
BOGUS Business Ideas

by JOHN R. GRAHAM

If it sounds new, exciting and intriguing, we want to believe it. We also assume it's true. While there may be exceptions to every rule, there aren't many in this case. Several examples tell the story.

We've all heard the term "customers for life." Even though the idea flies in the face of reality, there are those who cling to it uncritically, believing that in some miraculous way they can hang on to customers forever. But ask any salesperson if this is possible and you'll hear the truth. Some customers last longer than others, of course; but they all have a lifespan. To operate on the premise that they are forever is delusional.

"Customers for life" lasted as long as it did because we wanted to believe that the impossible was possible.

Then, of course, there was Quality Management, or QM as it was known. This was touted as the panacea for catching up with the Japanese and getting ahead of everyone else. Companies large and small clawed their way onto this bandwagon. At one engi-

neering firm, work almost stopped as the employees spent a year mostly in meetings. When management figured out that little work was getting done, QM disappeared quickly and silently. It all happened because we wanted to believe that QM was the solution.

And who can forget the highly paid guru who advocated creating chaos in the workplace. By his standards, a company like Enron is destined for unlimited success, while Wal-Mart is headed for the scrap heap.

Creating chaos caught on because it was new, different and exciting. Then we wanted to believe that dot-com would change business overnight. Countless companies and stores went for broke on the word of hordes of 23-year-olds. The trip from going for broke to going broke was dramatic and short.

We are always ready to go for the simple solution, the instant answer, or the magic potion. Each one sounds exciting, but most are also bogus. All appear profound, but they are also in error. Here are several popular business ideas that get companies in trouble.

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Valuing Value-Added

This one continues to enjoy undeserved popularity. What has allowed it to survive for so long? The answer may lie in the fact that it is meaningless.

Most of what companies view as value-added is

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either what they are doing already or is worth so little it is devoid of value. Why is value-added always what a company — not the customer — wants to believe is valuable?

Value should play a key role in doing business, of course. That's what customers expect. But the focus should be on what customers value, not what we think is important. That is inherent value, not something that's added. "Brands that have a simple promise and have delivered on that promise for a long time top the Fall 2001 Equitrend Best Brands Study," reports Research Alert, February 1, 2002. Once again, Craftsman Tools is at the top of the heap. It's lifetime, no-questions-asked guarantee resonates with tool buyers. That's built-in value, not value-added.

Over Emphasizing Profits

There's nothing wrong with the word profit. It's what business is all about. Not surprisingly, most business owners and managers put "making a profit" as the number-one reason for being in business. While the response may be 100% predictable, it is also way off base.

In fact, it may be a good idea to stay away from those who are obsessed with profit. They tend to behave irrationally, often undermining strategies that make for higher sales, customer satisfaction, and increased margins. Their distorted thinking leads them to believe that cutting is the formula for growth.

What makes more sense is establishing conditions that produce profits, such as creating and cultivating customers so that they conclude that doing business with you is in their best interest. Those who are convinced that they have made the right buying decisions become enthusiastic and loyal customers — who buy because they believe and don't switch because of

price. And customers who buy produce what every business needs — profits.

But it all starts with the right focus, not on profits but investing in creating customers.

Constantly Pushing Sales

It sounds almost subversive to suggest that getting more sales can be a treacherous business objective. To take it a step further, pushing for sales generally leads to price-cutting and tarnishing the brand. It can certainly produce short-term gain — along with long-term erosion of market credibility.

Panasonic has long been a niche player in the personal computer business. Instead of trying to buy market share with lower prices, the company has taken a far more strategic approach. The company is expanding its line of "ruggedized" Toughbook laptops that meet the demanding needs of users operating in adverse conditions. Panasonic owns this particular market with pricey laptops that set the standard for durability.

When Louis V. Gerstner, Jr. took over the CEO job at IBM in the early 1990s, the company was languishing. Gerstner quickly assessed the situation and concluded that the task was building IBM from the customer back — not the other way around. The IBM focus moved from selling products to making customers, a strategy that has taken the company to the pinnacle.

Going for Simple Solutions

Is there a company anywhere that hasn't left a trail littered with an array of quick, simple solutions?

For decades, ad agencies have lived off "pot-of-gold-at-the-end-of-the-rainbow" projects. It's often a "great ad campaign," "a fabulous web site," or a "knock 'em dead brochure." The behavior mimics that of kids who drive their parents crazy until they get the latest and greatest toy. The "but everybody has one" pleas result in countless trips to the toy store.

Companies are no different. An organization approached a marketing firm about preparing a capa-

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bilities brochure. After asking a series of questions regarding the proposed use of the brochure, the intended audience, and the overall marketing strategy, it was clear that the client saw the brochure as a quick, simple solution to a highly complex issue, one that demanded careful thought, research, planning, execution — and budget.

Adopting a “Just Do It” Attitude

When the poet T.S. Eliot wrote, “This is the way the world ends, not with a bang, but a whimper,” he may have had something else in mind, but his words are the perfect description of the life-cycle of most business initiatives.

We launch lots of projects, programs and campaigns with great fanfare — but most end with a whimper. Whether it is the quarterly customer newsletter that never went beyond the first edition, initiating a prospect development program that stalls before it gets going, setting up sales training that fades

after the third session, or updating the company web site, the problem doesn't rest with the activities themselves. Failure is in the execution.

“Just do it” makes sense in getting a project off the ground. But that isn't enough. Without a plan, a process and accountability for implementation, “just do it” doesn't get it done.

Becoming a Price Addict

A company president tells about visiting a prospective customer with the local sales representative. The prospect had been referred by a satisfied customer and had called the salesperson to arrange the meeting.

“What more could anyone ask?” reported the company president. “This prospect wanted to buy. Yet, the salesman kept throwing more into the deal even after we had the order. To make it worse, the new customer hadn't asked for any special consideration.”

How often does this happen? A more important question is why? Why do we focus on price even when the customer doesn't?

The answer to these questions involves breaking what can be accurately called “the price addiction.” In other words, we make the assumption that the only thing that will grab the customer is the lowest price. More often than not, it's the salespeople who lead the customer to focus on price.

Viewing What You Sell as a Commodity

When you speak with insurance agents about what they sell, you just may hear something like, “We sell what no one wants to buy. They only buy insurance because they have to have it.” What an attitude! What a sad way to look at the products you sell. No wonder we avoid insurance agents whenever we can.

If we let what we sell become a commodity, we devalue it to the point that only the lowest price makes sense.

What could be a commodity more than sand and gravel? But Cadman, Inc., the Bellevue, Washington-based ready-mix concrete company, transformed various types of sand and gravel into products that meet specific construction needs — and they get a premium price for each one.

“A brand program should be designed to differentiate your cow from all other cattle on the range, even if all the cattle on the range look alike,” states business writer Al Ries.

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If you see what you're selling as a commodity, whether it's insurance, software or chemicals, be sure you have the lowest price because that's the only way to make the sale.

In business, ideas don't seem to count for much. A go-out-and-get-it-done attitude gets the votes. Yet, it should be obvious that ideas affect not only the way we think but the way we perform as well. Bad ideas — no matter how popular they may be — still produce bad results.

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