

Title:

Delivering "The Right Stuff"

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Summary:

Your customers, or would-be customers, need to be informed and reminded of what added values you provide them -- extras that can save them money, time, and aggravation. Yet too many business owners and managers can be ignorant of what those competitive advantages are. The seafood supplier didn't communicate that he was selling fresher salmon with longer shelf life, and thus enhancing his customers' bottom lines, until a competitor threatened his market share.

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Article Body:

The following is an excerpt from the book Creating Competitive Advantage by Jaynie L. Smith with William G. Flanagan

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Your customers, or would-be customers, need to be informed and reminded of what added values you provide them -- extras that can save them money, time, and aggravation. Yet too many business owners and managers can be ignorant of what those competitive advantages are. The seafood supplier didn't communicate that he was selling fresher salmon with longer shelf life, and thus enhancing his customers' bottom lines, until a competitor threatened his market share.

You could be providing a lot of extras to your customers without realizing how much you are actually saving them. Or, if you do not provide meaningful extras now, you might consider adopting them. They can be critical competitive advantages. Consider the following:

Terms. If you are a small or medium-size company up against a category killer, you might have flexible financing terms that the big guys can't match. For example, a lumber company in the Northeast enjoyed a robust business with little substantial competition until Home Depot began to close in. One Home Depot box

opened twenty miles away, and then another just ten miles down the road. Observers predicted that the lumber company would soon be bulldozed out of business.

Surely, it couldn't compete on price, not against Home Depot's buying power. Lumber is lumber. So it concentrated on hitting Home Depot where it was vulnerable. It offered more -- flexible credit arrangements for its most important customers -- small contractors who often lack lines of credit from banks. The lumber company didn't have to drop its prices to stay in business. It adopted new competitive advantages.

Guarantees. It is common for attendees at my seminars to tell me that their companies are "the only ones in our industry offering multi-year guarantees" on their products. But when I ask if they make a big deal about the guarantee to prospective buyers, most admit they do not.

The reason is usually the same: "If we emphasize the guarantee, too many customers may take advantage of it."

That's a pretty lame excuse. Either you offer a guarantee or you don't. If you are confident enough in the product to guarantee it in the first place, make a selling point of it. Statistics show that a very small percentage of customers in any business actually use the guarantee. But the guarantee takes a lot of risk out of the buying decision and clinches a lot of deals.

Inventory turns. One of my favorite stories about inventory turns involves a clothing manufacturer who sold women's clothes to boutiques around the country. When I asked him what differentiated him from his competitors, he said he thought his clothes were "wearable."

"As opposed to what?" I asked, trying not to laugh. He began to talk about design, fabric, cut, and so on. When I queried what his competitors we're saying, he shrugged and said, "I suppose the same thing . . . but I know my stuff sells much better."

I asked him what his customer, the boutique owner, cares about most. "Whether or not it sells," he said. So I asked if his shop owners measured inventory turns. He answered that some did, some did not. I suggested that he teach them how to measure inventory turns and then he could prove to the shop owners his clothes sold better. My point was that he should stop selling "wearable clothes" like everyone else and start selling inventory turns. Moving the goods is what matters.

Note: Be sure you can back up your boast. Your buyers will know soon enough if

you can't. As with any competitive advantage you claim, make sure you deliver.

Materials. One client in the home-improvement business who sold siding knew his product was "stronger and better" because of the materials he used. But he didn't know how to convey that without sounding biased and subjective. Upon asking his employees a series of questions I learned from one of his engineers that the company's product has a higher wind load rating than any competitive product. In many geographic markets, the higher load rating influences buying decisions. So if your materials are stronger and provide customers with a benefit, shout about it in a way that is measurable.

Delivery. If you provide the same product as your competitors but you offer better delivery service, you have a competitive advantage. But how important is it? The Compleat Company, which sells promotional products, decided to find out. The Seattle-based company polled its customers about the importance of its on-time delivery. It found that its customers not only valued that service highly, they had a pretty low tolerance for being late.

Eighty-eight percent of its customers defined "on-time delivery" as being on schedule 97 percent of the time or better. Only 4 percent of its customers would accept an on-schedule rate of less than 93 percent. A manager from Compleat told me that the company is now focusing its energy and resources to make sure it meets that expectation. When Compleat's customers want their deliveries, they will get them.

Information. In business as in war, intelligence can be priceless. In *Business @ the Speed of Thought* (Warner, 1999), Bill Gates writes: "The most meaningful way to differentiate your company from your competition, the best way to put distance between you and the crowd, is to do an outstanding job with information. How you gather, manage, and use information will determine whether you win or lose."

Knowing what your competitors are doing, and keeping up with trends in your industry, are basic forms of intelligence, and essential if you are going to run a successful business. So is listening to your customers. (Your own and your competitors'.)

The more competitive the business you are in, the more important the role of intelligence. You can't afford to get caught flat footed if, say, a labor strike shuts off deliveries of critically needed material. Or if commodity prices suddenly spike or drop. Or consumer confidence sinks. Or if new products being developed by your competitors threaten your markets.

No matter what business you are in, failing to keep a weather eye on changes in

your industry can be fatal. A lot of this "intelligence" is hardly proprietary. It simply amounts to smart business practices born out of experience. If you are a B-to-B supplier who sells to retailers, your customers' success determines how well you do, too. Your experience can help your clients avoid common mistakes.

Small and medium-size businesses are often in the dark about key developments in their industries. They lack the time, money, and expertise to gather and evaluate that information. But that doesn't mean it isn't important. Consider the prices they pay for the goods or services they buy. Advance word of radical price shifts, or new products that will make others obsolete, can save them from missing a buying opportunity, or from laying in inventory that will soon become obsolete.

Keeping your customers informed of trends can only make them healthier, and in turn create more business for you. Word of mouth from your sales force is one time-honored way to accomplish this. But in this age of the Internet there are other effective ways, too, from e-mail to Web sites that keep clients posted on prices and other industry developments.

One of my former clients, the Institute for Trend Research, in Concord, New Hampshire, analyzes market and economic trends and makes accurate predictions as to when those trends will change. Its business is its forecasting expertise in a wide range of sectors, from industrial construction and agricultural market movement to interest rates, commodity prices, and inflation.

Subscribers to the company's publication EcoTrends get an important bonus: a discount on EcoCharts. EcoCharts, using raw data that the subscribers provide themselves, tells them which indicators included in EcoTrends correlate best to their specific businesses. ITR has defined four phases of economic movement; if the trends that affect your industry are in Phase C, then you are expecting a downturn. Your actions might include a reduction in inventory and training, an avoidance of long-term purchase commitments, and deeper concentration on your cash and balance sheet. On the other hand, during Phase B, an upward trend, you would accelerate training, increase prices, consider outside manufacturing, and open distribution centers. This kind of information can provide companies with powerful competitive advantages.

Training. Many large companies offer specialized training for their customers, free or at cost, so they can run their business better. McDonald's runs its own academy for new franchise owners, for example, so they can learn to avoid common pitfalls and maximize the return on their investments. The company draws on the experiences of thousands of other franchise owners and shares that knowledge, because it is vital to their own business. I often recommend to clients that if

they invest heavily in training they should make a competitive point of it. For example, "We invest half a million dollars each year training our employees" or ". . . training our customers."

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