

CUSTOMER PILLARS



Nine foundational business building principles
which dictate the revenue and profitability
progress of every successful company

Curt Clinkinbeard

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Strive Publishing
www.customerpillars.com

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FIRST EDITION

Library of Congress Control Number: 2008904394

Clinkinbeard, Curt
Customer Pillars—Nine foundational business building principles which dictate the revenue and profitability progress of every successful company / Curt Clinkinbeard.—1st ed.

ISBN 978-0-9769064-1-4

1. Entrepreneurship. 2. Small Business—Management. 3. Success in Business. 4. Marketing

10 9 8 7 6 5 4 3 2

Editor: Libby Koponen
Cover/Illustrations: Curt Clinkinbeard & Carl Masters
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Page Layout: Digital Dragon Designery
Proofreader: Kathy Foster

The contents of this book should be considered management thoughts, suggestions, and insights, but do not abdicate the individual businessperson from making intelligent decisions for running their specific business in their specific industry. The goal of the book is to help the reader capitalize on opportunities, but does not reduce or eliminate the personal responsibility for decisions made in a business.

WHAT OTHER PEOPLE ARE SAYING ABOUT *CUSTOMER PILLARS*

“Marketing isn’t just an art. It’s also a science. And in this book, Curt Clinkinbeard gives us a tour of the laboratory. By demystifying marketing, he’s provided a huge service to free agents who will find his systematic guide timely, practical, and wise.”

Daniel Pink, Author, *Free Agent Nation & A Whole New Mind*

“The principles you present are not fads. They are the keys that everyone needs to understand how to succeed in business. To me, Grandpa Kenny and Grandson Curt show that you don’t need a Harvard MBA or a lot of money to run a successful business. They show how ordinary people can achieve extraordinary results.”

Marcia Stevens, Ph.D. Regional Director, Wichita State University Small Business Development Center

“*CUSTOMER PILLARS* is exactly what is needed in today’s global marketplace. Curt shows you to develop your business in a simple, easy to follow format.”

**Suzanne Mulvehill, MBA; Author, *Employee to Entrepreneur*;
Host, *The Entrepreneur Hour Radio Show***

“What makes *CUSTOMER PILLARS* such a valuable resource and joy for anyone in business, is Curt’s engaging and compelling writing style. Each chapter communicates warmth, sincerity, and clarity, in addition to being a comprehensive resource reflecting his professional expertise and wisdom.”

Elisabeth Gortschacher, Founder and Director of E.E.G. Coaching Pty Ltd and Legacy Creators Worldwide™

“*CUSTOMER PILLARS* shines a bright light on the logic path and gives a specific system for business success. No question, a very large number of companies can benefit from that illumination.”

Frank Hoffman, President, Hall, Decker & McKibben Advertising

“CUSTOMER PILLARS is well thought out and will benefit readers in building their business. We are really impressed with the content—really hands-on, practical stuff that should be priceless to businesses. You will touch many people.”

**Winston and Barb Conner, Professional Business Coaches,
Coaching Dynamics**

“The Clinkinbeard’s small grocery store is very different from an Internet company of today, but the nine pillars continue to apply. We have all witnessed numerous failures of “new economy” companies who believed these principles no longer pertained to them. *CUSTOMER PILLARS* provides a perfect way to describe the approach business owners should take to grow their businesses.”

**Kevin Groenhagen, Publisher,
Kaw Valley Small Business Monthly**

“CUSTOMER PILLARS is a valuable collection of quick real life lessons for either the experienced executive or budding entrepreneur. Curt has taken a lifetime of learning in the wonderful world entrepreneurship and put it into one of the most entertaining, educational, and personally profitable books I have ever seen.”

**Douglas S. Kinsinger, CCE,
Greater Topeka Chamber of Commerce, President / CEO**

“Gusto in marketing! This is what Curt Clinkinbeard can help your small business achieve. He is especially gifted at helping clarify and define the processes to implement to grow a business.”

**Dr. Les Streit, Washburn University Small Business
Development Center, Regional Director**

“The case studies and Curt’s personal reflections on his grandfather’s business gives you the tools and ideas you need to be successful. I have reread several of the chapters and each time garner more insight into how to *CUSTOMER PILLARS* my business.”

Kathy Domnanish, President, Simply Wireless

DEDICATION

This book is dedicated to Kenny and Jean Clinkinbeard—grandparents who welcomed their grandson into their small business and showed him more than they would have ever imagined. *CUSTOMER PILLARS* is written for every small business person who operates their business with the same heart and compassion as the Nortonville IGA. Your spirit inspires me!



ACKNOWLEDGEMENTS

Writing a book requires support from many people. I am deeply grateful to Mike & Pat Snell, Gerry Sindell, Wally Kearns, Maggie Bornholdt, Ed Carpenter, Tom Schwartz, Mark Penn, Todd Manning, Tony Estes, Keith Hertling, James Hill, Mark Griffith, Joyce Claterbos, Cheryl Siewald, Chris Deman, Terry Tyler, Bob Featherston, Carl Kurt, John Ross, Derek Osborn, as well as my fantastically supportive family (Clinkinbeard's, Hall's, Frederickson's, Sloop's, and Haskett's), my wonderful colleagues in the Kansas SBDC network, every enthusiastic client I have ever had the pleasure to work with, and everyone who participated on the *CUSTOMER PILLARS* review team.

Mostly, I want to thank my wonderful wife Summer, who has patiently and unquestioningly supported my pursuit of this project.

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AN OPEN LETTER TO READERS

Thank you for reading *CUSTOMER PILLARS!*

I wish you much success in learning and taking the principles found within and putting them into action in your business. They will help you evolve! Look for ways the material impacts your company, not just at the surface level, but at a deeper level as well. Avoid the temptation to say “I’m already doing that,” or “That doesn’t apply to me,” but rather look for ways to tap into the very powerful potential of the principles and improve your approach in a continuous manner.

Getting really good at what is found in this book (at those deeper levels) has many handsome rewards. To the extent your business will make your dreams come true, it will do so within the context of these principles. I want your business to reach the goals you have for it.

The basic analogies and the Nortonville IGA anecdotes found throughout show the “back to basics” nature of the material. They are provided as an overlay and introduction to the pillars, the real lessons. So don’t knock yourself out trying to memorize how analogies relate to expanding your business. Just remember the concepts in this book are as foundational to growing your business as oxygen, food, and water are to the human body.

Additionally, the book commonly refers to products, services, and ideas—what your company is attempting to sell to customers. Often I will use only the word “products,” but please know this applies equally to products, services, or ideas. If there are distinctions between products, services, or ideas, they will be specifically highlighted.

Also, please realize the concepts are scalable, meaning they apply

in companies of many different sizes. In the book, examples are often shared with the concepts in very small companies. The principles apply in companies of many different sizes. If you are uncomfortable with any of the numbers provided, simply add or subtract a few zeros. The *CUSTOMER PILLARS* apply to very small companies, and large ones as well.

Please feel free to contact the author at curt@strivecoaching.com to make comments, suggestions, or observations—including complaints! Additionally, the *CUSTOMER PILLARS* website features many free downloadable tools relating to the book, as well as other products and services to assist you with your development efforts.

If you like the book and it helps you, please tell a friend. Even better, send me a testimonial or write a positive review on any review websites. Positive reader feedback is extremely helpful! The greatest compliment you can provide me about the book is to encourage others to read it.

The book is written to help you and your business reach your potential. Go do it!

Please visit our website at:

WWW.CUSTOMERPILLARS.COM



INTRODUCTION

INTRODUCING THE *CUSTOMER PILLARS*

Crash! The jar of pickles hit the grocery store floor... glass flew, pickles scattered, and a smelly green juice ran out onto the aisle. I was only four “working” in my grandparent’s IGA grocery store in Nortonville Kansas, but I knew breaking something in a store was bad and that the elderly lady who had done it was in big trouble. And so did she. She panicked, mumbled apologies, and started to pay my grandmother right in the middle of the aisle.

With a little laugh and a reassuring smile, Grandma patted the older woman on the hand and said, “Don’t worry. There’s no need to pay. Gosh, accidents happen. It’s no big deal.”

“Oh thank you!” the older woman smiled—and relaxed. She felt appreciated. Grandma started to sweep up the mess, and the woman thanked her again for being so kind.

The pickles incident and others like it were my first introduction to the ideas that became the *CUSTOMER PILLARS* system. Just as a person needs sleep, nutrition, and friendships, the only way to develop a lasting and successful business is to form, preserve, and develop excellent customer relationships. Growing your company—the goal of this book and its systematic rules—depends on these relationships.

I did not create the pillars the book discusses. I observed and recorded them; they occur naturally and govern the success of any business. They are like the laws of gravity, evaporation, or oxygen. If you use their power to your advantage, your revenues, profits, and overall success will multiply.

GROW OR DIE

Vince, the owner of PlaceWorks Interiors, enters my office with a determined look. “We have to find a way to increase this business,” he says. “A mentor once told my partner and me that a business is either growing or shrinking. So, the only option is to expand.”

Each year, I speak with hundreds of small business owners & managers, and whether their company is starting from scratch, riding a wave of positive momentum, or pulling itself up from a major setback, their motives are the same. They want their businesses to grow, but don’t know what steps to take. As Vince’s partner Samantha puts it:

“We’re confused. We actually have too many ideas. For instance, we’re considering expanding our product offering, but aren’t sure which lines to add. Plus, we can’t decide whether to increase our yellow pages ad, use direct mail, or increase our personal selling approaches. Then there’s our debate on pricing and discounting. We seem to be going in too many directions. What should we do?”

“Instead of answering those questions directly, let’s take a step back,” I begin, “and look at the bigger picture. When you answer the big questions, I find the smaller issues almost solve themselves.”

Vincent and Samantha, like many business owners, approach building their company as a series of individual, random, tactical issues—questions, opportunities, and challenges posed on an almost daily basis. They think these topics are unrelated to other, bigger matters. Rarely do they consider the interconnected nature of expansion efforts or approach them strategically or completely.

I discovered the *CUSTOMER PILLARS* when I noticed myself asking questions about key strategic issues in response to client queries about “small picture” issues. Clients didn’t typically have good answers to the important, big picture questions—the key things necessary to properly answer the smaller, tactical questions. It was as if they were asking me which highway they needed to take, but didn’t know their destination.

So I started to record the questions I was asking these clients to refocus their concerns away from tactical actions towards an integrated, strategic approach. Over time, nine key areas emerged and the *CUSTOMER PILLARS* began to take shape.

Over the next few hours I will work with Vince and Samantha and teach them nine naturally occurring fundamentals that form the

PILLARS system. Together the pillars form an organized roadmap that shows how to develop any business, increase its revenues, and maximize its profits. The system will help you do this as well.

LET'S TALK GROWTH

Increasing profitable revenues is an important part of keeping a company alive and prospering. Have you ever been in a company that was getting smaller? Not fun. Cost cutting, layoffs, politicking, and negative self esteem are hallmarks of shrinking firms. In addition to being necessary for the company, growth is also fun!

So, do you want to double, triple, or quadruple your business? There are strategies to make almost any business as large as you are willing to increase it. Nearly every business is limited only by the growth mindset of the people who own, manage, or work in it. Developing this growth mindset is the purpose of this book. (Note: the pillars also work if your goals are more conservative—all revenue growth is impacted by the principles discussed here.)

While there are several ways to expand, this text only discusses internal, organic growth. It does not go into acquiring other companies, another expansion strategy. There are other books for that. This one talks about taking what you have and making it more successful.

Let's look at some fun numbers. Assume you want to double or triple your revenues; here are annual growth rate percentages necessary to double or triple a business over a certain number of years.

Years To Grow the Business	Annual Growth Rate Required to Double Biz	Annual Growth Rate Required to Triple Biz
1	100%	200%
2	42%	73%
3	26%	44%
4	19%	32%
5	15%	25%
6	13%	20%
7	11%	17%
8	9%	15%
9	8%	13%
10	7%	12%

The *CUSTOMER PILLARS* are time-tested and govern both the expansion in your business and the rewards you receive from it. Can you grow if you already have all the revenues you want? Yes! Just improve the quality of revenues, increase the margins, and work only with people you enjoy and pay their bills on time. The rewards of the *CUSTOMER PILLARS* are personal as well as professional.

INTRODUCING THE 9 *CUSTOMER PILLARS*

All you need to get your business on the *CUSTOMER PILLARS* path is to follow these nine basic rules.

THE 9 <i>CUSTOMER PILLARS</i>	
Pillar 1	Focus on Growth Customers
Pillar 2	Maximize Value Incrementally
Pillar 3	Refine Toward Perfect Pricing
Pillar 4	Form Productive Linking Relationships
Pillar 5	Sharpen Your Competitive Edge
Pillar 6	Connect Powerfully with Customers
Pillar 7	Manage Expectations Brilliantly
Pillar 8	Learn from the Market
Pillar 9	Practice Coordinated Growth Planning

When you master these pillars, you will know how to successfully build your company and your career. Understanding the system is fairly easy, but learning its intricacies, how it applies to you, and how to best implement it is a bit more involved.

THE 9 CUSTOMER PILLARS AT WORK

Let's take a quick look at The 9 *CUSTOMER PILLARS* alive in another company: Jim Anderson is the managing partner in a law firm, Anderson, Phillips and Conway (APC). And while the focus of his daily work is providing legal services, he knows the *CUSTOMER PILLARS* are critical to developing his business:

"I may sign the paychecks, but our clients are the ones who really provide the money for our expenses and profits. Without them, we wouldn't be anything."

Pillar 1: Focus on Growth Customers has fueled the progression of APC over the past few years, both by adding new clients and growing existing clients. The company focuses on businesses in a regional area, though it does have several clients who have operations across the nation. To further define their target clients, the firm has an emphasis on four primary types of industries, which allows them to further specialize. They have identified their most desirable growth targets and have programs to introduce prospective clients to their services.

Pillar 2: Maximize Value Incrementally means structuring the product or service around growth clients. APC offers traditional legal services to business clients, concentrating on their client's profitability. The firm constantly reinvents itself and the services it offers, emphasizing contract, employment, franchise, and intellectual property law—the services most requested by their best markets. The company closely monitors client demand and shifts and changes correspondingly.

Pillar 3: Refine Toward Perfect Pricing describes the company's approach to charging its clients. The company bills services on an hourly basis dependent on two things: the level of expertise/experience of the associate performing the services and a competitive analysis. The company performs a pricing review every six months and makes adjustments as necessary.

The firm also has strict billing procedures designed to maximize revenues and provide the greatest value to clients. The firm attempts to get the most service to a client for the most reasonable price, even

if that means assigning multiple lawyers at different rates to handle various tasks.

Pillar 4: Form Productive Linking Relationships. The firm has several “cross-referring” relationships with other providers of business services including accountants, banks, and insurance professionals. These important intermediaries help link clients to the business and are essential to the firm’s evolution.

In most cases, the firm distributes its services directly to its clients, though it occasionally handles more sophisticated services for smaller firms. APC bills the smaller firm at a slightly discounted rate (for bringing them the business) and the smaller firm marks the services up to their clients. APC views these linking partners as an untapped opportunity.

Pillar 5: Sharpen Your Competitive Edge. APC conducts business in a very competitive environment, and as a successful firm, is constantly fending off other firms attempting to lure their clients away.

APC has a four-pronged approach to being their client’s preferred choice:

First, they have a more client friendly billing procedure than other law firms. The firm takes extra care explaining this policy to its clients.

Second, their firm puts a strong emphasis on developing personal relationships with their clients. Their motto is to treat clients “like they’re our friends.” Associates are encouraged to take clients to lunches, dinners, golf outings, and social occasions.

Third, the firm invests heavily in continuing education and certifications, well above industry requirements. To highlight this, the firm publishes a quarterly newsletter for clients featuring new certifications obtained and expertise learned.

Fourth, follow up is completed to ensure client satisfaction. The firm has a formal policy which checks in with clients after work is completed to make sure they’re happy. This increased dialog sends a powerful message to clients that APC is a cut above the rest.

Pillar 6: Connect Powerfully with Customers looks at strategies used to communicate with clients. The business uses a multitude of

methods to share the firm's vision with current clients as well as with companies who may become clients, such as client newsletters (they have several which focus specifically on different types of clients), follow up surveys, and the explanation of billing procedures.

Other communication strategies include sponsorship of local golf events, yellow pages advertising, networking through the Chamber of Commerce, speaking to business clubs on legal matters, press releases, and sales training to all employees.

Pillar 7: Manage Expectations Brilliantly. APC takes steps to guarantee client satisfaction is foremost in all its associates' minds, all day, every day.

The firm's mission statement strongly emphasizes value and service to the client, with partners demonstrating their commitment by actively reviewing client feedback forms and by managing the response to client issues, both internally and externally. The issue of client satisfaction has very high visibility within the firm and is continually measured with several different systems.

For example, Jim recently got on an airplane to visit a client who had a small misunderstanding with one of the associates. While the issue could have been dealt with over the telephone, Jim wanted his client to feel valued and decided to go to the additional effort of an in-person meeting. The client was so impressed she asked Jim to handle the work a subsidiary company had previously planned on awarding to a local firm. The resulting additional "six figures" in billings from the client provided a huge return on investment for Jim's trip.

Pillar 8: Learn from the Market. Jim learned early in business that expansion activities don't always work out as planned. So the firm tests new concepts on a small scale and measures client reactions. When clients respond favorably to a new initiative, the company rolls out the program while continuing to monitor its progress.

Programs are finalized only through trial and error. The ones that work are repeated and increased; those that fail are eliminated or revised. This testing and research is an ongoing process of refinement.

Pillar 9: Practice Coordinated Growth Planning closes the loop back to the business plan and ensures everyday actions support

the company's overall, driving goals. Jim Anderson makes sure his company is responsive to the shifts and changes in the market. Every year, he has an extensive planning retreat. He always starts by reviewing growth objectives and activities from the previous year, then sets goals for the next year. For Jim, using the *CUSTOMER PILLARS* is a critical part of his firm's success and he counts this discipline as one of the stronger weapons in his firm's arsenal.

As you can see even from this brief summary, the *CUSTOMER PILLARS* cover significant ground in Jim's company. As you read about the nine pillars in more detail, you'll learn how to use them to develop your business.

WARNING: PLAIN ENGLISH AHEAD

Some people are surprised by how straightforward and even simple the pillars seem at first. While the book's style is clear and down-to-earth, the concepts are not simplistic. The book explains powerful concepts in clear language.

If you think you and your company are too sophisticated for this, consider "getting over it" and checking the ego at the door. This book doesn't try to impress people with fancy language and confusing buzzwords—its goal is to guide readers towards lasting, real, and highly profitable results. Many business books take basic principles and dress them up with sophisticated language, overcomplicating the concepts and intimidating readers who could have benefitted from them. The writing approach in this book is just the opposite. The *CUSTOMER PILLARS* succeed with excellent execution of the basics.

FRANK TOTALLY GETS IT

Frank Hamilton sits by himself in his living room almost in a daze, staring down at the largest check he's ever seen: just over seven million dollars. He is surprised his hands aren't trembling.

It was a great accomplishment. He remembers starting his commercial janitorial services business over twenty years ago—the ups, the downs, and everything in between. He chuckles remembering

how much the business has evolved since then. Today was the culmination: selling the business and reaping the rewards of all the hard work.

Thinking back, Frank recalls times when things weren't so great. Like many entrepreneurs, he started Hamilton Commercial Services without any significant business background. One day he was an employee in another firm; the next he was a business owner. The transition wasn't an easy one, particularly during the first six years.

Then something happened.

Frank remembers the situation vividly. Sales had been down for three straight quarters after the loss of a major client and cash flow was getting tight. He had tried bringing in expensive consultants and high dollar management employees to provide direction, but the results were usually fleeting.

"It was like I snapped and everything came into place," Frank recalled. "For years I did everything to say that sales and marketing was not my thing. Then I realized developing profitable customers *was* the business. I was compromising myself and my company by denying full responsibility for our success."

He remembers desperately wanting to flourish as an entrepreneur. Profits needed to rise and he had already cut costs down to the bone. The only way to reach his profit goal was to increase revenues. Frank knew they needed to sell more to a larger number of customers. And he knew this meant he personally needed to develop better business management and marketing skills. It was this moment of truth when Frank went from being an average business owner to being on a *CUSTOMER PILLARS* path to success.

Today, many years later, was the grand finale of that moment.

There are approximately 25 million businesses in the United States today and between 500,000 and one million new companies start each year. The success and longevity of each one of these companies will be determined by the *CUSTOMER PILLARS*.

Building good revenues must become part of any successful company's essential core—part of who they are as a company. This makes it especially difficult to pass on the responsibility for success with customers to others. Many entrepreneurs, in response to their perceived lack of sales and marketing skills, seek answers outside themselves. They bring in consultants, buy tape programs, and hire

“save the day” employees. Too often, however, they’re disappointed in the results.

CUSTOMER PILLARS recognizes that the unique, driving, revenue force in a company comes from within; it is part of the fundamental leadership required to make a business successful. Outsiders just can’t develop and sustain your true essence for you.

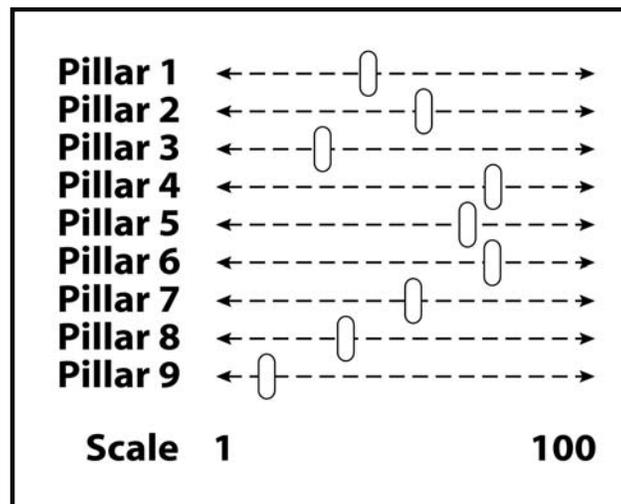
This may cause some to fret. And yes, it would be easier to just “hire someone” to do it, but taking ownership for this important part of your business is within your grasp. Giving you this capability is why I wrote this book!

IT ISN'T A YES OR NO QUESTION

“Those pillars are interesting,” Samantha says with a devil’s advocate tone in her voice, “but we’re already doing many of the things you mentioned. I’m not really sure these nine pillars are going to be that helpful in our expansion efforts.”

She raises an interesting question regarding *CUSTOMER PILLARS*. Sometimes when people are initially introduced to the principles, they recognize some of the activities as things they are already doing in their business. That’s great! It is rewarding to hear people excited they are already doing some things very well. But succeeding isn’t an “all or nothing” proposition. Think of *CUSTOMER PILLARS* success as ranging from 1 to 100.

In fact, each of the nine pillars measures its success on a continuum, so it’s really nine different continuums from 1 to 100. Clearly, strength in one of the nine pillars will synergistically improve the other pillars, as they are very connected. However, no company is achieving perfection in each of the nine pillars and every company needs continued improvement, because things are changing. Always.



Shifts in the markets, the economy, competitors, and in your customer base mean your success in *CUSTOMER PILLARS* is an evolving and flowing activity. It's a moving target! You can be on top of the world today and in the gutter tomorrow. Similarly, you can be down and out, shift your approach, and become extremely successful. It happens all the time!

Because of this, the Japanese principle of kaizen, which encourages continuous and never ending improvement, applies to *CUSTOMER PILLARS*. A business should always be working on progress in the areas discussed in these principles and never consider their efforts finished. It's bigger than that.

DO WE OWN THE MARKET ON GROWTH?

Some may say there are more ways to grow a business than developing customer relationships or increasing and improving customer revenues. For example, some businesses grow by creating innovative technologies, others find the best employees, others raise capital. But all of these are valuable only in relation to their impact on the *CUSTOMER PILLARS*.

New technologies only create value if they provide a *CUSTOMER PILLARS* opportunity. Does the technology itself generate prospects for increased profits or enhance the company's ability to reach and serve customers? Essentially, if technology does not improve the company's approach to customers, either directly or indirectly, its value is limited. Similarly, strong employees can be an excellent growth strategy if they improve the company's revenue and profit streams and relationships with customers. When strong employees complement the *CUSTOMER PILLARS* approach, it's a great strategy. Finally, financing is often necessary to capitalize on expansion opportunities. Solid financial reserves produce great value when those dollars are used to improve the profitability, strength, and development of customer relationships.

Take the case of Steve Wilson and his IT consulting firm. Through his career as a well paid employee, Steve had been "storing acorns" to start his own business. He estimated he would need \$30,000 for startup funds. But because he had done a great job saving, he had \$50,000 to invest. Steve was extremely well capitalized for his startup.

Upon starting his company, Steve rented a beautiful office, hired an administrative assistant, and spent aggressively on advertising.

And though Steve was regarded as an excellent technical consultant, he was a little uneasy in one-to-one selling situations. His approach was to advertise, let his expertise speak for itself, and let the business come to him.

Unfortunately, eight months into the project, Steve's revenues were about 25% of what he had anticipated. For whatever reason, he was not connecting with the market. As he was closing down his business and polishing his resume, he exclaimed, "I'm shocked. They say most businesses fail because they're undercapitalized. I was actually overcapitalized and one of the best trained professionals in my area. It just doesn't make any sense that this did not work."

Contrast this to Sheryl Hoffman. She also wanted to start an IT consulting firm. Like Steve, she hoped for \$30,000 in startup funds. But she only had \$10,000, so she decided to move forward, but to start very small.

Sheryl kept her corporate job to pay the bills, but took on consulting work in the evening and on weekends. This made life a little frantic; however, she was able to start her business. After three months, Sheryl was bringing on more work than she could complete in her limited time.

To keep accepting consulting work, which was much more profitable than her "day" job, she decided to work a part-time job until revenues allowed her to put her full-time effort into the consulting firm. This took another nine months.

Today, Sheryl has a very successful consulting firm which employs ten other people. She earns about four times as much as her last full time salary. She is a great success! In starting her business, financing was a weakness, but her mastery of the *CUSTOMER PILLARS* was a strength.

Don't get me wrong—given the choice of starting out with sufficient capital or not, I would definitely choose being fully capitalized. Ultimately though, the success of the business will not be based on its financing. It will be based on how quickly a company can connect with the market and generate real profits which can be used to finance its ongoing operation and additional growth. Being well capitalized will never compensate for being weak in the areas discussed in the *CUSTOMER PILLARS*.

IDEAS ARE EVERYWHERE

One of the great things about the expansion approach described in this book is that it applies universally to companies across industries. Because of this, much can be learned studying the growth techniques used by others.

Sharon Salisbury owns the Downwindin' Ranch House Bed & Breakfast, a popular getaway spot for busy professionals. The business caters to a wide variety of people—many are executive couples in the city who are looking for a quick and relaxing weekend escape in the scenic country.

One day, Sharon was booking an airline flight to Salt Lake City for a family function unrelated to her business. Though she is attracted to some of the special offers by other airlines, she is a member of a courtesy club on one of the major airlines and gets a great deal on bonus miles. So she sticks with her standard airline. As she was placing the order for her flight, she thought to herself, "Wouldn't it be great to have a "frequent flyer" program for the bed and breakfast that kept people coming back time and time again?"

She started to brainstorm ideas. Since many of her customers come to the B&B from the city for a brief "getaway" and the focus is on a refreshing, stress-reducing weekend, the loyalty idea had great possibilities. Some of her clients are frequent repeaters and some are only "one timers."

Sharon thought about it. People need these getaways on a regular basis to keep things in balance, and her repeat customers were much more profitable due to the decreased incremental selling cost per repeat customer. She wanted to be sure they came back to her B&B instead of trying another one or something else entirely. Marketers would call Sharon's idea a "continuity-based, retention" strategy.

She considered the four seasons, and her instincts told her people would need this type of "refresher" every third month or so. So she opted for a campaign based around the seasons and thought about special activities to combine with each seasonal visit. Her goal was to keep the customer's experience fresh and unique on each mini-vacation.

Thinking back to the airline's courtesy club she realized people like to feel special and that giving some exclusivity and special

perks to this program could really enhance its appeal. Through more brainstorming, she decided to name her program “The Saddle-ridin,’ Troubles-behindin,’ Leisure-remindin’ Ranchhand’s Club.” And though it was a long brand name, it was catchy and she could envision fun and appealing graphics to add to the program.

After a few weeks of developing, refining, and testing the concept, one based on several of the *CUSTOMER PILLARS*, Sharon decided to implement the “frequent flyer” program. It was incredibly successful. Sharon believes this program, prompted by her experience as a consumer purchasing an airline ticket, will increase her profits and personal income over 25% next year. Now that’s a *CUSTOMER PILLARS* specialist on the move!

YEAH, BUT IS IT SMART GROWTH?!?!?

Any astute businessperson will say that mere growth is not enough. Expanding entails risk and can even be negative, so growth needs to be planned intelligently!

Good business development ensures that profits and revenues increase simultaneously and positions the business for future progress. Never seek growth just for growth’s sake. Advance consciously, and in a way that increases your viability, longevity, profitability, and the enjoyment you get from your company.

To assist with tracking the quality of growth, look at a couple of ratios. These numbers can be used to track the quality of growth over a period of time. As with many ratios, the important information is derived when comparing your own progress over multiple time periods. There are two ratios you can use to do this.

Growth Efficiency Ratio = % Change in Profits ÷ % Change in Revenues

To calculate a % change in profits,

% Change in Profits = (Profit This Period—Profit Last Period) ÷ Profit Last Period

The % change in revenues is calculated the same way, but with revenues. The periods of comparison can be monthly, quarterly, or annually.

When you monitor the growth efficiency ratio, you are tracking the quality of the growth. Basically the ratio looks at whether an increase in sales revenue results in a corresponding (or greater) increase in profits. In this ratio, if profits and revenues increase by the same percentage, the ratio is 1.

Theoretically, any increase in revenue should be exceeded by the increase in profitability. For instance, a 10% increase in revenues should result in a profit increase of *more than* 10%. If revenues increase by 10% and profits increase by 15%, the ratio is 1.5. But if revenues increase by 10% profits increase by 5%, the ratio is 0.5. Obviously, the bigger the ratio, the better.

While it's hard to argue with any increase in profits, if the ratio is less than one, you should still try to understand why the percentage change in profits was smaller than the percentage change in revenues. You have to apply this ratio with an understanding of what is going on inside the company and any extenuating circumstances. But, certainly, a goal should be to generate additional revenues which are efficient at producing even larger increases in profits.

To make this mathematical concept more tangible, let's look at Luxury Pool Supply's last few years of revenues and profits.

Year	2001	2002	2003	2004
Revenues	\$475,473	\$518,266	\$575,275	\$655,813
% Change in Revenues		9%	11%	14%
Profits	\$33,283	\$36,279	\$41,720	\$45,058
% Change in Profits		9%	15%	8%
Growth Efficiency Ratio		1.0	1.4	0.6

In 2002, revenues and profits both increased nine percent, yielding a growth efficiency ratio of one. In 2003, revenues increased 11 percent over 2002, but profits increased 15%. This gives us the more favorable ratio of 1.4. This means the new revenues were more efficient in generating profits. This is what you want. In 2004, revenues increased by 14%; however, profits increased only 8%, yielding an efficiency ratio of 0.6. While this is still progress, 2004's growth was not as profitable as the other years.

If you have a year like this, attempt to figure out why. There can be good reasons for a ratio smaller than one: if, for example, dollars invested in one period reduce the period's profitability, but position the company for future profitability. Tracking the quality of your company's growth will help you understand the reasons for it.

You can also compare your revenue growth to industry growth. Most industries have market research on overall industry growth. Try an industry market research report or your industry association to find this. Chapter Eight provides more details on these resources.

The second ratio, called the Industry Growth Ratio, is calculated as follows:

$$\text{Industry Growth Ratio} = \frac{\text{Company's Annual Growth \%}}{\text{Industry Growth \%}}$$

For example, if the industry grew at 6% and you grew at 9% last year, you have a ratio of 1.5. Again, the higher the ratio, the better. A ratio of 1 means you and the industry grew at exactly the same rate—in other words, you kept up with the growth within the industry and maintained the exact same market share. If your ratio was above 1, you grew faster than the industry and grew your share of the market. If your ratio was below 1, you grew more slowly than the industry and lost market share.

Tracking these ratios helps both to quantify the quality of the growth and increase your understanding of it, so you can set appropriate expansion goals.

These ratios are valuable but don't always work perfectly in every situation. Negative numbers distort the calculations, so you may need to do some additional interpretation of the numbers if any of

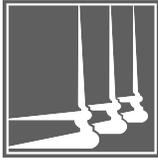
the numbers you are using show negative growth. When growth is present, though, these ratios really help you understand its quality.

THE KEYS ARE IN THE IGNITION

So are you *serious* about building your business? Many people pay lip service to business growth; not so many actually do anything to achieve it. You're holding an important system for evolution, but you need to look below the surface and really think about it to understand how it impacts you. Read this book actively: it's more than theories and ideas for passive consumption. The real benefit comes from seeing how the ideas and suggestions relate to your business and taking actions based on your insights.

I believe in the growth potential of your business. This book describes the systematic approach I would take if I were working directly with you and your company. It shows you how to use the same thought processes I would use, as if I was advising you about your business and what you should do to increase it. View the book as your personal *CUSTOMER PILLARS* coach!

Imagine an open field with many visible stones, many covering gold nuggets. The book's goal is to point out the stones, so you will be more likely to look in the right places, and turn over the right ones to find the best opportunities for your business. Read, absorb, then act.



QUICK TIPS FROM THE PILLARS

The end of each chapter gives specific tips which can serve as a “to do” list from each chapter and help you act on the chapter’s information. For example, after reading this chapter, I suggest that you:

-  Define specific expansion targets—understand why you have selected these goals and what accomplishing them will mean to you and your business
-  Study the nine pillars of growth—even memorize them—and see how each principle impacts your business
-  Take full responsibility for the development of your business—no consultant, employee, vendor, customer, or competitor will ever drive or determine your growth; you do
-  Write down your ideas—reading this book and thinking about expansion should generate more ideas than you can address in the immediate term; have a method to collect and record your brainstorm
-  Use the growth efficiency ratio and the industry growth ratio to track and analyze your progression
-  Commit to excellent execution of the basics and continuous improvement—growth doesn’t have to be sophisticated to be effective; fully master the basic fundamentals first
-  Teach your employees the tenets found in *CUSTOMER PILLARS*—if they understand and use the pillars, you will be better positioned to grow

-  Study other industries and uncover expansion opportunities in yours—ideas are everywhere so keep your eyes open

-  Develop a growth mindset—business development requires a serious, focused concentration! A significant expansion effort requires stepping back, evaluating the business, and taking a broad-based strategic approach

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The contents of this book should be considered management thoughts, suggestions, and insights, but do not abdicate the individual businessperson from making intelligent decisions for running their specific business in their specific industry. The goal of the book is to help the reader capitalize on opportunities, but does not reduce or eliminate the personal responsibility for decisions made in a business

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