

Seven Steps to Sustained, Profitable Growth

The Core Strategy for Success from the Author of the Best-Selling Book *The Must-Have Customer: 7 Steps to Winning the Customer You Haven't Got*

By Robert Gordman



Success in business is not about beating the competition; it's about serving the company's Core and Must-Have Customers. Rather than chasing every potential customer or looking for the next great thing to bump-up profits, companies will find that identifying and attracting Core and Must-Have Customers enables them to develop sensible business initiatives that will build sustained, profitable growth.

No matter the size of the company, chasing the wrong customers is deadly. Catching them is worse. Companies spend billions of dollars each year chasing down, acquiring, and trying to

serve the wrong customers. Those wrong customers not only don't make a contribution to the bottom line—they can throw the entire company off course. During my 35-year business career as an executive and a consultant, I've learned there are seven steps companies can take to avoid being caught in this trap.

Each step yields unique, business-specific insights that will provide the information needed for meaningful action. Each one penetrates far further than the typical, top-of-mind questions executives and managers usually ask as they attempt to understand their business. However, asking the question in each step isn't always enough. The answer may be flawed if you haven't asked the right people the right question in the right way. Only by knowing whom to ask and how to ask can distractions that limit your company's growth be turned into the objective, fact-based focus that will accelerate it.

Externally, you need to conduct research with your Core and Must-Have Customers. Asking anyone else will taint your data and could send your company down the completely wrong—and potentially very dangerous—path. By asking your Core and Must-Have Customers you will get actionable information that will help you make logical decisions that are based on facts, not emotions.

You must ask the right questions, but in order to formulate the questions, you need to have a good idea of the kind of answers you're looking for. Be sure to ask your "knock-out" questions as early as you can. Getting all the way through your survey, only to find out that the person you've spent the last half-hour with isn't a Must-Have, is a tremendous waste of time and resources.

Another critical component of the seven steps is the order in which they're used. Each step is carefully designed to build upon the lessons learned in earlier ones. When used in the right sequence you'll have everything you need to identify your Must-Have Customers, learn their rules, and focus your company on sustained, profitable growth.

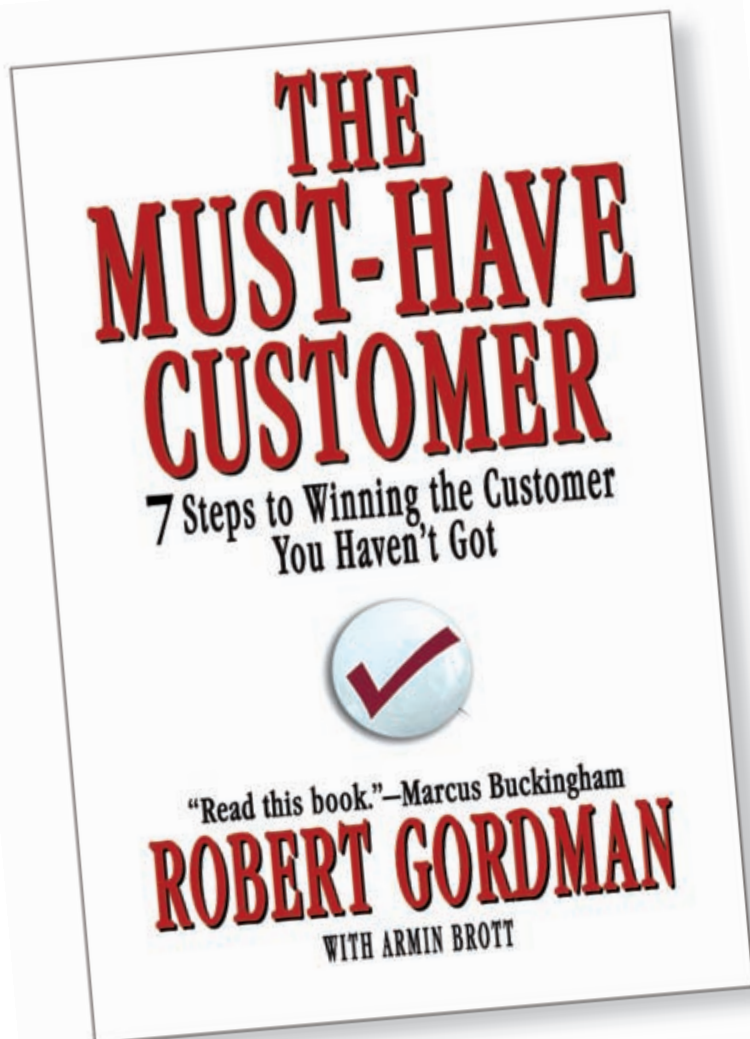
The seven steps are not just for sick companies or those that are already in a death spiral. The answers to each step's questions don't produce quick fixes, short-term expense reductions, or esoteric strategic plans that require a nuclear scientist to understand. The procedure is simple: Ask the questions. Put the answers to work.

Executives, managers, and business owners in any business, regardless of size or industry, will be able to harness the power of the seven steps. Even sole proprietors will benefit. Small business owners might not be able to hire high-priced consultants or do the kind of in-depth research that larger business can. However they can still use the seven steps to ask the pertinent questions, study the answers, and make the necessary changes that will increase sales and profits.

Now, here are the 7 steps.

STEP 1: Who are our Must-Have Customers? Customers are the lifeblood of your video business, and every company has three types. Core Customers are your company's most loyal customers; the ones who love you and are willing to pay a fair price for your work. They provide 80 percent or more of your company's profit. Opportunistic Customers see your videos as commodities and will buy only when the price is right. They generally contribute almost nothing to your bottom line. Must-Have Customers are people who could become Core Customers, but they currently do business with the competition. A growing, profitable company is always seeking our Must-Have Customers and converting them to loyal Core Customers.

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STEP 2: What is our market position? One of the most basic things companies have to do is to know where they're positioned in the marketplace. But the truth is your Core and Must-Have Customers—not management—are the ones who do the actual positioning. Interestingly, in most companies, managers often disagree about where the company is positioned. You need to determine where your Core and Must-Have Customers have positioned you, and how to use that information to create a business strategy that will attract more Must-Have Customers while better meeting the needs of Core Customers. Companies that don't pay close attention to what the Core and Must-Have

Customers say about the company risk finding themselves positioned in the wrong market and competing against the wrong people.

STEP 3: What is our "Sweet Spot?" Healthy companies with growing sales and profitability have created a "Sweet Spot"; a segment of the market that they own and their competitors can't touch. Think Amazon.com, eBay, Nordstrom, and Southwest Airlines. Every action from selecting merchandise or services to sell to creating advertising and developing relationships that attract Core and Must-Have Customers must support the company's Sweet Spot concept. By asking the right Core and Must-Have

Customers the correct research questions, you can learn what it takes to leverage your company's strengths, create a customer-relevant position, and develop a Sweet Spot. This information will help you make crucial decisions and implement strategies that will attract the customers who will propel sustained, profitable growth.

STEP 4: Why are our satisfied customers buying from our competition?

Most companies talk about trying to satisfy their customers, but satisfying customers isn't enough. In fact, most customers who switch to a competitor were perfectly happy before making their move. You need to go beyond simply satisfying customers and create undying loyalty. It's important for you to understand your customers' rules. In some cases you need to fire your Opportunistic Customers who are more trouble than they're worth. Most companies spend a lot of time and money trying to satisfy every customer. Instead, you need to develop loyal customers. What's really crucial is understanding exactly what these profitable customers want and then using this knowledge to mold every strategic business decision from hiring practices to loyalty programs to advertising campaigns. What the unprofitable customers want is simply not important.

STEP 5: Critical Success Factors: Do you know what you don't know?

There is a big difference between what's important for your company and what's critical. To discover what is critical to increasing sales and profits you first need to build a strategic plan based on the answers to the first four steps. This plan will give you the tools you need to develop two or three critical initiatives and outline cohesive goals that everyone in your company can work toward. The plan will then help you discover what you don't know so you can focus your efforts on the critical factors for your business instead of the merely important.

STEP 6: Are we hiring only Must-Have Employees?

One of your most important responsibilities is to hire the people who can produce the specific results needed to achieve your company's goals. You need to carefully select the right people for each position; the people who have the skills and talents to get the job done in the company's unique business environment. Must-Have Employees have a passion for what the company does, know what customers want, understand which policies and procedures work and which don't, and has thoughts on how the company can cut expenses and improve productivity. Think of companies like Starbucks or Best Buy where customers get superior service from friendly, knowledgeable employees.

STEP 7: Are we communicating effectively with our Must-Have Customers?

Increased sales don't necessarily translate into increased profits. You can analyze the effectiveness of your company's communications and advertising, and determine whether the investment you are making is giving you an appropriate return. Advertising that increases a company's share of mind and reach, but doesn't produce measurable bottom-line results such as improved sales and increased gross margin should be eliminated. The goal of advertising is to give Core Customers a reason to keep buying from the company, give Must-Have Customers a reason to start buying from the company, and to increase sales and profits. Advertising that doesn't do these three things is a waste of money.

The Must-Have Audit. Asking the questions presented in the book isn't something you do just once. It's a constantly evolving process, and the Must-Have audit is designed to keep your insights fresh and your company always ahead of the competition. The bottom line is sustained, profitable growth.

ROBERT GORDMAN IS PRESIDENT OF THE GORDMAN GROUP AND THE AUTHOR OF *THE MUST-HAVE CUSTOMER: 7 STEPS TO WINNING THE CUSTOMER YOU HAVEN'T GOT.*

The Must-Have Customer Profitability Predictor

"Over 600,000 businesses close their doors each year," explains Robert Gordman, author of *The Must-Have Customer: 7 Steps to Winning the Customer You Haven't Got* and the developer of the Profitability Predictor. "Companies die not only from losing great customers, but also from spending money and time chasing down, acquiring, and trying to serve the wrong customers. Those wrong customers are a drain on the bottom line and can throw the entire company off course."

The Profitability Predictor, based on *The Must-Have Customer: 7 Steps to Winning the Customer You Haven't Got*, is a series of questions that can be answered online in about five minutes. Within about two hours, you receive a report analyzing your answers and providing practical, actionable information tailored to your own business needs.

The Predictor is designed to provide you with the tools you need to mold every strategic business decision, including what types of products and services to sell, and the creation of effective promotion and advertising. Here are a few of the questions included in the Profitability Predictor:

1. Does your company have a unique, clearly defined market position, what Gordman calls a "Sweet Spot" that differentiates you from your competition?
2. Do you know who your "Must-Have Customers" are (customers who look a lot like your Core Customers, but who take their business to one of your competitors)?
3. Do you have a list of Must-Have Customers you need to turn into Core Customers to profitably grow your business?

"If you plan on being in business for the long-term, you need to take the Profitability Predictor," Gordman says. "Rather than chasing every potential customer, professional videographers will find that the Predictor will enable them to develop the sensible business initiatives they need to build sustained, profitable growth."

First-hand experience has taught Gordman how effective the Profitability Predictor is. He has used the same questions and strategic analysis to help scores of companies, from small businesses to corporations with sales of more than \$80 billion, achieve sustained, profitable growth.

The standard cost of the Profitability Predictor is \$50. However, WEVA International has arranged a special limited-time offer for WEVRG readers of just \$25, a 50 percent discount off the standard cost. The Profitability Predictor can be accessed for this special offer by logging on to www.musthavecustomer.com/weva.html.