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BUSINESS COMPETITIVENESS – 2004

by Kenneth B. Lerman

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Since the beginning of the New Year, I've heard business owners lament over flat and flatter sales and little or no return from their advertising dollars. Another, more serious and more general business owner lament involves senior or mid-level management and their excuses for missed sales objectives and business opportunities, coupled with a lax, almost defeated, market competitiveness – especially when facing larger “big guys” who are foreign to the local economy.

As economies near the seats of government flourish, spending and growth within local economies and many industry segments remains uncertain. Over the past years I've written that the business shakeout which began in the late 90s will continue for some time, probably 2005-2006. Too many people are still in business who shouldn't be.

If you're “lamenting,” please read my most recent published article, “Simplicity in Whitewater: 2004” which clearly outlines my business recommendations for what you as a business owner or senior director “must do” – now – this year: 2004! A printable copy of this article is freely available on my web site at www.kenlerman.com.

I've been told the article is current, correct and very helpful for business owners in thinking, acting and moving their businesses forward strategically, i.e. effectively and efficiently during, local economy and market uncertainty. One such individual, a large real estate company owner and developer called to tell me so today (2/17).

Before addressing the business owner laments outlined above, I'd like to comment on current business competitiveness for small, mid and large sized business – all businesses.

Competitiveness

There is no “outsourcing” or oblivion for strategic, creative thought and action in business, government, education or the arts. All good, right thinking has an influence, stimulus and strength of its own. Neither wealth, position nor stature can stop it.

Be strategic, competitive and creative in leveraging your advantages and strengths where competitors can't or won't. Be wise, but also be active. Create the competitive agenda – don't submit to theirs. Large competitors aren't equipped to react quickly. Keep them hoping.

Current business examples follow. One client who has been in business 13 years will soon face the opening of a large national competitor who dominates the market. We can't stop them. We've prepared by introducing new competitive products the competitor has but we didn't. We are now promoting our new product solutions and features in print and broadcast media as best as our business can afford – before the new competitor opens in April. Hopefully this new product introduction and promotion will generate increased awareness and new trial thereby blunting some of the opening excitement of the competitor. Our strategy worked great on Valentine's Day.

Another client who has controlled his business service niche for 23 years is increasingly encroached upon by very large national corporate giants. We cannot immunize our business customers from competitive intrusion, but we can present and begin to aggressively promote – locally and face to face – our hands-on accuracy, responsiveness and, most important, our depth of industry knowledge and experience that is far greater than any foreign corporate branch manager.

Finally, with a third current business client (4 years in business) we continue to penetrate the local market with brand management (not branding) strategies that build profitability, brand awareness, product trial and repeat purchase – all focused on what we do best – great product solution. We are not as attractive, convenient or well-financed as our competitors, but we are strategic and creative in everything we do and the marketplace is responding quite positively.

Profit Pricing

It is interesting to note that two of the above businesses have taken significant price increases beginning in November, 2003 as they enhanced user perceptions of their business. Those price increases have generated increased profit margins while the business continues to enjoy increases in purchase orders, customer counts and new business. All three businesses are locally and independently owned, and two are building market share against national and local competitors.

Sales Management

Nothing really good in business happens until someone sells something for a profit. My mother can give your product away at discount. The good Sales Manager – you or someone you hire – is part mentor, trainer, hunter and “hands-on closer.” Monthly sales objectives must be met to pay bills and meet payroll. Stay on top of it. A good sales objective is: definable, measurable, doable but requires stretch – stretch on everyone’s part, yours included.

Consider developing sales forecasts and objectives by product and user segment: 1) last year’s sales volume, 2) this year’s increases of current product to current users, 3) current product to new users, 4) new product to current and new users.

Forecast sales objectives by individual sales reps. When a monthly sales forecast is missed, determine why – fix it and adjust. This is your cash flow – stay on top of it!

Advertising

Good advertising works, bad advertising doesn’t. Most ads are wasteful, lacking marketing strategy and a clear, targeted selling message documented in a Copy Strategy Statement and supported by purchase rationale. Advertising is part of Marketing, closely tied to Brand Management Strategy and business profitability. Advertising is more than graphic art, logos, jingles or special events.

The primary role of advertising is to bring your business new first-time users called “triers.” In addition, your advertising must stimulate or increase current user purchase frequency. If your ad spending doesn’t do this, it failed. You just produced “art” and threw your dollars away on media.

“Brand Switching” – getting the “targeted customers” you want from a competitor – is the business result of good advertising. “New users” are the life blood of your business growth. Conversely, effective advertising must be a defense to competitive thrusts against your users.

Many businesses are quite successful in promoting their products and services in ways other than traditional advertising. If your inside marketing or outside ad agency is not generating “traffic to your business” – consider securing someone who thinks strategically, competitively and then creatively.

I am for Business,

Ken Lerman

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