer their views on how and where to look for new opportunities in an industry that appears to be stagnant or declining. Through their research, they found one technique that consistently allowed companies to outpace their competition with respect to breakaway growth; they discovered that leading companies broke through the barrier of industry-wide "compromises" that were imposed on their customers.

The authors defined a compromise as a concession that "customers are forced to make" by the industry or vendors serving them. For example, although a customer has the freedom to choose between a luxury hotel or an economy hotel when planning a vacation, "the entire hotel industry makes customers *compromise* by not permitting early check-in" in either type of facility. Obviously, a company that changes its way of doing business and restores choice to the customer will break away from its peer pack and surpass the competition.

Consider, for example, the approach that was taken by Commerce Bank, a start-up New Jersey financial institution whose branches proliferated throughout the state within a couple of years and which took thousands of customers away from other long-established banks by means of one simple "breakaway" move: It opened its branches on Sundays, while every other bank in the state operated strictly on a six-day-a-week schedule. The customer now was able to bank at Commerce on any day of the week that he or she *chose*, and any other bank that was

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unwilling to offer that choice quickly became an also-ran. So many customers fled to the new bank's branches, in fact, that within months Sunday hours were the norm for a number of other New Jersey banks.

In Their Shoes

The Commerce Bank scenario illustrates a key factor in breakaway growth as set explained by Stalk, Pecaut, and Burnett: **"Shop the way the customer shops."** Stop thinking about how to improve things from an inside-out perspective, looking at process charts and cross-silo initiatives, etc. Start looking at things through the eyes of the customer.

In true customer-centered marketing, management must understand everything the customer goes through to purchase the organization's product or service—because it is the only way to uncover the compromises customers are forced to make. The authors point out, for example, that very few automobile company top executives ever shop for their own car. (How many top printing company executives ever purchase printing?) It is suggested by many service experts that the way to determine how well your Customer Service Department is functioning is not to demand a lengthy report from your Customer Service Manager, but to step into the shoes of the customer and try to order something yourself.

Consider the experience of a business writer trying to contact an executive of a Midwest printing company for an interview that would have given his organization valuable positive exposure in the press. He started his search by going to the website of the company—a very progressive, solutions-oriented organization that had an interesting and attractive website where the addresses of its home office and several satellite offices around the country were shown on the "contact us" page.

Unfortunately, the phone number for the home office did not appear anywhere on that beautifully designed website. Phone numbers for the satellite offices were shown, however, so the writer thought it would be easy enough to call one of these offices and get the main number from them. He called the first office and the phone rang eight or nine times without being answered. Same thing at the second office. At the third, after the eighth ring, an automated answer machine came on to tell him that "no one was in the office just now so please leave message." Needless to say, the message was not left, the executive was never contacted, and the story never appeared. Would a potential print buyer have been patient enough to make three phone calls to try and get

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someone to take his money when there were so many other printing companies looking for business? Will that buyer ever call that printing company again?

Another true example: A consumer saw an infomercial on television and decided to order a product (a microwave cooking pot) by going to the company's well-advertised website. First two marketing steps done right: Effective TV ad, easy way to respond. As she tried to place the order for one item, the sales site malfunctioned and prematurely closed out her order, indicating it was for two pots. She tried to find a way to correct the order online, but couldn't, so she resigned herself to having to call the company the next day. She did. The Customer Service representative said she was sorry, but the company's computers were very slow and the order would not come to her department until the next day or two, so please call back. The next day she called again and received the same response.

The third day, now in total frustration, she made yet another call. This time the CSR said the order had appeared in the system and she was able to cancel it. The customer said that she didn't want to cancel the order, just change it from two pots to one. The response from the CSR: "I'm sorry, but we can't do that here; we can only cancel your order. You'll have to go back to our website and place a new order for the pot." No order was placed, no order will ever be placed with that company by that customer again (who has by now also related her experience to everyone she knows—but, unfortunately, not to the head of the company), and whenever one of the company's commercials appears, she immediately switches the channel.

Follow Their Lead

Being customer-centric doesn't only mean knowing how the customer interacts with your company, but also what the customer actually wants from you. Or, in the words of Stalk, Pecaut, and Burnett, **"Pay careful attention to how the customer really uses the product or service."**

Very often, consumers will devise their own way for using products or services *to compensate for* not getting what they really wanted. "In every product category, consumers can undertake dozens of compensatory behaviors, and each of those can have significant compromise-breaking potential," note the authors.

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It is not uncommon, for example, for printers to complete a beautiful printing job that meets every specification the customer has indicated and have the customer response be something like, “Well, it looks really nice, but it’s not quite what we hoped it would be.” When pressed for a reason, the customer may indicate that the company had wanted to use it in display racks, but the paper is a little too flimsy for the brochure to stay upright. When the printer points out that the paper is exactly the stock the company specified, the usual answer is that “it felt stronger in the swatch book.”

The printer didn’t do anything wrong in such a case, but he didn’t do one thing right: encourage the customer to tell him everything about the job before undertaking to print it. This sort of event is most prevalent in companies where salespeople are order takers—“Mr. Customer, fill in all the blanks on the request for quotation and we’ll give you a price for the exact job you specified. Oh, and if you don’t know enough about printing to realize that your specs aren’t what they should be, well, that’s not really my problem, is it?”

In a company where the salesperson thinks of himself first and foremost as a customer consultant, the specs would be nothing more than a discussion starting point. The salesperson would review them, ask what the customer intended to do with the finished piece and, upon hearing that they were to stand straight in a display rack, point out that, given the page count and dimensions of the job, the paper specified might not be the best choice. If the customer is reluctant to change the specs, the salesperson might even offer to provide him with a paper dummy so he can see exactly what the finished piece will look and feel like and be absolutely certain it will be what he wants.

The payoff for taking these extra steps: The customer will be extremely grateful that the printer headed off a very expensive mistake that might have been an embarrassment to the client’s company and jeopardized the likelihood of being asked to manage any more print work. And such gratitude is generally expressed in repeat business.

When the work produced is not satisfactory, say Stalk, Pecaut, and Burnett, it is also important to get as much information from the customer as possible, and this means going beneath the surface and understanding what the customer is feeling about the work. As they put it, companies should always **“explore customers’ latent dissatisfactions.”** When customers are asked to describe their dissatisfactions with existing products or services, it will often lead to

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some improvements in providing value, some tweaking of a product or process, but it seldom results in a significant breakthrough.

Using the brochure example above, in an attempt to mollify the customer, the printer might have offered to reprint the job on a more suitable paper stock for a reduced price, or suggested printing some stiff paper dividers to put between the brochures to keep them upright. But it is highly unlikely that he will have called in his entire sales staff and made a major company policy change, transitioning them from order takers to customer partners.

Latent dissatisfactions relate to problems where consumers are unable to articulate their dissatisfaction. For instance, the authors explain that Chrysler's development of the minivan was a result of the company uncovering a compromise consumers were forced to make between a station wagon that was difficult to load and unload, and a full-size van which, while more useful, was "not fun to drive." In our brochure example, the customer can't complain about the printing work since it was done exactly to his specifications, but he is upset about the brochures not looking good when they're placed in display racks around the country.

Uncommon Denominators

As a company grows and—especially in today's graphic communications industry—begins to expand its services and diversify into new areas, it will often by necessity have to streamline the number of individual options it provides in each service area and gravitate toward providing products or services that meet the needs of a wide audience. A store that sells nothing but fish, for example, will likely carry a wide variety of seafood. A supermarket that has a fish department will be far more likely to offer a small number of the most commonly sought seafood because it must make space for meat, vegetables, toiletries, and groceries, so it has limited space to sell and store a wide selection of fish.

The danger in this situation is that the fish manager must make compromises—and, ultimately, so must the customer. If the manager can store and sell only 15 types of seafood, he will eliminate the less sought-after selections and the customer who wants one of the more unusual species will have to compromise by buying the next closest thing—and a customer who is forced to compromise is a never fully satisfied customer

Rather than trying to accommodate the greatest number of customers by looking for the common denominator, Stalk, Pecaut, and

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Burnett say companies should **"look for uncommon denominators."** They note that financial services provider Charles Schwab & Company was able to separate "the service channel for the high-volume equity trader from that for the ordinary investor, whose needs are simpler. Each receives different services and pays different fees." All are not lumped in the same compromising bucket and each is happier because he believes he is being served according to his specific needs.

An adjunct to looking for the uncommon, say the authors, is to **"pay careful attention to anomalies"** because irregularities, or deviations from the norm, are very often excellent sources for compromise breaking. Such an anomaly might be, in their example, "the one regional sales office that significantly outperforms all others and for which there is no obvious explanation," or "the factory that appears to have a scale disadvantage but still has a lower production cost." These anomalies should be researched carefully; when they are, they will usually lead to compromise-breaking opportunities.

Stalk, Pecaut, and Burnett believe that companies should not limit themselves to searching their own operations for new and better ideas. **"Look for analogous solutions to the industry's compromises,"** they note, suggesting that quite often a compromise-breaking idea already exists in someone else's industry. For example, Circuit City's Car Max offers extended warranties on used cars, an idea built upon the practice long followed in the appliance and consumer-electronics industry. Looking for innovative ideas that have unexplored similarities in the graphic communications industry may offer new approaches to customer value that become breakaway profit centers. And pet store chains followed the practice of health insurance companies to offer HMO-type discount major medical coverage for animals whose owners will keep take their pets to "in network" veterinarians.

Taking an "uncompromising" approach to your company-'s—or industry's--customer service will reveal opportunities to move beyond the ordinary on a less traveled, but more customer-desired path. Authors W. Chan Kim and Renee Mauborgne offer additional perspectives on finding new opportunities for breakaway growth in another *Harvard Business Review* article entitled, "Value Innovation: The Strategic Logic of High Growth."

In their research of more than 30 companies over a five-year period, the authors found that the difference between strong-growth companies and their less successful competitors was the assumptions the companies

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made with respect to five dimensions of strategy. While the less successful companies followed "conventional logic," in relation to these strategic dimensions, the high-growth companies followed what the authors referred to as *"value innovation logic"* in each area. The five strategic dimensions, which ranged from broad industry factors to individual company decisions, included:

- **Industry assumptions:** Conventional logic dictates that an industry's conditions are a given and cannot be changed by any one company. Organizations that follow value innovation logic, however, are proactive and understand that an industry's conditions can be shaped. In recent years, for example, a number of real estate companies won over customers by foregoing the standard industry commissions and offering buying and selling services for a cut-rate 2% fee. Major automakers began instituting "company employee discounts" to spur car sales, while others provided lifetime maintenance service such as oil changes and minor adjustments to high-end auto buyers. They all tread on some industry toes, but customers loved it.

- **Strategic focus:** The conventional logic would be to build a competitive advantage and "beat the competition." Value innovation logic would suggest that the competition should not be a company's focus or benchmark. "A company should pursue a quantum leap in value to dominate the market." Southwest Airlines, for example, didn't worry about what other companies were doing, but decided to eliminate the "class structure" on its planes as part of giving every customer the greatest value possible for his or her ticket price.
- **Customer base:** Conventional logic would suggest that a company "retain and expand its customer base through further segmentation and customization," while focusing on "the differences that customers value." Value innovation logic suggests that a company focus on "the mass of buyers and willingly let some customers go." The goal here is to focus on the key commonalities in what customers value and retain those customers that can be handled most efficiently and profitably.

(Note that this runs counter to the "uncommon denominator" approach advocated by Stalk, Pecaut, and Burnett, above. In Kim and Mauborgne's fish store, customers looking for scallops will have to go elsewhere because the mass of buyers want only shrimp.)

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• **Assets and capabilities:** Conventional logic suggests a company should leverage its existing assets and capabilities. Value innovation logic suggests that a company should not be restricted by what it already has, but, rather, should ask, *"What would we do if we were starting anew?"*

Akin to blank page budgeting, this strategic approach looks harder at the world around the company than at its own offerings. It doesn't matter if most of the business was built on printing four-part carbonless forms; if most of the world is doing business electronically, it would be senseless to start a new forms printing business—ergo, if you would not go into that business today, why stay in that business today? Value innovation logic demands that a company be willing to jettison business assets or services that have diminished or rapidly diminishing demand regardless of the repository of equipment or expertise it has created over the years.

• **Product services and offerings:** The conventional logic has been that the products and services a company offers its customers are determined by traditional boundaries in an industry. Value innovation logic doesn't really worry too much about looking back at tradition, but suggests rather that a company look forward: "A value innovator thinks in terms of the total solution customers seek, even if that takes the company beyond its industry's traditional offerings," write Mauborgne and Kim. That should sound a very responsive chord in today's graphic communications industry, where diversification into untraditional service areas is no longer a progress company novelty, but a survival necessity.)

Satisfaction Levels

Entering and reviewing these strategic dimensions forces company leaders to look not only at how their product strategies may be altered to propel them beyond traditional industry positions, but also at how innovation should play a role in three key customer satisfaction levels: products, services, and delivery. In the research done by Mauborgne and Kim, the companies that were most successful at repeating value innovation were those that applied value innovation logic to all three of these important levels. "Too often, managers trying to create a value innovation focus on the product platform and ignore the other two," they

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write. "As customers and technologies change, each platform presents new possibilities. Just as good farmers rotate their crops, good value innovators rotate their value platforms."

One company that the authors highlighted as an excellent example of repeatedly providing value innovation on multiple platforms is Virgin Atlantic Airlines. When the company realized that most of its profit was coming from business class and not first class, it eliminated first class service entirely and went to great lengths to improve its business class offerings. First it offered comfortable reclining sleeper seats and then free chauffeured transportation to and from the airport.

When competitors began to follow Virgin's lead, the company made another innovative service offering and provided the means for business class passengers to take showers, receive massages, and have their clothes pressed after long-haul flights. According to the authors, "Virgin has applied the logic of value innovation not just to the airline industry, but also to insurance and to music and entertainment retailing. Virgin has always done more than leverage its existing assets and capabilities. The company has been a consistent value innovator."

How does this apply to the graphic communications industry? It's time to build stronger relationships with upper-level management at printers' customer companies and consistently research and explore how their needs and values are changing as their own industries evolve. No one ever wants a brochure printed or a website designed *per se*. They want what such a product or service can provide: increased opportunity to grow their business as they develop new value innovations in their own marketplace.

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Chapter 5:

Open Doors

To New Markets

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Combat the industry profit squeeze and find growth opportunities by taking an innovative approach that enables you to respond to change and leverage your organization's transition strategy:

Develop new value offerings for your current market and customers instead of looking for new markets and customers for your traditional offerings.

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"Opportunities in new markets may be lost because you're too busy doing unprofitable work".

In the last chapter we focused on finding new opportunities to provide customer value in an existing market. We discussed why we should look closely at how our existing customers were really using our products and services, and try to identify any compromises those customers were forced to make in the process, i.e., where we fell short—often as an entire industry—in achieving total customer satisfaction. We also looked at the need to break through the barriers of those compromises and, by so doing, being able to offer more in terms of our value proposition that would result in breakaway growth.

One key point that was stressed was that we cannot be everything to everyone, but, rather, that we should focus on the commonalities of our customer base and actually, if need be, let not only some products and services, procedures and methods, but even some customers go in the process.

Sharpen Your Focus

In considering the right growth opportunities in new markets, it is important to keep in mind that we should not seek growth simply for growth's sake. Since the ultimate aim of any business is long-term profitability, we should strive to grow by offering highly profitable products and services in new markets based on our existing expertise and proven success. And, in pursuing these new opportunities in new market areas, we might once again find it necessary to prune away some existing clients and/or work to free up the resources necessary to pursue more profitable opportunities and customers.

Management expert Peter Drucker warns us that our companies cannot be everything to everyone. He cites large U.S. corporations as being the worst offenders in this regard, priding themselves "on being able to supply any specialty, to satisfy any demand for variety, even to stimulate such demands in the first place." And, while doing so, they never abandon any products or services that they already offer.

The result is that a small percentage of the products and services "carry the costs" of the majority of the work being done. In many companies, 10% of the clients or product lines are generating 90% of the profit. Drucker believes that a company should focus on "the smallest

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number of products, product lines, services, customers, markets…which will produce the largest amount of revenue."

To gain in terms of profitability and growth, he recommends utilizing a three-step company-wide process: Analysis, Allocation, and Decision.

• **Analysis.** In the initial phase of analysis, managers begin the process by ranking the true performance of every product and service that the company offers. To determine the rank of each product or service, it may be helpful to do a sort of SWOT analysis, looking at each item's strengths, weaknesses, opportunities, and threats—all of which will contribute to its current and projected profitability. In this ranking process, suggests Drucker, company leaders should take the extra time and effort to identify any costs that may be hidden from view in doing standard cost accounting since "revenue money and cost money…are not automatically from the same money stream."

"Economic results are, by and large, directly proportionate to revenue, while costs are directly proportionate to number of transactions," notes Drucker, pointing out, for example, that it might cost no more to get a $50,000 order than it does to get a $500 order. It might cost no more to design a winning product than it does to design an also-ran, and so on. This consideration is particularly applicable in the new world of selling digital printing, where jobs are generally considerably smaller, and generate less revenue—and commissions—than the typical offset print run and has led to a distinction in many companies between the way they market and compensate salespeople of offset vs. digital.

In the graphic communications industry, hidden costs of a job will often include transportation between plants; packaging materials; credit and collections; sales expenses and time; poorly prepared customer files, unnecessarily long makereadies due to client inexperience or indecision; spoilage; inaccurate work standards used in estimating; and excessive machine downtime for equipment that was purchased in order to satisfy a limited number of clients/jobs.

• **Allocation.** During the allocation phase, the manager must apportion the limited resources of the company according to where he or she expects to realize the greatest results with respect to clients of products and services in existing markets, as well as in new markets.

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This always involves an element of risk, since new markets are seldom totally—or even somewhat—predictable, but being unwilling to bet on anything but a "sure thing" will generally leave the timid in the long-term profit dust.

- **Decision.** The decision phase is where the most painful step of all takes place. It is during this final step when managements decides which products, staff activities, or cost areas actually "breed clutter rather than bring opportunity and results." These are the services that need to be abandoned before pursuing further growth. Pruning services—which also generally means ending the employment of those whose activities are tied exclusively to those services—is perhaps the most difficult management decision, particularly in small or family owned businesses, where the workforce has a high percentage of long-term dedicated employees, some of whom may have been high performers under the previous generation of ownership. Nonetheless, avoiding these tough decisions will only jeopardize the continued health and prosperity of the rest of the workforce and the company itself.

Planned Expansion

This three-step approach can be applied in the graphic communications industry as a starting point for researching new opportunities in new markets. ***Any expansion will be based on what the company does best and most profitably***. This is at the core of the specialization process.

After completing the three-step procedure, a graphic communications company might discover that the results point to a particular *product category*, such as annual reports, high-end catalogs, digital trans-promotional work, or commercial mailers with short-run version changes. In this case, the strategy would be to find other clients with similar needs in this product category and concentrate all marketing research and sales efforts in this direction.

Another company might find that over time its sales and customer service staffs have developed expertise in meeting the needs of a particular industry—such as health-care, sports, tourism, automotive, etc.—and that, in addition to their graphic communications knowledge, they excel in service and profitability in terms of a *customer category*. If this were the case, one obvious suggestion would be to research and target more customers within that particular industry. Another

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approach would be to form a committee that would brainstorm about identifying opportunities in related industries that have very similar needs in terms of serving their own clients with graphic communications products and/or distribution services.

It is also possible that the analysis step could have discovered that a particular machine center or *process category* is more profitable than any other operation or department in the company. Perhaps the company has an outstanding high-end binding capability, or is adept at handling multiple pick-and-pack fulfillment orders efficiently, or has an expert grasp of the changing United States Postal Service mailing regulations that enables it to offer customers value-added assistance in stretching their mailing dollars. In cases such as these, a company should consider focusing its marketing research and sales efforts on building this operation or department while beginning to outsource some of its other, less profitable operations by means of possible alliances with other industry providers.

Critical Questions

Writing in the *Harvard Business Review* on the subject, "To Diversify or Not to Diversify," Constantinos Markides proposes a number of critical questions that managers need to address before entering into any new market areas.

- **What can our company do better than any of its competitors in the current market?** In line with Drucker's first step of analysis, Markides recommends that managers provide a clear definition of what sets their company apart from existing competitors. Building on its strengths, areas where it has a demonstrated capacity to excel, gives it a clear advantage as it attempts to succeed in new markets.

- **What strategic assets do we need in order to succeed in the new market?** Markides points out that, even with a proven track record, success in one market does not automatically guarantee success in any new market areas. Every type of industry or customer base has its own specific requirements and demands, and while they may be seeking a product, service, or process similar to those the company has long provided to other industries or customers, their requirements may differ significantly. Managers must ask "whether their company has

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every strategic asset necessary to establish a competitive advantage in the territory it hopes to conquer," notes Markides.

• **Can we catch up to, or even surpass, our competitors at their own game?** If additional strategic assets are needed to enter the new market—expertise in a new customer category, for example—managers need to consider whether their organization has, in Markides words, the "potential to buy what is missing, develop it in-house, or render it unnecessary by changing the competitive rules of the game." Printers now faced with new opportunities and challenges in trying to become database managers for their customers or offer variable digital printing to a complex and changing database will, for example, have to determine whether they should outsource these services to an Information Technology company, hire new IT personnel, or find employees on their existing staff who will be able to learn enough to handle this area successfully.

• **Will attempts to diversify into new markets backfire by breaking up strategic assets that need to be kept together?** Managers must consider carefully, explains Markides, whether the "strategic assets they intend to export are indeed transportable to the new industry. Too many companies mistakenly assume that they can break up clusters of competencies or skills that, in fact, work only because they are together, reinforcing one another in a particular competitive context." This is particularly true when several employees have developed an expert team of advisers whose ability to serve new customers at the same service level may suffer if one or more members of the team are asked to head up a new effort for another industry or customer base. Another danger area is the workflow process. If it is necessary to move part of a unified process to an outsourcer in order to meet new market demands, it may weaken significantly the current well-run process that must now make important and difficult adjustments to meet its existing customer goals.

• **Will we be simply a player in the new market or will we emerge a winner?** Quite often, companies entering a new market find that their new competitors rapidly adjust to the situation. This is because strategic resources can be imitated or purchased by alert and

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flexible companies. This raises the issues of market share and position on the new technology adopter curve.

Major corporations pay considerable attention to their share of market in their key product areas, often opting to move out of a business segment if they have little chance of being one of the top three or four segment shareholders. It simply is not worth their while to pour millions of dollars in an area where they cannot attain the dominance that will win them more business and enable them to enjoy economies of scale.

A Non-Issue

The fragmented—although increasingly less so—nature of the printing industry makes this a non-issue for most companies outside top three or four independents or major consolidator organizations. It sometimes becomes a strategic concern in certain vertical industries or product lines, where dominance gives the company a stranglehold on the domain, making it so nearly the industry or product standard that companies new to the area are reluctant to look elsewhere. Entering one of these segments without sufficient resources (including time) to build up a reputation as a worthy supplier may make it impossible to succeed when faced by the challenge of the long-dominant and respected current segment supplier or suppliers.

Given the rapid introduction of new technology in the printing industry, leaders must also be careful where they want to hop on the new bells and whistles train. Early adopters may balance risk with competitive advantage since they can offer what other companies have not yet gained the capacity to provide, but that advantage may soon disappear if the technology is generally available and can be added to the arsenal of other companies in short order. Variable data capabilities, for example, made heroes of early digital printing adopters who could offer customers personalized marketing materials proven to drive higher response rates. As digital printing became widely adopted, however, that advantage soon disappeared. Similarly, companies that jumped early to provide remote proofing or electronic file uploading capabilities won business from clients seeking a faster, all-digital workflow. As such capabilities became the norm, that competitive edge was blunted.

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• **What can our company learn by diversifying, and are we sufficiently organized to learn it?** Strategically aligned companies will make entry into a new market a learning experience to help them reach other new markets that were previously out of reach. In a sense, each new market entry becomes a steppingstone for the company to move along the path of realizing its ultimate strategic vision.

Conversely, companies that take a flyer into a new area, fail to make it work, and abandon any further new market attempts will have lost not only a current opportunity for growth, but most likely future possibilities as well. Entering new markets should not be a roll of the dice, but a calculated risk, in which both upside and downside possibilities have been studied and allowed for. Risk tolerance—to a greater or lesser degree—is a necessity for companies that seek to grow. And, in an industry defined by change in technology and customer demand, failing to grow is virtually the same as losing ground.

Companies that advance are generally learning organizations that take each success and failure as part of their business education and apply the new knowledge gained (often at considerable expense) to better understanding their market, their competition, their clients, and themselves—and leveraging that understanding for competitive advantage. This mindset comes from the highest level of management and must be accepted as a core value throughout the organization if it is to work. Companies that punish managers for taking risks will eventually eliminate all risk-takers from their ranks. Companies that reward risks that have a well-researched probability for success—whether they ultimately succeed or not—will nurture the kind of employees who are able to find next big new customer area and make the company an industry profit leader by enhancing immeasurably its potential for breakaway growth.

One point cannot be overstated: The keystone of achieving expansion through specialization in new market areas is building on the company's current strengths and growing by doing what it does best and most profitably for new customers. When undertaken on the basis of proper analysis, this approach will lead to the organization's continued market growth and profitability.

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Chapter 5:
Open Doors
To New Markets

Strive to grow by building on your strengths and offering highly profitable products and services in new markets based on existing expertise and proven success.

Analyzing existing operations, reallocating resources to core segments, and pruning unproductive areas can free up resources for new growth.

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"Opportunities in new markets may be lost because you're too busy doing unprofitable work."

In the last chapter we focused on finding new opportunities to provide customer value in an existing market. We discussed why we should look closely at how our existing customers were really using our products and services, and try to identify any compromises those customers were forced to make in the process, i.e., where we fell short—often as an entire industry—in achieving total customer satisfaction. We also looked at the need to break through the barriers of those compromises and, by so doing, being able to offer more in terms of our value proposition that would result in breakaway growth.

One key point that was stressed was that we cannot be everything to everyone, but, rather, that we should focus on the commonalities of our customer base and actually, if need be, let not only some products and services, procedures and methods, but even some customers go in the process.

Sharpen Your Focus

In considering the right growth opportunities in new markets, it is important to keep in mind that we should not seek growth simply for growth's sake. Since the ultimate aim of any business is long-term profitability, we should strive to grow by offering highly profitable products and services in new markets based on our existing expertise and proven success. And, in pursuing these new opportunities in new market areas, we might once again find it necessary to prune away some existing clients and/or work to free up the resources necessary to pursue more profitable opportunities and customers.

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Management expert Peter Drucker warns us that our companies cannot be everything to everyone. He cites large U.S. corporations as being the worst offenders in this regard, priding themselves "on being able to supply any specialty, to satisfy any demand for variety, even to stimulate such demands in the first place." And, while doing so, they never abandon any products or services that they already offer.

The result is that a small percentage of the products and services "carry the costs" of the majority of the work being done. In many companies, 10% of the clients or product lines are generating 90% of the profit. Drucker believes that a company should focus on "the smallest number of products, product lines, services, customers, markets…which will produce the largest amount of revenue."

To gain in terms of profitability and growth, he recommends utilizing a three-step company-wide process: Analysis, Allocation, and Decision.

- **Analysis.** In the initial phase of analysis, managers begin the process by ranking the true performance of every product and service that the company offers. To determine the rank of each product or service, it may be helpful to do a sort of SWOT analysis, looking at each item's strengths, weaknesses, opportunities, and threats—all of which will contribute to its current and projected profitability. In this ranking process, suggests Drucker, company leaders should take the extra time and effort to identify any costs that may be hidden from view in doing standard cost accounting since "revenue money and cost money…are not automatically from the same money stream."

"Economic results are, by and large, directly proportionate to revenue, while costs are directly proportionate to number of transactions," notes Drucker, pointing out, for example, that it might cost no more to get a $50,000 order than it does to get a $500 order. It might cost no more to design a winning product than it does to design an also-ran, and so on. This consideration is particularly applicable in the new world of selling digital printing, where jobs are generally considerably smaller, and generate less revenue—and commissions—than the typical offset print run and has led to a distinction in many companies between the way they market and compensate salespeople of offset vs. digital.

In the graphic communications industry, hidden costs of a job will often include transportation between plants; packaging materials;

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credit and collections; sales expenses and time; poorly prepared customer files, unnecessarily long makereadies due to client inexperience or indecision; spoilage; inaccurate work standards used in estimating; and excessive machine downtime for equipment that was purchased in order to satisfy a limited number of clients/jobs.

- **Allocation.** During the allocation phase, the manager must apportion the limited resources of the company according to where he or she expects to realize the greatest results with respect to clients of products and services in existing markets, as well as in new markets. This always involves an element of risk, since new markets are seldom totally—or even somewhat—predictable, but being unwilling to bet on anything but a "sure thing" will generally leave the timid in the long-term profit dust.

- **Decision.** The decision phase is where the most painful step of all takes place. It is during this final step when managements decides which products, staff activities, or cost areas actually "breed clutter rather than bring opportunity and results." These are the services that need to be abandoned before pursuing further growth. Pruning services—which also generally means ending the employment of those whose activities are tied exclusively to those services—is perhaps the most difficult management decision, particularly in small or family owned businesses, where the workforce has a high percentage of long-term dedicated employees, some of whom may have been high performers under the previous generation of ownership. Nonetheless, avoiding these tough decisions will only jeopardize the continued health and prosperity of the rest of the workforce and the company itself.

Planned Expansion

This three-step approach can be applied in the graphic communications industry as a starting point for researching new opportunities in new markets. ***Any expansion will be based on what the company does best and most profitably***. This is at the core of the specialization process.

After completing the three-step procedure, a graphic communications company might discover that the results point to a particular *product category*, such as annual reports, high-end catalogs, digital trans-promotional work, or commercial mailers with short-run

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version changes. In this case, the strategy would be to find other clients with similar needs in this product category and concentrate all marketing research and sales efforts in this direction.

Another company might find that over time its sales and customer service staffs have developed expertise in meeting the needs of a particular industry—such as health-care, sports, tourism, automotive, etc.—and that, in addition to their graphic communications knowledge, they excel in service and profitability in terms of a *customer category*. If this were the case, one obvious suggestion would be to research and target more customers within that particular industry. Another approach would be to form a committee that would brainstorm about identifying opportunities in related industries that have very similar needs in terms of serving their own clients with graphic communications products and/or distribution services.

It is also possible that the analysis step could have discovered that a particular machine center or *process category* is more profitable than any other operation or department in the company. Perhaps the company has an outstanding high-end binding capability, or is adept at handling multiple pick-and-pack fulfillment orders efficiently, or has an expert grasp of the changing United States Postal Service mailing regulations that enables it to offer customers value-added assistance in stretching their mailing dollars. In cases such as these, a company should consider focusing its marketing research and sales efforts on building this operation or department while beginning to outsource some of its other, less profitable operations by means of possible alliances with other industry providers.

Critical Questions

Writing in the *Harvard Business Review* on the subject, "To Diversify or Not to Diversify," Constantinos Markides proposes a number of critical questions that managers need to address before entering into any new market areas.

- **What can our company do better than any of its competitors in the current market?** In line with Drucker's first step of analysis, Markides recommends that managers provide a clear definition of what sets their company apart from existing competitors. Building on its strengths, areas where it has a demonstrated capacity to

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excel, gives it a clear advantage as it attempts to succeed in new markets.

- **What strategic assets do we need in order to succeed in the new market?** Markides points out that, even with a proven track record, success in one market does not automatically guarantee success in any new market areas. Every type of industry or customer base has its own specific requirements and demands, and while they may be seeking a product, service, or process similar to those the company has long provided to other industries or customers, their requirements may differ significantly. Managers must ask "whether their company has every strategic asset necessary to establish a competitive advantage in the territory it hopes to conquer," notes Markides.

- **Can we catch up to, or even surpass, our competitors at their own game?** If additional strategic assets are needed to enter the new market—expertise in a new customer category, for example—managers need to consider whether their organization has, in Markides words, the "potential to buy what is missing, develop it in-house, or render it unnecessary by changing the competitive rules of the game." Printers now faced with new opportunities and challenges in trying to become database managers for their customers or offer variable digital printing to a complex and changing database will, for example, have to determine whether they should outsource these services to an Information Technology company, hire new IT personnel, or find employees on their existing staff who will be able to learn enough to handle this area successfully.

- **Will attempts to diversify into new markets backfire by breaking up strategic assets that need to be kept together?** Managers must consider carefully, explains Markides, whether the "strategic assets they intend to export are indeed transportable to the new industry. Too many companies mistakenly assume that they can break up clusters of competencies or skills that, in fact, work only because they are together, reinforcing one another in a particular competitive context." This is particularly true when several employees have developed an expert team of advisers whose ability to serve new customers at the same service level may suffer if one or more members of the team are asked to head up a new effort for another industry or

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customer base. Another danger area is the workflow process. If it is necessary to move part of a unified process to an outsourcer in order to meet new market demands, it may weaken significantly the current well-run process that must now make important and difficult adjustments to meet its existing customer goals.

- **Will we be simply a player in the new market or will we emerge a winner?** Quite often, companies entering a new market find that their new competitors rapidly adjust to the situation. This is because strategic resources can be imitated or purchased by alert and flexible companies. This raises the issues of market share and position on the new technology adopter curve.

Major corporations pay considerable attention to their share of market in their key product areas, often opting to move out of a business segment if they have little chance of being one of the top three or four segment shareholders. It simply is not worth their while to pour millions of dollars in an area where they cannot attain the dominance that will win them more business and enable them to enjoy economies of scale.

A Non-Issue

The fragmented—although increasingly less so—nature of the printing industry makes this a non-issue for most companies outside top three or four independents or major consolidator organizations. It sometimes becomes a strategic concern in certain vertical industries or product lines, where dominance gives the company a stranglehold on the domain, making it so nearly the industry or product standard that companies new to the area are reluctant to look elsewhere. Entering one of these segments without sufficient resources (including time) to build up a reputation as a worthy supplier may make it impossible to succeed when faced by the challenge of the long-dominant and respected current segment supplier or suppliers.

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capabilities, for example, made heroes of early digital printing adopters who could offer customers personalized marketing materials proven to drive higher response rates. As digital printing became widely adopted, however, that advantage soon disappeared. Similarly, companies that jumped early to provide remote proofing or electronic file uploading capabilities won business from clients seeking a faster, all-digital workflow. As such capabilities became the norm, that competitive edge was blunted.

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Chapter 6:

Strategic Alliances Build Flexibility

The traditional path toward profitability for a graphic communications company was to be a capital-intensive manufacturing facility that offered a wide variety of in-house services to its clientele. This resulted in high quality, dependable customer service and broad-based production operations.

It may now be wiser for companies to adopt a new paradigm–one of focusing their manufacturing processes on core (and most profitable) competencies alone and providing client-requested ancillary services through successful alliances with other industry service specialty providers.

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Outside suppliers can serve as sources of new ideas, expertise, and technologies while saving significant time and resources.

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Many forces contribute to create the competitive environment in which graphic communications industry companies must now operate. Many are unpredictable and virtually impossible for even the most advanced strategic planner to anticipate.

Some come from outside the industry. The Internet, and its unprecedented negative impact on printing niche staples such as forms and directories may be the most obvious and dramatic impact. But there are many others. Some are even unexpected outcomes of advancements most printers would initially categorize as beneficial. Increased speed and process efficiencies in new press equipment has led to over-capacity on an aggregate scale. Similarly, refinements in toner-based digital technologies have introduced a fierce competitor into the "good enough color" printing market that is challenging the dominance of offset.

Macro political and economic factors have also played a role. A government-sponsored modernization of basic industries in countries such as China, combined with a digitized workflow and Internet-based ordering and proofing, plus low-cost foreign labor, have made international printing options more attractive to U.S. customers.

More subtle changes within the industry itself have also intensified the competitive landscape. Workflow changes moved graphic designers from pre-process contributors to an integral part of the prepress process itself, leading increasing numbers of printers to ally strategically with design firms or even bring graphic design services—

as well as marketing services—in house. The printer who cannot offer such one-stop shopping services may now find himself at a significant disadvantage.

And, as customers increasingly look for these one-stop shopping alternatives, companies that have long been outside traditional boundaries of the graphic communications industry, such as mailing and fulfillment operations, are now stepping square into the process chain and closing the service loop by adding printing and binding to their offerings—just as more and more printers are expanding their companies' service menu by adding mailing and fulfillment choices.

High Fixed Costs

The long-traveled path toward profitability for a graphic communications company was as a capital-intensive manufacturing facility—with a wide assortment of printing-related heavy equipment, or "iron"—that offered a wide variety of in-house services to its clientele. This yielded high quality, dependable customer service, and production operations. It also resulted in a shop full of equipment that took years to see a return of its original investment cost and that was under-utilized because it might be there for the occasional needs of only a few customers—and, in some cases, just one good customer who could not be kept waiting if and when he wanted a special service.

Given the competitive realities of today's industry, however, we now entering a time when it might be far wiser for many companies to adopt a new paradigm–one of sticking only to their core competencies when it comes to their basic manufacturing capabilities, while offering a wide variety of ancillary services by establishing mutually beneficial alliances with other specialty service providers throughout the industry.

In traditional in-house manufacturing, it was a company's heavy capitalization with respect to the equipment on its shop floor that gave it a competitive edge by virtue of its ability to run low-cost operations at high levels of productivity. But those "low-cost" operations, whose price was kept at reasonable levels because the work was done as a captive part of the printer's own workflow, wasn't really all that inexpensive when the fixed costs of keeping that equipment on site and in running condition at all times were factored in. Heavy investments come with substantial costs that must be offset somehow if a company is to be profitable.

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As noted in the value-added theory of Harris Margolis, “A full-service printer carries high fixed costs. Within the range of operation, a company’s expenses don’t change significantly, but they must still be covered by value-added before the company can make a profit.” According to Margolis, writing in *Printing News,* value is added by manufacture–and value added is defined as “the difference between the sales price and materials costs. It is the printer’s real sale...” In such a heavily invested operation, the goal is to minimize outside expenses because they do not contribute to offsetting the existing high fixed costs.

Even more perilous, in a rapidly changing industry, these fixed costs can hinder a company’s flexibility in terms of its ability to respond to unplanned customer demands for new products and services. As noted above, as competitive market forces continue to act upon companies in our industry, businesses can remain competitive only by focusing on their most profitable operations and abandoning those that are marginally profitable or sometimes even unprofitable. In most cases, a company’s most profitable operations are those that reflect its core competencies, those products and services whose demand and profit margin are sufficient for it to build upon and cover its internal fixed costs.

Core Touchstones

For most companies, their core competencies will be readily apparent; for others—especially those with ill-defined visions or fuzzy missions—they may not be so obvious. In their classic *Harvard Business Review* article, “The Core Competencies of the Corporation,” C.K. Prahalad and Gary Hamel describe three touchstones that a company can use to identify which of its services comprise its core competencies:

• **“A core competence provides potential access to a wide variety of markets,”** note Prahalad and Hamel, who explain that these basic production capabilities are applicable to a variety of customer markets and do not prevent entry into new growth areas. In printing, for example, a company may develop a facility for producing business cards. The majority of its business may be for insurance industry clients, but its core business card competency may be marketed to the pharmaceutical, real estate, transportation, and scores

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of other industries and markets as well without requiring the company to add any additional equipment.

"Core competencies are the wellspring of new business development," note the authors, who encourage businesses to cultivate and expand these capabilities, building their market share in areas they know best and at which they are most profitable: "They should constitute the focus for strategy at the corporate level. Managers have to win manufacturing leadership in core products and capture global share through brand-building programs aimed at exploiting economies of scope."

• **"A core competence should make a significant contribution to the perceived customer benefits of the end product,"** they continue. A company needs to focus continually on providing increased value and benefits to its most profitable customers, say Prahalad and Hamel—and should do so through the building of core competencies.

Failing to heed this advice has been the genesis of scores of doomed corporate expansions, in which companies acquired businesses that were allied to their core competency, but not perfectly aligned with it. In time, the energy and resources focused on bringing the new acquisition smoothly into the fold of the original company resulted in management's inability to tend properly to its core business, which invariably begins to slip. The final result, more often than not, is a divestiture of the acquired company and a pledge to refocus attention on the once prosperous core competency.

• **"A core competence should be difficult for competitors to imitate"** is the third hallmark of the authors. While this may seem a difficult task for printers who lament the fact that today's highly sophisticated equipment has put nearly all printers on a level playing field—and removed the once highly coveted competitive edge of the skilled four-color press operator or other craftsman—this is where a company can still gain a true competitive edge if it has focused its manufacturing efforts to develop significant knowledge and experience that enables it to achieve levels of efficiency that might take a competitor entering the field years to develop. These are the areas where any company can "afford" to have investments reflected in fixed costs and create profitable value through manufacturing.

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While clearly speaking of large corporate organizations, Prahalad and Hamel note that “few companies are likely to build world leadership in more than five or six fundamental competencies. A company that compiles a list of 20 to 30 capabilities has probably not produced a list of core competencies. Still, it is probably a good discipline to generate a list of this sort and to see aggregate capabilities as building blocks. This tends to prompt the search for licensing deals and alliances through which the company may acquire, at low cost, the missing pieces.”

Despite the fact that few printers will be able to—or may even seek to—build world leadership in certain core capabilities, while the size and scope of the approach may require some paring down, the strategy remains sound for companies of all sizes. Printers can develop market leadership, can advance to the top (or so close to the top) of the list of providers of certain services and products that they become the industry standard in their product or service market—and have thereby built the base for expanding their core offerings into new markets.

Competitive Dilemma

The dilemma faced by a company that would like to emphasize only its profitable core competencies is that by scaling back to a limited number of offerings it may appear less able to win the business of customers who want to take advantage of one-stop shopping and reduce the number of vendors with whom they must work. The solution lies within the strategic outsourcing of the company’s less profitable activities through win-win alliances with other providers.

One way to acquire these missing product and service pieces effectively is to follow the approach outlined by author Eberhard Scheuing, which he terms “value-added purchasing.” According to Scheuing, although many companies may believe that the only way to keep a profitable position is to hold all the manufacturing cards and keep every process step in-house, purchasing from outside resources can be an important and successful element of a company’s strategy that may actually improve its competitive position.

In his book, *Value-Added Purchasing,* Scheuing contends that traditional organizations—typically characterized by a structure that is a rigid, vertical hierarchy with separate, autonomous silos of functions that are generally unresponsive to change—have become ineffective operations because they simply have not remained flexible enough to be

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able (or willing) to evolve with the changing needs of their customers. He recommends that the traditional organization rethink the way it is structured and reinvent its purchasing process in order to achieve the kind of value-added purchasing that will stretch its internal boundaries and heighten its customer-responsive flexibility.

He believes that this newly structured organization should embody a more horizontal approach, comprising cross-functional teams that will be focused on customer requirements and satisfaction, rather than solely on single, individual facts of the process. In such an organization, the procurement function will have successfully transitioned from "urchasing" to "sourcing."' "In an increasingly interdependent world, no organization can remain an island unto itself," says Scheuing. "Faced with seemingly limitless opportunities but limited resources of their own, modern organizations seek additional leverage by joining forces with others."

These successful new organizations are characterized by having strengths in several key areas: a well maintained *external focus*; the development of effective sourcing practices; the formation of strategic alliances; and, a high level of inspirational leadership:

• **External Focus:** The external focus of the organization will be creative and flexible, and it will be open to whatever adjustments are necessary to respond quickly to customer needs—in other words, it will be *customer-focused*. A company with this mindset will remain ready to capitalize on promising opportunities while continually refocusing on its core competencies. It will not scramble to provide every new thing that appears on the business horizon, but will look for those new needs and demands that align well with its basic strengths. According to Scheuing, such organizations "are sensitive to evolving environmental conditions, reach for and seize market opportunities, continually adapt to new parameters, and reinvent themselves and stay ahead of the competition."

• **Effective Sourcing:** While it may appear to be a matter of semantics to some, Scheuing believes that replacing the term "purchasing" with "sourcing" properly emphasizes the skills required to locate, monitor, and continually improve the effectiveness of responsible and reliable sources. In other words, the new organization "treats suppliers as external resources, not vendors," he explains. "Suppliers

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are sources of ideas, technologies, and savings in time and money. Vendors merely execute orders and meet specification."

The new organization should ally itself only with those suppliers whose focus remains on the contribution they can make to the company's success, rather than—as is more common in the "purchasing" discipline—looking for vendors who are selected on price alone. An effective supplier should not just provide supplies for its clients' operations, but actually enhance its clients' competitive position. Just as printers seek to be partners in helping their customers achieve their marketing objectives, so should printers' suppliers act as partners in helping them achieve theirs.

- **Strategic Alliances:** The new organization is willing to commit itself to building strategic alliances with its outsourcing suppliers. It is not in the business of creating adversarial relationships in which the two parties are continually struggling over pricing. It does not wish to reinvent the supply wheel with each new job, engaging in single-order purchases and repetitive requisition processes. Instead, it will enter into contractual relationship amid a climate of trust and cooperation, and will reward those suppliers that practice continuous improvement and work to develop a constructive partnering relationship.

No Pressure

New organizations practice joint cost management and do not rely on pressure tactics. "The traditional approach of 'squeezing' vendors for lower prices ignores their legitimate need to earn fair and responsible profits," says Scheuing. "Joint cost management involves shared responsibility for understanding and reducing cost in the supply chain for mutual benefit." Although outsourcing partners are used, the company looks at them with the supplier with the same sense of joint dedication to successfully meeting the customer needs that it would view an internal department providing a specific component of a product or service.

- **Leadership:** Companies do not change their basic work processes or their cultures overnight—and they do not do so without complete buy-in to the new approach evidenced by strong leadership from the top. Scheuing believes that the move away from purchasing and toward sourcing will be energized by a clearly defined outsourcing

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vision as a result of motivational leadership. This vision will inspire a "concept of a team of world-class professionals, strategically partnering with suppliers and customers to enhance the competitiveness and performance of all players," he explains.

The company will focus on training and upgrading the skills of purchasing groups so that they can transition from single, cost-alone-based transaction purchasing activities to development of long-term sourcing relationships with companies aligned with the company's customer-centered goals. Empowerment of individuals will be the theme, while enhancing the formation of cross-functional teams with the authority and responsibility to get the right things done will be the norm.

"Purchasing has become a key contributor to organizational competitiveness and performance," states Scheuing. "Moving from transactions to relationships, it has reinvented itself to fit its new role as strategic sourcing leader. By continuously enhancing its skills mix, and the performance of its resource base, it has become a driving force for change that is altering the way in which organizations do business."

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Chapter 7:

Score with a Systematic Game Plan

Graphic communications companies should focus on their core competencies –what they do best and most profitably—and should commit to a high level of fixed costs only in these areas.

Since companies must often serve their customers with products and services beyond their core competencies, finding outside partners for special requests can boost profitability in a time of new customer demands—if partnerships are developed and implemented with care.

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"Be certain the company cultures are complementary, then have an agreement on goals and be sure that they're measurable."

While it is critically important for a company to focus its resources on its core competencies—those products and services it does best and most profitably—since today's customers increasingly want to engage in one-stop shopping, it is common for a company to be asked to provide a wide variety of ancillary services that go well beyond its basic capabilities. As noted in the previous chapter, practicing effective sourcing principles and value-added purchasing practices can help meet these customer demands, and can be most successful when long-term strategic alliances are forged with other industry companies.

In the graphic communications industry, the types of companies involved in a successful alliance chain can encompass a very wide variety of upstream and downstream services. They may include, but not limited to, organizations that provide services involving graphic design, website development, paper and ink procurement, specialty printing processes, binding and specialty finishing, mailing, fulfillment, distribution, multi-media production and marketing, database management, data security, and response tracking.

Six-Step Plan

While such an extensive list would appear to offer a substantial number of opportunities for creating value-added partnerships, with the rapid changes in local and global market structures, the accelerating rate of technological applications, and the extremely high level of competition in today's industry, building effective supply-chain alliances can often be not only problematic, but also a delicate issue.

In his book, *Developing Strategic Alliances*, Ed Rigsbee discusses how doing business through the establishment of industry partnerships can open exciting new opportunities in marketing strategy and growth. Such partnerships can offer large reductions in fixed costs by

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eliminating the need to maintain costly equipment in house that is used only sparingly, and can provide new visibility in existing and potential new markets as well as a potential new customer stream in clients of the partner business that may also need services that business does not provide, but its partner does.

Warning that building successful alliances can be challenging, Rigsbee emphasizes that any partnering program must begin with top management's complete buy-in and commitment to the approach. He goes on to outline a six-step plan for leaders in top management to follow as they introduce the partnering paradigm to the organization:

- **Step 1: Monitor.** In making a commitment to developing strategic alliances, leaders must understand the need for such an approach and know what they want from it. The first step, according to Rigsbee, is identifying those areas of their own business that represent their core strengths and that can offer value to a prospective partner.

Although some partnerships will be on a more traditional vendor/supplier basis—such as printers forming an alliance with paper merchants to enable them to meet unusual customer paper needs they would otherwise find difficult to fill—others will be more symbiotic in terms of jointly serving a customer by bringing two core strengths together to meet his needs, thereby making each more attractive to clients. A graphic designer, for example, can expand a printer's capabilities and at the same time gain new business as a result of the built-in needs of printing clients for digital files.

In Rigsbee's words, "Define what it is that you want and help others to define what they want, and help them to achieve it as quickly as possible." He also suggests that company leaders expand their business horizons to study other industries that have successfully built strong partnerships, and take a close look at specific companies that have achieved their aims through partnering.

- **Step 2: Educate.** Due diligence is an important component of any business move, and Rigsbee advises leaders of companies considering joining forces with others to learn all they can about their potential partners, including not only how well the fit is between the two in terms of business operations, management style, and corporate culture, but asking themselves, their management teams, and the members of the partner's management team important strategic

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questions that relate to the company's strengths, weaknesses, and market growth potential.

Similar to the approach advocated by Scheuing in regard to developing sourcing options, these alliances should never be adversarial in nature—neither side should be "the winner" in the relationship—Rigsbee applies the same principle to strategic alliances, suggesting that leaders should seek to enter relationships that will create a win/win outcome for all participants. We should "make sure that the company cultures are complementary and that the people who will make the alliance work have the ability to get along," says Rigsbee.

• **Step 3: Select.** Obviously, the partner selection process is a critical step, and, fittingly, Rigsbee recommends that companies enter this stage armed with knowledge, understanding, and commitment. In addition to all the criteria already noted above, he counsels selecting partners that can aid "in rapidly and efficiently reaching the goals of research, technology, production, and marketing." In other words, companies that will help move their partners forward, not hold them back.

At the same time, he cautions, seek alliances with those "embracing long-term thinking," partners that both sides intend to last well into the future and enable each company to grow and prosper. Partnerships should not be entered into lightly as a way to respond rapidly to some market fluctuation or sudden need, for the value they bring today may disappear tomorrow if fashion changes or new technologies make last year's "next big thing" instantly obsolete or at least second-best.

These partnerships should not be regarded as quick fixes on either side, cautions Rigsbee, but rather as "sound, long-term business strategy."

• **Step 4: Organize.** Even if all the steps leading up to partner selection have been completed carefully and a thoughtful partnership decision has been made, the alliance will not work unless it is well choreographed.

Planning a partnership is like putting together a baseball team on paper; all the players may be great at their own positions, but they may not be able to work together successfully. That's why baseball teams have spring training—to enable everyone to learn how to function

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together as a winning team. Business seldom has the luxury of a try out or training program; most tuning up is done in real time with real customers who want real results—and they don't want their work handled by on-the-job trainees.

That's why successful partnerships—whether full-fledged mergers or simple sourcing agreements—must be carefully planned and those plans must be communicated clearly and thoroughly to everyone in both organizations long before the partnership goes into effect. At the organization stage it is critical to develop a roadmap for success and to fully "identify, understand, and put together the possibilities for your alliance," states Rigsbee.

Staying Alive

He believes that establishing an effective communications system for all partners, particularly decision makers, is an extremely important part of the organization process, and suggests that both sides "plan procedures to keep relationships between key people of partnering companies open and constantly alive."

The aim is to ensure that employees at all levels of each organization share the attitude of fostering the success of the alliance, and that they all have an emotional ownership in a winning outcome. In supporting open communications, Rigsbee recommends the development of effective Management Information Systems that enable partners—especially those separated physically—to share updated information constantly in areas such as inventory, ordering, production scheduling, and advertising.

- **Step 5: Charter or Agreement.** Understanding what is expected by each partner of its counterpart is critical to the successful formation of the alliance and its ability to work together smoothly going forward. A formal mechanism, such as a written charter or agreement in which alliance members can identify their goals and milestones, is an essential partnership element that Rigsbee believes is crucial to the ultimate success of the relationship.

During the Charter, or Agreement, stage, companies must "develop a clear agreement on what [their] goals are and make sure they are measurable," says Rigsbee. Since Charter development tends to overlap with the actual implementation of the partnership, leaders may be tempted to skip it in the face of other, more pressing challenges.

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This would be a major mistake, however, for taking the time to complete this step can help forestall finger-pointing and disappointment by one side or the other in the future.

Rigsbee suggests that leaders should be prepared for any possible conflict that may arise during the Charter phase, and notes that such readiness, along with a pre-agreed-upon set of procedures, will help resolve any conflicts that may occur. Issues such as distribution of profits and losses among partners; management control and voting; ownership and transferability; and responsibilities for overhead and administration expenses should all be included in the Charter, which, of course, will have been thoroughly reviewed by lawyers on all sides before its signing

• **Step 6: The Post-Agreement Stage.** Once the agreement has been put in place, it is vital for partners to meet regularly to determine if their anticipated goals are being met, agreed-upon procedures are being followed, and the alliance is proving effective for both sides, and to discuss ways in which the relationship could possibly be improved. Feedback is crucial to the alliance process; in addition, given the many variables inherent in today's graphic communications industry, ongoing re-evaluation of how the partnership is working is a necessity.

Abrupt Changes

No matter how much planning is done before entering into an alliance, no one can anticipate every possible scenario that might occur, particularly in an industry where customer demands and technologies vary at such a rapid rate. In his *Harvard Business Review* article, "The Triple-A Supply Chain," Hau Lee discusses the many abrupt changes that can take place in the marketplace, and the qualities a supply chain alliance must have in order not only to survive, but to prosper under these shifting conditions.

Many in business assume that the key to a successful alliance relationship is simply focusing solely on making the chain operate faster and more cost effectively. Lee suggests, however, that the alliance supply chain will break down over time unless three other important "A" qualities are built in: Agility, Adaptability, and Alignment.

►**Agility.** According to Lee, it is the objective of the agile supply chain to "respond quickly to short-term changes in demand or supply

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quickly, and handle external disruptions smoothly." There are several practices that can increase the agility of a supply-chain alliance. One is to promote information-sharing among suppliers and customers. Lee also suggests forming collaborative relationships between alignment leaders, developing contingency plans, and creating crisis management teams, all of which will enable companies to respond immediately on the basis of pre-determined responsibilities and actions.

"Agility is critical because, in most industries, both demand and supply fluctuate more rapidly and widely than they used to," says Lee, adding: "Most supply chains cope by playing speed against costs, but agile ones respond both quickly and cost-efficiently."

- **Adaptability.** Lee notes that the goal of the adaptable supply chain is to adjust its design "to meet the structural shifts in markets, modify supply network to strategies, products, and technologies." Among the methods that can be used to accomplish this goal, he recommends monitoring supply bases and markets throughout the world and evaluating the needs of the company's *prospective* customers, not just its current ones. The latter would be a particularly apt approach since many partnerships in the graphic communications industry are formed specifically to go after new business in new markets.

Lee also suggests working with intermediaries—such as trade associations and government agencies at all levels—to develop leads for new suppliers. As well as an alliance may be working, the adaptable organization will keep its eyes open to suppliers or partners that may offer even better service or a more profitable business fit.

Lee also advises companies to continually evaluate where their product or service offerings stand with regard to new technological applications. Here again, new partners may be able to offer expertise in the latest technologies that will give the printer a competitive edge, at least for the short term before late adapters enter the arena. This is one of the wider benefits of being adaptable, as Lee notes: "Adaptation needn't be just a defensive tactic. Companies that adapt supply chains when they modify strategies often succeed in launching new products or breaking into new markets."

- **Alignment.** The objective of creating alignment in the supply chain is to "create incentives for better performance," says Lee. To

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accomplish an aligned supply chain, he recommends maintaining open exchanges of information with vendors and customers, as well as clearly defining the roles, tasks, and responsibilities of suppliers and customers. Not only must alliance partners be aligned in their operational efforts, says Lee, but they must also work to share equally the risks, costs, and advances from improvement efforts.

Once again it is paramount to choose partners that are committed to the success of the alliance, not simply their own advancement. “Great companies take care to align the interest of all the firms in the supply chain with their own,” notes Lee. “That’s critical, because every firm–be it a supplier, an assembler, a distributor, or a retailer–tries to maximize only its own interests. If any company’s interest differs from those of the other organizations in the supply chain, its action will not maximize the chain’s performance.”

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PART III: IMPLEMENTING THE VISION

Becoming customer-centric graphic communications company is not a matter of realigning a few business areas or changing some sales and marketing approaches. It requires a fundamental restructuring of the entire business so that every department and function never loses sight of the customer with every decision that it makes.

Transitioning from an emphasis on what the company does to what its key clients need makes every employee an important part of a customer response team dedicated unreservedly to the success of those customers.

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Chapter 8:
Build Company Structure On a Customer Foundation

Leading graphic communications companies put their primary focus on marketing customer solutions. Doing so successfully requires changes that go far deeper than the Marketing Department alone to impact the company's fundamental structure.

In essence, the customer-centric marketing function now becomes part of every job.

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"Transition away from a product-focused organizational structure and toward a structure that is customer-focused."

At its heart, customer-centered marketing means marketing customer solutions. That may seem like a simple, straightforward task that involves little more than giving the Marketing staff a new set of marching orders, but, in truth, marketing customer solutions successfully requires deep organizational changes that go well beyond the Marketing Department and actually have a significant impact on the company's elemental makeup.

In previous chapters we have given a good deal of attention to the need to develop a customer-centered marketing operation, exploring such key customer-centric actions as:

- Creating a corporate mission that is built upon the needs of the company's clients and remains open to change as these needs evolve,

- Looking for new ways to serve the company's existing clients while continually marketing existing services to new client bases, and

- Focusing on the company's core competencies while building flexible alliances with outside partners to remain fully supportive of clients' new needs that go beyond the company's existing capabilities.

While all these actions play important roles in moving a company towards a customer-centered focus, a true customer-centered marketing initiative cannot be successfully realized without also bringing about a fundamental change in the company's basic organizational structure. Most often, the required transition is moving away from a product-focused organizational structure toward a structure that is customer-focused.

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Significant Factor

In a research report entitled, “Fundamental Changes in Marketing Organization: The Movement Toward a Customer-Focused Organizational Structure,” published in the *Journal of the Academy of Marketing Science*, authors Christian Homburg, John P. Workman, Jr., and Ove Jensen found that a change toward a customer-focused organizational structure was *the most significant factor* in bringing about positive change in building a marketing-centered company.

In their qualitative study, the authors conducted 50 telephone interviews with managers in companies evenly split between the United States and Germany. Their findings provide a clear view of the evolution of change that is required in order to build a customer-focused organizational structure that will succeed. They summarized their results in terms of six propositional statements:

- ***Proposition 1:*** *“The relative importance of key account management increases as firms seek to establish closer relationships with their customers; as the extent of coordination of logistics between buyers and sellers increases; as buyers reduce the number of suppliers; as decision making is centralized hierarchically within customer organizations; and as multinational customers centralize purchasing decisions across countries.”*

Most participants in the research study viewed Key Account Management (KAM)—or giving focused attention to a firm’s most important accounts—as the primary way for companies to get closer to their customers, or at least get close to those that matter most since it also allows companies to give the appropriate (and necessary) level of attention to their most profitable clients.

Among other advantages the practice offers, companies practicing KAM can respond to buyer demands for joint-optimization activities such as statistical process control (SPC) and just-in-time (JIT) production. The KAM approach also provides a leg up when companies are trying secure accounts with buyers who are seeking to reduce the number of suppliers with whom they want to work. As the trend toward centralized buying continues—now often going beyond former geographical boundaries—KAM provides the means for supplier

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companies to respond quickly and efficiently toward centralized customer demands no matter where they arise.

• ***Proposition 2:*** *"As a greater emphasis is placed on key account management, more senior personnel are assigned to manage key accounts and cross-functional teams are more likely to be used."*

Since KAM is focused on a firm's most valuable accounts, it allows senior personnel to take a more active role in customer service and production. At the same time, the role of the Production manager expands from what was considered a product development administrator post to one that has more account responsibility and is essentially customer-driven rather than product- or process-driven.

Under KAM methods, customers are served by teams of individuals whose members cross traditional departmental lines (e.g., Customer Service, Scheduling, Production, Sales, Marketing) to provide more responsive and knowledgeable single-source services to the company's key accounts.

• *Proposition 3: "Dispersion of marketing activities will be greater in firms that pursue the goal of being close to their customers as the need for specialized marketing expertise increases."*

In companies building a customer-focused organizational structure, the marketing task is dispersed beyond that of a separate departmental function to part of overall sales and customer service activities—and these, too, cross even more departmental lines. As noted above, personnel from many areas are brought together in specialized customer response teams, enabling experts from a variety of areas to respond to customer requests as needed, whether it involves press issues, databases, multi-media applications, or any other product, process, or service area. As one research report interviewee stated, "Activities traditionally done by marketing people are getting done now by the sales force or staff people in the sales force area. They're just closer to the customer."

At the same time, The marketing function itself also becomes more of a team effort. Temporary teams are created to focus on issues such as new product development or new service areas; special task forces are assembled to respond to individual customer satisfaction

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issues. Permanent teams are also being put together to offer marketing input along with specialized expertise in issues such as customer service, production logistics, graphic design, fulfillment, and mailing/distribution.

"We have marketing and sales people serving on dedicated, cross-functional teams working in the field supporting accounts," noted one research participant, adding, "The cross-functional members of those teams have hard reporting relationships into sales now and dotted-line into the rest of the business."

- ***Proposition 4:*** *"The likelihood of a firm or subunit of a firm having a customer-focused organizational structure increases as the emphasis placed on being close to customers increases; as customer decision-making across geographical regions becomes more centralized; and as customers have access to information that allows product feature and price comparisons across geographical regions."*

To build an organizational structure that is market-focused, a company must configure itself in ways that allows it to respond quickly and smoothly to new customer needs. As one executive stated, "The basic philosophy is to organize around markets, have a lot more focus on what drives markets, what markets need in terms of products and services, and put ourselves in a position so that we can change our products and services, *so we can change and adapt more quickly*."

No Boundaries

The research authors also saw another trend: More companies were focusing on serving customers in certain types of businesses and ignoring the geographical territories that were more often the accepted new business base of product-focused organizations. "Six years ago we had our sales organizations aligned by geography," stated one interviewee. "Today, we have our sales organizations aligned by customer business type – mainly along industry lines."

Fueling the trend to move beyond geographical borders continues are the modern communication and information technologies that make it possible for sales personnel (and customers) to access information instantly wherever they are on the road and to deliver (and receive) customer service responses world-wide within moments. As the Internet and Web 2.0 technology enhance the ability of customers to gain instant

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account status and updates, geography is rapidly becoming a non-factor in customers' product and service procurement decisions.

Delivering the Message

Spurred by technology (especially the Internet), many graphic communication service providers have sought new ways to implement an enhanced customer focus and present their marketing message to customers and prospects in new ways.

One example can be found on the website of Standard Register (*http://www.standardregister.com/industry/industryall.html*), where the stress is not on describing or promoting products or services, but on offering answers and information to print buyers who are in, or serve, industries in which the company has special expertise.

Standard Register considers itself a solutions provider to its customers with a clear market-focus. Its focus is not on selling print, but on helping its customers grow their companies in their own particular industry. Their mission statement is, "To make a measurable difference for our customers by helping them achieve their desired business outcomes." And they currently serve over 14,000 of these customers.

Standard Register's market-focus categories include the automotive, financial, healthcare, insurance, manufacturing and pharmaceutical industries. Within each category is a wide range of services Standard Register can supply its clients, many of which go well beyond printing. For example, in the automotive category, services include dealership forms, business supplies (e.g., labels, key rings, shelving systems), print-on-demand services, nationwide warehouse and distribution services, and e-procurement and supplies management.

Proposition 5: *"The effectiveness of a customer-focused organizational structure increases as more attention is placed on the social rather than the technical issues in the implementation of information systems; as the accuracy of revenue and cost allocations to customer-focused business units increases; when managers of customer-focused business units are rewarded based on profitability of the set of customers for which they are responsible; and as a greater emphasis is placed on team-based incentives."*

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As information systems come more and more into play, the researchers found, the biggest problems encountered in their implementation were not technological issues, but more often involved human resource concerns. Resistance to change is common when a new way of doing things is introduced. In addition, individuals in sales commonly "protect" information about their clients since it represents a major source of their leverage. Communication, education, and a culture of involvement—supported by every level of management, beginning at the very top—are the keys to avoiding resistance to change in the first place.

There are, of course, some important technology issues to be addressed. Accounting systems in marketing-focused organizations, for example, must be updated to reflect profitability of customers and product groups, and should not be based on individual products, as is usually the case in a product-focused structure. As one interviewee said, "Most companies don't know the profitability of individual customers because of fundamental weaknesses in their management accounting systems. And they don't know the cost to serve various market segments. So they know they have a lot of business that is unprofitable, but they don't know *how* unprofitable it is."

Companies must also look at new ways of compensating performance. Reward systems are often not based on the profitability of customer groups or industry segments, but on individual product sales and performance—and they are rarely set up to acknowledge team efforts. These issues need to be addressed and reward procedures modified to support the success of the customer-centered organizational structure.

Major Sticking Point

Such compensation modifications are no small issue to the salespeople who not only lead the efforts for traditional work, but are now being asked to sell new products, services, and processes (such as digital printing) as well. Changes in the compensation structure may be a major sticking point with salespeople in a company attempting to transition from a product focus to a focus on customer solutions, but it should not be allowed to sabotage the initiative.

And that may necessitate telling your best salesperson that the industry is different, today's customers are different, and companies that want to have even a chance of surviving in this new environment

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must be different, too. The old ways may have worked in the past, but that industry is no longer here—and companies that insist on approaching their work as though they were in that old industry will not be here much longer themselves.

Proposition 6: *"The effectiveness of a customer-focused organizational structure increases as the financial and cost accounting knowledge of managers of customer-focused units increases; as the understanding of the industry value chain by managers of customer-focused units increases; and as the cross-functional experience of managers of customer-focused units increases."*

Training and tapping the wide experience of Human Resource personnel have become key factors in the success of a customer-focused organizational structure where the Marketing function has become part of every job, cross-departmental teams have become the norm, and the role of the salesperson has evolved far beyond making the initial sale.

"From a skills standpoint, we are almost demanding now that people move between functions," commented one study interviewee. "Because of this kind of environment, you have to have more experience than just your own. For that reason, when we recruit, we are actively looking for people who have a real broad background."

It is obvious from the work done by Homburg, Workman, and Jensen that putting additional emphasis on marketing efforts and developing a customer-centered marketing strategy extend far beyond the work done by a company's marketing department. Without the active participation and wholehearted cooperation of other areas—most notably Sales, Production, and Customer Service, but even extending to areas such as Accounting and Scheduling, for example—a company will not be able to make a successful transition from a product-focused manufacturer to a customer-focused service provider.

Meeting new customer needs and market demands requires thinking about—and modifying—how every part of an organization's structure views the work it does and is willing and able to place its focus not on the completion of its individual task, but on how the task it completes helps to serve the customer better.

The graphic communications industry will continue to experience many significant changes—as will all the customer markets it serves. Those graphic communications companies that successfully evolve into

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a customer-focused organizational structure will stand the best chance for future survival and prosperity in the midst of this changing environment.

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Chapter 9:

Transition from Process To Customer Partnerships

As the emphasis moves from primary concern with the success of the organization's process to the success of its customers, salespeople and others responding to customer requests will strive to develop a sophisticated knowledge of the clients they serve—their products, their markets, even their competitors.

Cross-functional marketing teams will employ Key Account Management techniques to maintain an intimate customer relationship that understands and even anticipates customer needs.

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"Stay close to key accounts with cross-functional teams that help both sides exchange information and explore innovative solutions.

There is a temptation after making a major structural change to avoid additional upheaval, but reconfiguring the company's fundamental make-up from a product-focused organization to a customer-centric enterprise will not have the desired results if it is not reflected in ongoing customer interactions. Customer-based organizations stay close to major clients through Key Account Management (KAM) by cross-functional marketing teams, including—and especially—members of the Sales staff whose roles and objectives should now have evolved from production adviser to strategic partner.

Key account management methods enable companies to establish closer relationships with their most important clients and remain in tune with, and fully supportive of, their clients' changing needs. The research cited above by Christian Homburg, John Workman, and Ove Jensen makes it clear that the changes needed to establish a customer-based structure include several important steps that involve a number of company areas, including the executive suite:

- Decentralization of the marketing function.
- Involvement of high-level management in building accounts.
- Market research that extends beyond geographical boundaries.
- Strong expertise in each customer category.

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● Establishment of cross-functional teams that stay focused on monitoring and serving customer needs.

Cross-functional marketing teams should be made up of individuals from throughout the company, including, for instance, those in top management, Marketing, Customer Service, Prepress, and Sales. The role of the salesperson, in particular, becomes an important factor if the marketing team is going to succeed because it will require salespeople to adopt a new outlook and add several new wrinkles to their job description.

Changing Role

First and foremost, it requires them to be open to change—unfortunately, change is something that most salespeople, especially those who have been successful, are often reluctant to embrace—and willing to rise to new challenges. It also requires salespeople to become experts in their customers' businesses and the industries in which those customers operate, and demands that they change their focus from making short-term or individual transactional sales to building long-term client relationships.

In "Personal Selling and Sales Management: A Relationship Marketing Perspective," a study published in the *Academy of Marketing Science Journal*, authors Barton A. Weitz and Kevin D. Bradford discussed the changing role of the salesperson and the adjustments in sales management that needed to be made as a result of a marketing-based [customer-based] firm's increased concentration on establishing long-term relationships with its key accounts.

To illustrate the requisite changes in sales methods, Wietz and Bradford trace the evolution of sales approaches by looking at a four sales "eras" framework developed by Thomas Worturba in "The Evolution of Personal Selling," an article in the *Journal of Personal Selling and Sales Management.* Worturba's four evolutionary ages include: Production, Sales, Marketing, and Partnering.

Taking Orders

Generally, salespeople can be looked at as being in a ***Production*** role when industry demand exceeds supply, i.e., when the industry can be considered a seller's market. In a Production era, the objective of the sales force is simply to complete sales. The business is there for the

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taking, calls tend to be inbound from customers, and the salesperson's focus is on taking orders and shepherding jobs through to delivery. Salespeople make sales calls to ***inform customers*** about their company's new offerings, such as a new capability, product or service, and customers take advantage of these new competencies.

The role of the salesperson can be described as being a ***provider*** of products and services to the customer. The salesperson does not have to expend extraordinary effort to gain business; he simply has to handle each job competently, counting on the other company departments to complete the job as ordered. Sales skill requirements are minimal, generally limited to the ability and willingness to make as many sales calls as possible, without spending an undue amount of time on any one call—there is no need to "hand hold" demanding customers because there are plenty of other customers available.

According to Weitz and Brandford, when it comes to managing the sales function, the accent during this era is on "effectively allocating effort across products and territories and motivating and rewarding individual salespeople to work hard—to increase the number of sales calls rather than improve the abilities of salespeople through selection and training."

Being Persusasive

In a ***Sales*** era, the goal of the salesperson is still to make sales, but the critical task of the salesperson now becomes one of ***convincing customers to purchase*** the company's products and services. Salespeople at this evolutionary stage don't just take incoming orders; they must try to influence customers with what generally amounts to a hard-sell approach. The focus remains on serving short-term buyer needs, but the role of the salesperson now becomes that of ***persuader***.

"To persuade customers that they need a supplier's product, salespeople in this role focus on achieving short-term results for their companies by using aggressive selling techniques," explain Weitz and Bradford. "Research related to effectiveness in this role has concentrated on identifying personality traits, such as aggressiveness, related to salesperson performance and effective techniques for overcoming objections and closing sales." Management of the sales function at this stage remains concentrated on efficient resource allocation across products and territories and rewarding salespeople on the basis of their hard work and sales efforts.

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Offering Satisfaction

In the ***Marketing*** era or role, salespeople begin to concentrate on ***satisfying customer needs***. While they still are focused on short-term customer and buyer requirements, they must now also begin to learn about their customers' business because they must take on the role of a ***problem solver*** by matching the offerings their company currently has available to meet the needs of their customers and prospects.

"The range of alternatives considered in solving the customer's problem is typically limited to the selling firm's present product and service offerings," say Bradford and Weitz, noting that although customer needs are considered in the sales presentation—and must become part of the preparatory process for sales calls—the salesperson's primary objective is still the same as that of his counterparts in the previous two eras: making an immediate, albeit short-term, sale.

In this era, sales management begins to evolve, now centering on a more demanding and effective selection of personnel, better sales force training, and greater emphasis on motivating salespeople to work smarter. "Research on improving the effectiveness of salespeople in the marketing role has largely focused on developing a customer orientation in salespeople and encouraging salespeople to practice adaptive selling," say the authors.

Making a Commitment

Finally, in the customer-based marketing organization, sales personnel are asked to enter a ***Partnering*** era. At this stage, the objective of the sales force becomes ***building customer relationships*** and satisfying the long-term needs of their customers. The salesperson takes on the role of ***value creator***—not just meeting the customer's needs, but actually enhancing his results. Perhaps most significant, salespeople transition from a passive to an active role, looking for new ways to help the customer meet his objectives, serving as a graphic communications adviser to the customer—one who always has the customer's success top of mind, even if it does not immediately yield a sales.

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Personal Selling Progression

In an article entitled, "The Evolution of Personal Selling," in the *Journal of Personal Selling and Sales Management,* Thomas Wotruba says that the nature of personal selling has evolved through the four "eras"—or personal sales approaches—as shown in the table below.

In their article, "Personal Selling and Sales Management: A Relationship Marketing Perspective in the *Journal of the Academy of Marketing Science,* authors Barton A. Weitz and Kevin D. Bradford looked at these four categories and concluded that although they may comprise an evolutionary pattern of sales approaches, these eras can also exist simultaneously within a single company, or even within the approaches taken by a single salesperson to different clients.

As seen in the table, each approach is focused on a different objective and requires the salesperson to assume a different role.

Four Eras of Sales		
Era	**Salesperson's Objective**	**Salesperson's Role**
Production	Make Sales by informing customers about the company's offerings, taking orders and delivering goods.	**Provider**
Sales	Make sales by convincing customers to purchase using hard-sell approach.	**Persuader**
Marketing	Satisfy customer needs by matching them to available offerings.	**Problem Solver**
Partnering	Build customer relationships and freely exchange information to explore innovative solutions for matching buyer needs with seller capabilities.	**Value Creator**
Source: Weitz and Bradford: "Personal Selling and Sales Management: A Relationship Marketing Perspective," Journal of the Academy of Marketing Science, 1999.		

As in the Marketing era, the Partnering role demands that the salesperson understand the customer's needs in order to convince the buyer that his firm's products or services can satisfy those needs. But now the knowledge base must be expanded, as the salesperson must also seek to understand the customer's industry and competitive environment, know how other graphic communications efforts have worked for him in the past and how his company can devise new approaches that will yield greater success in the specific circumstances of his market.

Partnering salespeople "work with their customers and their companies to develop solutions that enhance the profits of both firms," explain Bradford and Weitz. "Thus, salespeople in this role develop and maintain relational exchanges–exchanges in which the buyer and seller devote their attention to 'increasing the pie' rather than dividing the pie." "In addition, salespeople in the partnering role need to build trust and commitment in both their firm and the buying firm so that both parties will freely exchange information to explore innovative solutions to problems and make the risky investment to build competitive advantage."

Building the kind of trust that makes a company willing to share strategic information is not a short-term effort. The Partnering era is one in which salespeople must be willing to spend significant amounts of time learning about their customers, understanding them, and developing new proposals that may be accepted or rejected. There is no automatic answer the phone and make the sale scenario in this era. Patience is essential, as is a sincere desire to help the customer succeed, knowing that the object is not to quickly seal a one-time short-term sale, but to cement an ongoing partnership that will ultimately yield long-term results.

In today's highly competitive graphic communications industry, Partnering is the only path to continued growth and profitability. In terms of managing the sales force in a customer-centered marketing organization, the accent is now on the selection and motivation of sales teams and on the development of leadership and conflict management skills. According to Weitz and Bradford, there are three fundamental differences between responsibilities in the Partnering era and those in previous sales eras:

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- Focus on managing conflict between buyers and salespeople, rather than influencing a purchasing decision.

- Build long-term relationships, rather than making short-term sales.

- Work more as part of sales teams, rather than as individual salespeople.

Managing Conflict

Although conflict may be common in buyer-seller relationships, principally because different companies usually have different goals, in the Partnering era, sales managers seek to manage this conflict and bring it under control principally by emphasizing the fact that both sides now have the same goal: the customer's success.

"Effective conflict management in buyer-seller relationships can minimize the negative effects of conflict and increase the benefits parties derive from the relationships," note Weitz and Bradford. The goal is to maintain a commitment to the relationship and to develop win-win outcomes to conflict that are based on the aims of each party.

To manage long-term relationships through their partnering role, sales personnel must have, or develop, new skills. They will succeed in this role only when they possess knowledge and experience not only in the capabilities of their own company, but in the vertical market they are serving and the specific segments of that market in which their customers operate. "Salespeople as relationship managers need to have a sophisticated knowledge of the buying firm—its strengths and weaknesses, opportunities and threats, and strategies for developing a competitive advantage. This knowledge is needed to identify opportunities and approaches for creating value," explain the authors.

Partnering salespeople must also abandon any "lone wolf" modus operandi and learn to operate effectively within the structures of a team setting. Sales teams are becoming the norm in today's customer-based organizations for a number of reasons, but most notably because key account management is best accomplished by a sales team of experts who can answer any customer question at any time.

As noted above, research has shown that KAM teams are most successful when made up of individuals with diverse business and company-specific skills, including areas such as Finance, Engineering,

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Customer Service, and Production, as well as Sales. It is no longer acceptable for the customer service representative to say that he will contact the pressroom and get back to the customer tomorrow with an answer to a color question. Today's customer is being asked to make faster and faster decisions and demands instant access to the information he needs to make those decisions. He doesn't want to leave a message or be put on hold. He wants to be able to speak directly with someone in Production who can answer his questions right now. The company that can give him the service he wants every time he calls is the company most likely to win and keep his business—and do so for the long term.

Moving toward the Partnering sales era in a customer-based organization using KAM tools and methods will not be without challenges for management. In particular, the formation of sales teams presents a number of managerial tests that go beyond just getting team members to work together harmoniously, share information freely, and develop a consensus mentality that will help move work forward without dissension or backbiting.

New Measurements

Without the old one-to-one ratio of single salesperson-to-personal sales booked, challenges may also be expected in the areas of devising new ways to measure and evaluate sales performance of the individual within the success or failure of the full team, as well as determining how to compensate or promote individual team members when the input, influence, and effectiveness of each may not be readily apparent.

As Weitz and Bradford ask: "What types of incentives are most appropriate for maximizing the productivity of sales teams? If team performance incentives are used, how should this incentive compensation be allocated to individual team members?" And, of course, how do you keep the team motivated and united if performance—and, therefore, compensation—is affected negatively by one of its members?

If the goal is one of satisfying customers and building long-term relationships, how can the success of these goals be accurately measured and should compensation packages be based on how well these aims are achieved, in addition to traditional measures such sales and gross margin?

While it is clear that the future survival and prosperity of a graphic communications firm will often be based upon the

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accomplishment of a successful transition from a product-based organizational structure to a customer-based one, more experience is needed to answer these questions. These challenges should not deter company leaders from embarking on a sales team approach or from utilizing key account management methods, however, for both constitute a promising direction for those graphic communications firms whose customers are experiencing accelerating change in terms of their clients' needs, technological applications, and industry market structure.

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Chapter 10:
Winning Partnerships
Start with Shared Goals

In the marketing-based, or customer-centric, company, the sales role has now become one of helping to build the company and its cross-functional marketing team as a value provider for its key accounts.

Working with these clients in a joint sharing of knowledge and expertise is the foundation for building win/win relationships that will help them achieve their common aims and form a strong bond between customer and service provider over the long term.

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"Successful partnerships between service providers and their customers have impact, intimacy, and vision."

Marketing-centered suppliers seeking to develop long-term relationships with key accounts can start by joining with those clients to share knowledge and expertise that will help them achieve common goals and deliver tangible results. This may seem problematic to some who wonder which clients will be willing to share their business data with a services supplier and which clients they should be willing to devote the time and man-hours required to, in turn, share with them their graphic communications expertise. In some cases, this will be an easy decision: the company's biggest, most important customers are, of course, those with which it will want to devote most of its resources. In others, particularly when the partners are prospects rather than established customers, the decision will be a bit harder.

In the previous chapter, we discussed the changing nature of the salesperson's role, noting how it had evolved from an order-taking function to a client partnering position, serving as a customer advisor, and saw the benefits of using cross-functional marketing teams to most effectively serve in that partnering approach. In a marketing-based, or customer-centered, company, the sales role has now become one of helping to build the company and its cross-functional marketing team as a value provider with key accounts.

Beyond Boundaries

No matter how hard a graphic communications company works to develop a close relationship with its customers, however, a partnership must have at least two participants, and cannot work if key customers are unwilling to join in. In their book, *Getting Partnering Right: How Market Leaders Are Creating Long-Term Competitive Advantage*, authors Neil Rackham, Lawrence Friedman, and Richard Ruff detail the ingredients for successful partnerships with key clients. Their suggestions are based on years of research with hundreds of individuals

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from all over the world who have built successful client partnerships. They outline the qualities of many successful client partnerships, which include a move beyond traditional organizational boundaries and which are often defined by a relationship in which:

- Operations and processes of both parties become integrated;

- Profitability of both parties is considered, even if the supplier company needs to partner with a competitor to get the solution right for the customer;

- Salespeople have begun sharing information with clients, even in terms of cost accounting and profitability; and

- The establishment of joint teams comprising both suppliers and customers has helped generate millions of dollars in additional value by taking advantage of the knowledge, expertise, and productivity of both organizations.

When it came to determining what makes a client partnership work, three common elements repeatedly came up in the research findings. The authors titled them, ***impact, intimacy, and vision,*** and identified them as the critical success factors in partnering with clients.

Deliver Results

The authors use the word *impact* to "describe a partnership's capacity to deliver tangible results. Successful partnerships add value and, ultimately, improve productivity," they write. Achieving impact is the primary aspect of partnering in which higher levels of productivity and competitiveness are attained as a result of going beyond traditional working relationships with clients. "By rethinking the way in which organizations work together—by redesigning organizational boundaries to make business relationships more productive—partnering taps into a vast reservoir of productivity that traditional vendor relationships usually are unable to reach," note the authors.

In their research, they interviewed Kevin Brownsey, director of Sales for WHSmith, a major U.K.-based retailer and contract stationer. Asked about mutual change and its effect on impact, he stated, "When the customer is willing to change with us, we can remove whole

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processes out of their organizations for them. We can become the stock controllers, the distributors of their standard print items. So, effectively, *what we're doing is actually removing part of the administrative burden* that our customers incur within their organizations, and we take it in-house for them. We provide a lot more value when we can do this."

Think for a moment about how far away this relationship is from the traditional stationery purchasing agent/printing order taker relationship of years past. It's a given, of course, that the printer will deliver quality items according to the customer's specifications, that he will deliver them on time, and that his price will not exceed the quoted amount. That used to be enough to win jobs; it isn't anymore. In this instance, the supplier is not only doing all of the above, but is also assuming some of the administrative burden (read, employee time and costs) for the customer.

What does this have to do with printing? Today, everything—at least when it comes to winning and keeping printing customers. In addition to providing increases in productivity and profitability for both partners, when suppliers take on more and more of the administrative burden for their clients, it makes it very difficult for a competitor to gain access to the playing field. Competition is now based on factors that go well beyond price, quality, or delivery because the partner relationship is built primarily upon knowledge and expertise, not the successful completion of a process (although, again, that must also be there for every job).

In a relationship such as this, the downside is that there are hundreds of complicated operational details in the equation and the learning curve will be steep and take considerable effort for any newcomer to climb. The upside is that it becomes difficult and undesirable for customers to change suppliers through traditional purchasing channels because the partnership has brought relevant and measurable results that cannot easily be replaced—and because the client, too, has invested time and access in enabling the supplier partner to become so intimately involved with his business operations.

According to Rackham, Friedman, and Ruff, "Disentangling the relationship, by either party, can be achieved only through significant effort and organizational redesign – not something that either supplier or customer will want to do without a compelling reason."

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A Different Level

"Successful partnerships have moved far beyond transactional relationships and have achieved a level of closeness that would be unrecognizable within the old buyer-seller model," note the authors as they address ***intimacy,*** the second critical partnership success factor. "Intimacy is a challenging word," they write. "It conjures up images of people relating on an intensely close level. That's exactly what successful partners are doing, in a business context."

The information sharing in a partnering relationship is on a very different level than that of the traditional buying and selling connection. Often included in communications between partners are overall company strategic plans, confidential cost data, and a proprietary knowledge in terms of industry trends, competitive challenges, and product expertise. Interestingly, in all of their research on partnering, the authors observed a consistent underutilization of sales personnel in the partnering process. "Many organizations we met with admitted candidly that they lacked the intimacy to get partnering relationships off the ground," they said. "Worse, they sometimes did not even have enough intimacy to know where their partnering opportunities were."

One research interviewee, George Friddle, a business development manager at Bechtel, the San Francisco-based international engineering and construction firm, commented that, "the idea that salespeople are not necessary in partnering is not uncommon. But it is an absolute myth. It's critically important that we never walk away from a customer. It's important for sales to be involved so they can understand any critical issues and really help in calling in resources or reinforcing requests to management that certain things need to be done in different ways. Sales has a very important, ongoing role in partnerships."

One reason salespeople become such a critical resource in the partnering process is that they have such a good understanding of the customer base, the company's ongoing relationship with the customer, and the customer's needs—and, obviously, the more thoroughly the salesperson has immersed himself in learning about the customer's business, industry, and competitors, the more valuable he will be in the partnering equation. As the authors indicate, where intimacy is lacking, partnering is weak, and, "it is often for lack of a participant who is professionally trained in creating and nurturing customer relationships—a salesperson."

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Partnering Cornerstone

Successful supplier-client partnerships do not just happen; they are created and nurtured by willing—and caring—participants. According to Rackham, Friedman, and Ruff, there is a powerful force at work that moves participants toward attaining the partnership's maximum impact This force, according to the researchers, is their ***vision***, what they describe as "a strong, shared sense of what the partnership can accomplish. It is the cornerstone, and launching point, of successful partnering efforts."

This thought was echoed by research participant Manual Diaz, Hewlett-Packard Vice President of Worldwide Sales and Marketing, who suggested that the start of any successful partnership starts with a shared vision of the future. Rackham, Friedman, and Ruff believe that while suppliers will have very different ways in which they can create a shared vision with their colleagues, all seem to follow a similar four-step development path that can be summarized as follows:

- **"Assess the Partnering Potential."** Before working on a vision, or before even proposing a client-supplier partnership at all, successful partnering organizations give a good deal of thought as to whether there is a really significant partnering potential with the other company. A partnership cannot be forced on a customer; it must begin as a good fit in terms of services supplied, synergistic opportunities, attitudes and temperaments of company contacts, and the potential book of business that can be expected to develop.

- **"Develop the Partnering Proposition.**" Those suppliers that form successful partnering propositions realize that they must be very cautious not to develop a one-sided vision at the beginning of the relationship. A vision that is developed by only one party, or meets its needs alone, will never be shared because it lacks benefits and commitments from both sides. As the study authors put it, "As a result, successful partnering organizations tend to avoid "vision" as the starting point; rather, they get started by articulating a simple, attractive business case from which both parties can work to develop, later on, a truly shared vision," say the authors.

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Something to Gain

As noted earlier, partnerships must be win/win relationships—graphic communications suppliers cannot propose that customers enter into partnerships with them if all the gain is weighted on the supplier's side in terms of additional business. The customer must also have something to gain in terms of better meeting his goals or achieving some other product, service, or process enhancement that will make his participation worthwhile. A printer brings a great deal to the effective communications table that goes well beyond well-produced ink on paper. Good partner prospects will recognize that—or be convinced of it by their supplier—and understand that being able to tap into that graphic communications expertise is a valuable return for their partnership commitment.

- **"Establish a Joint Feasibility Team."** "As an understanding of the potential value evolves out of the initial conversations around the proposition, successful organizations focus on getting together in a supplier-customer team to access the feasibility of the partnership," explain Rackham, Friedman, and Ruff. The joint team effort, whose work is undertaken before the shared vision is fully developed, allows both companies to participate equally in the ownership of the partnering relationship. Ensuring that both sides are equal partners from the very first step of the process goes a long way toward obtaining the kind of real customer buy-in that will make the partnership successful in the long run.

- **"Create the Shared Vision."** Once both sides have decided that developing a partnership is mutually beneficial, they can create a shared vision which, in addition to goals and milestones for the relationship, puts a tracking system in place to guide the effort toward attaining those milestones and achieving those goals.

Those suppliers who have become adept at creating successful partnerships with their customers have developed the skills to offer a partnership proposition that is not only clear, but also includes several basic features, explain the authors:

- It will be presented in a way that is "brief, compelling, and believable," i.e., it will make a solid case for entering into the

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partnership, back it up with data that supports its claims, and explains it in a way that is easily understood and goes right to the heart of the matter.

- It will clearly outline how each party will benefit as a consequence of partnering, explaining the positive outcomes expected to be experienced by both sides.

- It will delineate the major changes each participating company will have to make in order to achieve the desired results, being open and honest about the extent of the commitment of staff time and resources that will be required by each side to make the effort worthwhile.

"Partnering organizations succeed when they actually achieve results, develop a close, almost seamless, relationship, and have an articulated, shared view as to what they can accomplish together," explain study authors Rackham, Friedman, and Ruff. "In short, it is when impact, intimacy, and vision come together that partnering works."

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PART IV: UTILIZING EVERY RESOURCE

Creating partnerships can take many forms, extending well beyond making formal alliances with fellow suppliers to cultivating unspoken alliances with clients and business associates who are always in your corner.

Nothing is more effective in marketing your company than using existing customers and colleagues to trumpet your services and products to others. This is customer-centered marketing on the highest level.

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Chapter 11:

Referrals Form Links

To New Customers

Market growth opportunities can be expanded effectively when a third party reference bridges the gap between buyers and sellers.

Third parties can fill numerous roles, from creating awareness and opening access to building trust and providing prospects with credible references.

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“A good referral can facilitate a new contact, create a contact, and reduce a prospect’s worry about how a supplier may perform.”

We’ve discussed the need for companies in our industry to partner with their clients, focus on their core competencies within specific markets, and form successful business alliances to help make these partnerships succeed. A positive additional consequence of this important third step is that it also provides entry into a world of business relationships that can prove extremely beneficial with respect to capitalizing on market growth opportunities—particularly within vertical markets.

If a company has been successful in forming partnerships and business alliances within a specific industry, market growth through third party referrals can be realized with considerable effectiveness. In a recent study presented at the Industrial Marketing and Purchasing Group (IMP) Conference in Manchester, U.K., Leena Aarikka-Stenroos and Aino Halinen presented findings from their research that analyzed what they called “the involvement of third actors” in helping pave the way for new business alliances.

The findings, which were detailed in their paper, “The Promoting Role of Third Actors in Initiating Business Relationships,” are based on a review of the literature, plus 20 interviews that were conducted with individuals in professional service organizations ranging in size from small entrepreneurial firms to large international enterprises. The results can, and should, be applied to market growth strategies of companies in the graphic communications industry, particularly those that have already formed successful customer partnerships in various vertical markets.

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Indirect Approach

Aarikka-Stenroos and Halinen found that, generally, some previous experience is needed for the buyer to build upon in forming new buyer-seller relationships. Although direct experience can be attained by trial and error, they caution that this can be a costly approach, suggesting instead that it is sometimes better to build upon the indirect experience that can be achieved by what the researchers describe as "listening to and comparing others' experiences."

In other words, there is less potential for an unhappy outcome if a buyer does not enter a relationship with a new seller "cold," but makes his decision to use the supplier on the basis of the experiences of other buyers who have already worked with the supplier. This principle is the genesis for such popular websites as "Craig's List," where sellers (from merchants to tradesmen) are recommended (or recommended against) by their previous customers.

When such an indirect experience approach is taken, at least three actors are involved: the seller, the buyer, and a third external party. "The third actor has experience of one or both parties of the emerging...relationship and participates in the initiation by sharing this experience with the other party," note the authors. "Thus three stages are included—experience, sharing the experience, and the actual initiation."

The third actor may convey information through various forms of public media, ranging from testimonials in ads to websites and blogs, or through a more casual approach, such as word-of-mouth. And, since this third party is considered an objective outside actor, he is looked upon as "a credible source of information." Obviously, the more knowledge the potential buyer has of the third party, and the more he trusts his objectivity, judgment, and veracity, the more faith he will put in the referral.

According to the researchers, the third party "may also share its experiences through active networking and mediating of contacts with others. The position of the third is based on connectedness; the third has connections to the buyer and the seller and positive perceptions of their performance," and thus may bridge the gap between the as yet unconnected parties, note Aarikka-Stenroos and Halinen. "It may introduce potential parties to each other which eventually lead to the creation of a new relationship."

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The researchers designed their interview schedule to solicit narratives from participants about initiations with important third external actors and to gather information about each company's history, service, and markets. They found that the third entity can be a single person or an entire organization.

"A person as a representative of an industry or a profession was often identified as a promoting third," they wrote. "In these cases, the promoting people were representatives of specific knowledge and relations of a certain industry or profession." In many cases, a third was a satisfied current or previous customer of the seller. Third parties from the non-customer category often included "providers of complementary services and providers of related professional services or other related services or products." For example, a bindery or mailer might serve as a third party promoter for a printer-print buyer pairing.

Competitors, Too

Ancillary service providers and even some competing companies were also identified as thirds, particularly in creative design fields. As one interviewee explained, "Sometimes our competing colleagues recommend us, since they cannot accept the assignment if they are already working with the customer's competitor. In those cases, it is normal to recommend a competitor, because designers set great store by utilization of the design in general. If you do not have time or you cannot accept the assignment, it is good to see that someone is designing the product. Therefore it is important to achieve the respect from other designers." In short, given the transition to self-design occasioned by new graphic design software, professional designers would rather than a competitor get the work than have the client decide that he can do it on his own—and thus, potentially, stop using graphic design firms on other projects.

As with other networking-based activities, sometimes third-party referrals came from other members of a strategic alliance chain, such as subcontractors, non-profit trade associations, and even social or civic organizations. When it came to initiating contact and providing a referral, the researchers found three different modes of action for a third party: Passive, active, and reactive.

The passive mode is one in which the referral, in essence, "speaks for itself." In the passive mode, "the third allows the use of their name in marketing or in access, and this is a typical arrangement in references,"

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note Aarikka-Stenroos and Halinen. This is most often reflected in testimonial placed in ads or promotional literature, featured on the company's website, or shown prominently on advertising panels at trade show booths and displays; or in the lists of "satisfied clients" offered to prospective buyers as part of the seller's introductory material or, again, featured on websites where "window shoppers" may read them.

Objectivity Rules

"In the active mode, the third actively promotes the seller or spontaneously guides the buyer to the seller," say the researchers. For example, a worker may have completed a job with a local printer that was done so well that he tells everyone else in his department. Sometimes it comes from third parties who have friends or relatives in a particular business and who are anxious to advertise their services as a way of aiding their success. The potential buyer may take such referrals with a grain of salt, depending on the level of disinterest evidenced in the third party. Again, the rule of thumb seems to be: the more objective the referrer, the more dependable the referral.

"In the reactive mode, the third [actor] reacts on the buyer's or the seller's request for information," explain the authors. This goes beyond the "hit or miss" of casual conversation and is usually generated by a pressing need for a supplier. The editor, faced with a variable-data project, for example, has no experience in that area so he calls the head of the company's Marketing Department to ask whom she used on that personalized postcard the company mailed out last month. Since the judgment of the referring party is now on the line for the quality of the work the seller will deliver, the referral tends to be among the most objective and trustworthy.

In each case, the buyer generally has no knowledge of the seller whom the third party is naming—no previous contacts have been made by the seller—so the benefit of the third party's actions is essentially to have eliminated the need for the seller to make a cold call. The buyer comes to the seller with some knowledge of his services—knowledge provided, with a positive spin, by the third party—and is hoping that the seller will be able to meet his particular needs. This is a scenario offering a far greater probability of success than a contact initiated by the seller without benefit of a friendly intermediary.

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A Dozen Roles

As an outcome of their research study, the authors identified 12 separate, but not necessarily mutually exclusive, roles that thirds can play in the referral initiation process:

• **Scouter:** "During the initiation, the first step for the seller is to find potential customers." In the scouter role, the third will help sellers look for suitable client prospects. Printers may say to satisfied clients, "If you liked our work, please let anyone else who needs printing know about us." And a helpful third party may actually contact co-workers or members of a religious or civic group that sometimes buy printing to let them know about the printer—or give their contact information to the printer and tell him to "use my name" when you call.

• **Awareness builder:** Since they already know about both parties, thirds can help initiate a connection by building the awareness of both the buyer and the seller about each other. Trade association and user group websites, blogs, and ListServs are perfect examples. One printer needs to find someone who will do die-cutting work for a particular project; another has outsourced his die-cutting work to a local company for years and is highly satisfied with the quality and price, so when he finds out what kind of a project the first printer needs done, he suggests that he contact his die-cutting resource and he'll be happy with the outcome. As one interviewee stated, "the circle of business people is quite small," said one interviewee of Aarikka-Stenroos and Halinen. "We do not know everyone, but we do know a lot of people. And they know more people, and so the message is further carried. We have also been noticed by the media and business magazines and it counts, too."

• **Need Creator:** A third can actually stimulate the need for a professional service when providing a reference or a referral, as indicated in the following excerpt from a graphic design interviewee in the study: "Reference descriptions are very important to the entrepreneur customer who has not previously utilized design in its business, because they note that 'okay, even in our scale design can be advantageous.' The typical image is that only large enterprises can benefit from designing."

Deciding Factor

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Customers that have successfully used multi-media advertising campaigns, for example, may suggest this approach to industry colleagues, referring them to a graphic communications company that successfully handled their first foray into a direct mail/Purl response campaign. The colleague may never have thought of using this kind of marketing before, but based on the recommendation—accompanied by a name of someone to call who can do this kind of work well—he may decide to give it a try.

• **Access Provider:** As the name implies, the access provider can offer an entry for one party to contact the other, help facilitate the contact, or even create the contact. "The access can be based on social relations or the experience of the third actor," note the authors.

The experience of one interviewee illustrates the role: "One contact emerged in the following way: I had previously worked for a local firm. It was a quite small case, nothing big at all. They were extremely satisfied. The guy, who was responsible for marketing in that firm works also in a firm located in the capital, and he presented me there as well."

Access providers are networkers with teeth; they don't just lend their name to a testimonial, but actively trumpet the benefit of using suppliers they have used, sharing names, numbers, and email addresses with others; making preparatory phone calls to alert the seller to the possible call by the buyer; even adding the seller to a social networking electronic "buddy list."

• **Accelerator:** The third actor can help speed up the initiation period and move the new relationship forward at a much faster pace than would otherwise by possible. "There are certain communities and events...where marketing managers and product group managers meet," noted one respondent. "If you have a couple of good referees there, this word-of-mouth can provide a good contact that is equivalent to several months of selling."

Industry trade associations and user groups that tout networking as a prime benefit of attending various conferences and programs can often serve as accelerators, particularly if they bring together potential sellers and buyers in their events. Programs that include sessions attended by both print buyers or graphic designers and printers, for example, will help make referral contacts far easier to initiate.

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• **Advocate Seller**: “The third actor can deliver marketing information about the work, the process, and relations, thus supporting the seller.” “Sometimes we arrange seminars where previous customers and potential new customers meet, and their previous customers inject information to potential customers about us,” said one interviewee. Note that the seller helps increase the potential for the third party to generate new business by providing the setting for buyers and referral sources to come together.

• **Match-Maker**: “When third actors act as matchmakers, they evaluate the fit between potential parties or aid the parties themselves to evaluate the fit,” state the study’s authors. Such match-makers may be mentors or department heads who suggest to their subordinates that they contact a certain company for an upcoming project because they have always served the business well in the past. In some cases, match-makers may even contact the seller to indicate how well they believe his capabilities will fit the needs of this project to make him more amenable to undertaking it.

‘More Than Anything’

Once the match has been made, third parties can also play an important role in deepening the relationship between the other actors and enabling their on-going association to be effective and run as smoothly as possible. Given their role in bringing the parties together, thirds have a personal stake in making the new partnership work and they help make it happy by playing a number of other roles, including:

• **Trust Builder**: The third actor conveys a feeling of trust by offering a believable testimonial about the trustworthiness of the seller. For example, as one respondent stated, “We base our business on trying to gain a solid mutual relationship with the customer. Thus, the references are not so valuable for us, but the referrals are, because if someone—whom you know and trust—gives a recommendation, that recommendation counts more than anything. There is no other way to present your superiority than through the previous client’s statement.”

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● **Evaluation Assistant:** "The third actor may help the new customer to evaluate quality, since intangible and knowledge intensive service outcomes and processes are difficult to evaluate in advance," note Aarikka-Stenroos and Halinen. This is particularly valuable when the work is of high importance or involves areas with which the buyer is unfamiliar. In such cases, the buyer is looking for someone he can depend upon to guide him through decisions he may have little background to feel comfortable making. Knowing that a trusted third party has, in essence, vouched for the seller's ability to see him through the work with success gives the buyer a much greater comfort level than using an untested source.

● **Expectations Builder**: "The third actor may help the new customer to build expectations that are likely to be met. In business service industries, it is difficult for the customer to figure out the outcome of a service and the service process in advance, and equally, it is challenging for the service provider to represent the outcome and process to the customer beforehand," say the authors. This may be particularly valuable in an industry such as printing, where work is customized for each buyer, rather than being chosen from an existing supply list or catalog.

● **Risk Reducer**: One of the most valuable roles a third party can play—at least in the eyes of the buyer—is to reduce the worry about how well a new supplier may perform. "Risk reducer role implies that thirds can reduce risk by offering actively or passively risk-reducing information," state Aarikka-Stenroos and Halinen, "Data indicate that thirds can participate in risk reducing in several ways; opinions of experienced thirds or the previous works and established relations that thirds represent, can reduce the risk perceived by the buyer."

To a certain degree, the third party acts as a safety net—or, put another way, as a trial run that the buyer does not have to take because someone else (the referrer) has already taken it for him. And the referral gives him a fall-back position in the unlikely event that the work does not go well in that he used someone recommended by another trustworthy and well-informed party rather than striking out on his own and using a supplier unknown by the company.

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● **Provider of Concrete Evidence:** Finally, the third party match-maker can present real-world experience-based data about a potential supplier, offering information based on work done for him in the past. "In creative professional services, providing concrete evidence is crucial, especially when the customer is buying the service for the first time," said one survey respondent. "If we can tell through reference cases how much a previous customer's business did benefit from design, it certainly interests the entrepreneur. They think that we can truly enhance their business."

The study by Aarikka-Stenroos and Halinen provides a rich analysis of the involvement of third actors in the initiation of new business relationships. Its findings can be especially useful for graphic communications companies seeking to widen their customer base by taking firmly established partnerships with current customers and, focusing on their proven core competencies, build upon the strengths of these successful strategic alliances to reach other potential client companies in similar industries or vertical markets.

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Chapter 12:

Initiate a Referral Strategy

By Gaining 'Expert' Status

A practical referral-based marketing strategy starts with salespeople working to position themselves as experts in their field, especially if they are concentrating on a specific vertical market segment.

Once established, they can more easily gain endorsements that open the door to new business in their home market.

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"Now the trust factor comes into play—referrals let buyers benefit from the indirect experience of someone whose opinion they can count on."

The theory behind referral-based marketing is solid, but the ideas must still be put into practice effectively. In the previous chapter, we reviewed research that provided the foundation for market growth strategies of companies in the graphic communications industry that have successfully partnered in various vertical markets. Now we will consider the practical applications of referral-based marketing principles, beginning with the tactical approaches set forth in work done by Bob Burg in his book, *Endless Referrals*. Burg offers a clear approach to referral-based marketing that should be part of any graphic communications marketing program with an emphasis on serving specific vertical markets.

According to Burg, the first stage of any referral-based marketing program is for company leaders and their Sales/Marketing managers to realize that to succeed with this approach, sales personnel must be able to position themselves as experts in their own particular field. Prospecting in vertical markets rather than geographic-, size-, or process need-based territories provides the perfect opportunity for each sales representative to know more about—and become better known in—their particular customer market category (e.g., pharmaceutical, travel, education, automotive, etc.) than they are in the graphic communications industry.

Free Advice

And Burg believes that sales representatives shouldn't even wait until they have immersed themselves in the specific market, but should assume an expert status and behave as though they are already powerfully positioned even when entering a new vertical. "The first thing you must do, even before beginning to implement any particular tangible strategies, is to put yourself in the mind frame of already being there," he explains.

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"Imagine you are the person who has already attained success. People now come to you for information, referrals, and advice."

Burg suggests that a major part of the referral-based marketing plan is to have sales representatives use the media as a way to gain expert standing without spending money. He recommends, for example, that they write columns and articles for appropriate trade journals or area newspapers. Such exposure alone may not necessarily generate income, he says, but it will give sales representatives (and their companies) a leg up on the competition when they are widely recognized as experts.

While a more daunting undertaking, writing a book—or even a booklet or pamphlet—on a particular subject within one's industry of expertise is another powerful tool in establishing oneself as an expert. According to Burg, authoring a book will help marketing effectiveness in two ways: Providing credibility and serving as a giveaway to get print buyers in a particular sector to think of you when they need your type of services or products. (And, of course, it doesn't hurt that the printed material can showcase the company's capabilities, from personalized variable-data copies to annual report-quality color printing.)

Multi-Media Methods

Burg also recommends that sales representatives position themselves as experts on the Internet as well. He suggests writing for other people's e-zines, as well as publishing one's own e-zine. The unrestricted length and frequency of online editorial copy makes editors voracious for free material and most are more than willing to include articles by outside experts in their electronic publications.

Other media approaches include encouraging sales staff to become media resources for radio and television, particularly local or regional cable television outlets, which often feature programs on local industries and employers, as well as being active participants in the vertical market industry seminars, panels, podcasts, and webinars. Attending these events and networking with other attendees, as well as the event coordinators, is the first step to appearing on stage or being interviewed. Being aware of the challenges faced by the industry—and the ways in which the salesperson's company can help the industry meet those challenges—will help position him as a "go-to guy" on important topics and drive up the demand for his opinions and his company's services.

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Establishing a position of expertise and gaining exposure to a wider segment of a particular vertical market will help significantly in gaining referrals from people who have read or heard the salesperson's insightful comments about industry problems and solutions. The importance of such referrals cannot be overstated. They are not just another way of getting your name out, anther type of advertising or marketing; they are endorsements that send the salesperson to the next prospect in a "friend of a friend" position, adding considerable warmth to what would have been a cold call.

Referral Benefits

"I don't believe there is a sales manager in the world who would doubt the following statement: An unconscionable amount of potential new business is 'left on the table' by salespeople who, whether through fear or lack of knowledge, fail to ask for referrals after a successful sales presentation," states Burg. He has outlined seven direct benefits that drive success through referral-based marketing. The first three are based on the work of Bill Cates' book, *Get More Referrals Now:*

● **Benefit #1:** Through referral-based marketing **it is easier to get an appointment** with a referred prospect. "The third-party person, who knows you, likes you, and trusts you enough to connect you or recommend you to her friend, relative, co-worker, or fellow club member, most likely has a *know you, like you, trust you* relationship with *that* person. In other words, that person (the prospect) feels the same way about your referral source as your referral source feels about you."

It creates a "warm and fuzzy" start to a potential business relationship that usually makes the awkward first few minutes of a sales call much less so: "Jim J. recommended you to me for a project we're doing. How do you know him?" *"I met him at a seminar where I was a panelist and that we did a major project for him. He's a great guy."* "Yes, he is, and anyone he recommends must be doing a terrific job because he has really high standards." *"Well, we're happy that we were able to meet those standards successfully—in fact, I think we even exceeded his expectations, and I know we can do the same for you."*

● **Benefit #2:** Another success factor driven by referral-based marketing is that **price tends to become less of an issue.** "It's not that price doesn't matter," explains Burg. "It's just that now the trust factor

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comes into play. Because of the 'borrowed trust' that got you there in the first place and allowed you to set up the appointment, there's a carry-over throughout the presentation."

Back Burner

The potential client knows that someone he trusts has used this supplier and must have felt that the price was in line with the quality and service he received—and with the kind of budget the prospect is working with—or the friend or colleague wouldn't have made the referral. There is less to be concerned about because the referrer's experience gives the prospect the sense that odds are pretty good that the price the supplier quotes will be a fair one. With the price issue on the back burner, the prospect is more attentive to other parts of the presentation, and the salesperson is better able to get a fair hearing for his entire business proposal.

- **Benefit #3: An increased level of trust** results in proposals to referred prospects becoming easier to close. Once again, "it all comes down to trust, and going into the presentation with borrowed trust gives you a huge advantage," says Burg. Whether it's going to a new movie or trying out a new restaurant, it is only natural to be more willing to experiment with something new if someone else—especially someone you like and trust—has already done it and recommends you do it, too. Simply put, you are less likely to be disappointed if someone with similar tastes and values thinks it is something you will like, too. Very few people are willing to go out on a "blind date"—business or social variety—unless the match-maker is someone they trust with having their interest at heart.

- **Benefit #4: Sales personnel automatically become positioned as referral-based salespeople.** "In other words, referred prospects are already 'trained;' they understand and are already of the mindset that that's how you do business. That you are worthy of referrals." The salesperson has essentially been "pre-qualified" for the job and the prospect enters the relationship with a sense that he will be pleased with the outcome, rather than being wary of working with someone he has never met before—because someone he knows has already met with him and has liked him and his work enough to make a referral.

- **Benefit #5: Referrals lower the risk** in a buyer-seller

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relationship. They give a prospect the advantage of indirect experience. There's no "pig in a poke" or "sight unseen" business transaction. The seller is a tested commodity, even though the testing was done by someone other than the current buyer. It's akin to standing at the water's edge and asking someone how warm or cold it is. You make your decision to dive in or not based on their assessment because they've been in the water themselves, so you can have a pleasurable experience or avoid a painful one on the basis of their experience, which you have now gained indirectly.

- **Bemefit #6:** A referral **helps to foster the loyalty of the person who provided the referral.** "As it relates to referrals, it can also help us to understand why once someone is on our side and wants to help us, she will continue to do so," says Burg. It is almost as though the person making the referral has a sense of having a stake in the success of the company he has recommended. Since he has put his business acumen and personal trust on the line, he wants the company he's endorsed to do well for the person to whom he has recommended it, and he is very pleased when it does. In a way, it positions the person making the referral as an expert of sorts, and elevates his status in the eyes of his colleague or friend. This positive outcome helps make him even more loyal to the referred business and more likely to continue to refer it to others in the future.

- **Benefit #7:** Burg states that a referral-based business constantly helps you **meet qualified prospects who have already passed over what he calls the "Marketing Bridge."** "They need your product or service, they want it, and they can afford it," he says. "Having met you through a mutual acquaintance, they are likely the best sources of more referrals. Now you are using your time at its optimal effectiveness."

Referrals are generally not simply casual conversations about whom you might use if you were every going to do a certain project; they are far more likely to come up during urgent, or, at least, pressing needs to get something specific done now. Since the referring friend or coworker knows the prospect's circumstances, tastes, general idea of what he will spend, etc., he puts him in touch with a salesperson or company that is highly likely to be a good fit on all or most of these criteria. The success of that referral raises the probability that the prospect—now a satisfied client of

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the company—will "pass it forward" and refer his friends and colleagues to the same company.

Not Created Equal

Burg does warn that all referrals are not created equal and that salespeople setting out to follow up on a referral should prioritize their time by devoting more effort to those most likely to be successful. He divides referrals into three categories, A-list, B-list, and C-list. An A-list referral, he explains, is just what it sounds like. It is the strongest and likely to be the most beneficial for the seller. B-list referrals are good referrals, but they are just not as strong as the ones on the A-list and do not possess the same level of probability to end in a closed sale. And, the C-list referrals are those lukewarm endorsements or tepid clients that a salesperson would likely avoid making a presentation to unless he had no one else to call on.

Obviously, the goal for the salesperson to establish his expertise and demonstrate his company's superiority to such a high degree that he is primarily receiving A-list referrals from his A-list of existing customers.

Politeness Counts

In essence, a person making a referral is doing the salesperson a favor—and simultaneously putting his own judgment, trustworthiness, and friendship on the line with someone else. Gaining referrals is something that generally takes time and repeated buyer experience to achieve, so when a salesperson comes across a client whom he thinks may be willing to recommend him to others, he must nurture and grow that relationship.

That's why Burg notes that another important component of a referral-based marketing program is to train sales personnel with respect to certain rules of networking etiquette. The first is to be patient. "When you give something to, or do something for, someone, do not expect or ask for something back right away. For that matter, don't expect any kind of repayment within any time frame at all," suggests Burg.

The second is to be polite. When one approaches a mentor, which is the role that "third-party actors" fill in the relationship between buyer and seller, there must be a strong level of humility and respect based on the understanding that a mentor is someone who has some level of knowledge or experience he or she is willing to share. "A mentor is a person, usually already successful, who wants to take us under her wing

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and help us become a success in our own right," says Burg. "It's like a good friendship in the way it develops over time." Salespeople should never overstep the bounds of this dynamic by being demanding of contacts who they believe would be able to make valuable recommendations. Although it is not wrong to ask for a recommendation, it is a mistake to push for it.

In a similar vein, it is very important to realize that individuals in high-level positions are under great time pressure and that every minute they give to a salesperson is valuable—particularly time spent discussing work that is for someone else. "Keep an eye on the clock; don't abuse people's time," states Burg. The fatal mistake is to annoy a good customer to the point where not only will he not refer you to anyone else, but he will stop using you for his own projects.

Finally, he suggests that salespeople seeking referrals should always observe the basics of business etiquette: Always follow through on promises and always remember to "say (and write) thank you." (Actually, salespeople seeking any kind of business should always observe these niceties, which are sadly lacking in many business contacts.)

Put It on Paper

A testimonial letter is a form of referral that can be one of the most powerful tools a salesperson can possess to answer objections and close the transaction. "The reason testimonials are so important that practically every successful salesperson carefully accumulates them and constantly displays them, is that plain and simple, what others say about you is much more compelling and believable than what *you* say about you," notes Burg.

And he believes that testimonial letters can, and should, be used to acquire additional referrals. Burg notes that often there are times when there may be resistance on the part of a sales representative to ask for a referral from an important client, but this false humility simply indicates a lack of confidence or belief in one's product or service and the behavior can easily be corrected through training and mentoring from sales management.

Credible and Specific

To be truly effective, a testimonial letter should include a number of characteristics illustrated by Burg through a summary of the

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recommendations made by professional coach Leni Chauvin in a special report entitled, "How to Get and Use Extraordinary Testimonials to Grow Your Business." First and foremost, says Chauvin, the testimonial letter should generate a strong desire for a prospect to want to do business with you. It should strike a chord with respect to the client's needs and explain how you helped the client realize appropriate solutions.

A testimonial letter should also always be credible and specific, offering more case study details and fewer sweeping generalities. One approach suggested by Chauvin is for it to highlight a story that shows clear before-and-after effects. A letter should say something specific about the person or company providing the service and explain the positive impact or results that that company and its services had.

Chauvin also recommends that the letter be verifiable. It should include first and last names, exact city/state locations, and other relevant information that is appropriate and can be confirmed.

Although a letter is the property of the recipient, it is a good business practice to check with the sender for permission to include the testimonial in any kind of printed material for public distribution, such as a magazine ad or capabilities brochure, or to post it on your website or use it in trade show signage or other promotional materials. The last thing you want to do is lose a good customer because he didn't realize his comments were going to be used in a local newspaper ad.

Appropriate Method

A practical approach to referral-based marketing is a very appropriate prospecting method for graphic communications companies that seek to align themselves with specific vertical markets because it allows sales representatives to immerse themselves in a particular industry and stake a position as recognized experts in their field, thus raising their visibility in specific segments and keeping their name and company top of mind in segment circles.

Sales representatives can establish themselves as graphic communications partners with the companies and industries they serve, and provide services that go well beyond their needs for print. The ability to offer solutions and provide impeccable products and services is the best way to build a base of potential third-party referral sources. Bottomline, the strongest and most eager referrals will come when clients sincerely

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believe they are helping their colleagues by introducing them to a dependable, trustworthy, and highly qualified expert in their field.

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