

Strategy stir fry

There is only one valid definition
of business purpose - **to create
a customer!**

WALSH
ACCOUNTANTS



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Moments of truth (MOT) from a customer service perspective

At key interactions the customer makes a judgement about the company. All the marketing and clever slogans don't mean a thing if that moment is an unsatisfactory one for the customer.

There are usually 4 or 5 main customer touch points out of 200 actual customer touch points that you need to nail.

For a restaurant the main ones are:

- good service
- good quality food
- good value for food + service
- cleanliness

Word of mouth (WOM)

Most businesses cannot achieve these:

- Show up on time
- Do what they say they will do
- Finish what they start
- Say 'please' and 'thank you'
- Give a little more than they expect

Here is the framework for integrating several important strategic components into one coherent plan.

1 Words you own – this is your brand!

BMW – 'sheer driving pleasure' or Volvo – 'safety'

- Remember good branding - gives you lower marketing costs + bigger margins
- You need to be where the fish you want to catch are
- You want to be everywhere your core customers are
- Service companies – brand your services

2 Sandbox (target market)

This is simply defined as the markets in which you are choosing to compete in. Here you are going to briefly describe the core customer (who and where) and what it is you plan to sell them over your 3 to 5-year target.

Who and where are the juicy red core customers – the ones that will deliver long term sustainable business that we can efficiently service

In which areas do you want to be #1 in the world in? The sandbox describes exactly what you're going to serve your customers and helps you get clearer on what you're going to say "no" to.

7-70 rule

If you want to make software-like margins in any industry (something like 70% gross, 20% net) you need to identify and dominate a narrow niche - what we call the 7-70 rule. Find a niche no bigger than 10% within a broader industry then own 70% of that niche. For instance, IKEA, at €30 billion in revenue, only has 6.9% share of the furniture retail industry, yet they own 72% of the highly lucrative "flat packed" segment of the industry. What niche do you own (or could you) within your industry? How do you describe it in a couple words (like "flat packed").

The niche finds you

So how do we find this lucrative niche within a broader industry? In most cases the niche finds you. As you start serving customers in a broader industry and then if you study your own data (quantitative and qualitative) you'll see that there is a specific segment of customers, distribution channels, and products/services where both the sale is easier and the margins higher. The key is letting go of all the other segments and choosing to hyper focus where you seem to be making the most money the easiest.

3 Core customer (juicy profitable ones)

Who is your MOST VALUABLE customer?

Could be:

- Been with you the longest
- Delivers you the most profit
- Causes you the least hassle
- Is the most loyal
- Spruiks your services
- Could just be the biggest

This is the type of customer you want to get because they have a strong affinity with your firm.

The easiest and most profitable growth will be by adding customers just like them.

Finding your WHO – core customer

Make a list of all the customers who come to mind who represent what you think might be core – not just your favourites also those you wish you had.

Create a vivid picture in your head and keep this virtual person clearly in mind.

Now, choose from above your highest priority targets – describe him or her in 2 or 3 fresh words

Define them in more demographic terms. What do they need?

What do they desire, prefer, seek?

What do they demand from us?

No more than 10-15 highly descriptive words that capture your core customer

To grow the business, you need to fully understand what you are offering customers in terms of the broad experience that you deliver to them – not the narrow transaction between you and the customer.

4 Your uncommon offering

Words like 'customised' and 'results' are good to define your offering.

Review of your WHO – core customer

- A** List all the potential offerings that now exist inside your business. Ask others to contribute as to what makes your business different:

- B** Circle those few that offer potential to retain and attract sufficient new customers in sufficient quantity to drive your profitable growth.

- C** Ask yourself these questions:

- Is it already owned in part or whole by a competitor? Eliminate any option that is not uncommon.
- Is it discreet, really different or saying things on the list in another way? Eliminate duplications.
- Could it be combined with another options on your list to make a more single powerful offering? Eliminate those not compelling enough to stand on their own.
- Will it be enduring? Eliminate those which are not.
- Which single offering will enable you to deliver a meaningful, beneficial experience at every touch point?
- If there is one that delivers emotional assurance that your most important customer needs to remain loyal – this is likely your uncommon offering.

D Now draft a statement that expresses your uncommon offering – be honest and truly different.

Who / where?

We need to identify the core customer most likely to buy your product or service in the quantity required for optimal profit.

Make this **tight** and **specific**.

Example:

“Marketing agency specialising in personal service firms”

→ “Marketing agency specialising in **legal firms**”

→ “Marketing agency specialising in **personal injury firms**”

→ “Marketing agency specialising in personal injury firms in big cities”

→ “Marketing agency specialising in personal injury firms in **NFL cities**”

→ “Marketing agency specialising in personal injury firms in NFL cities - top 3”

→ “Marketing agency specialising in personal injury firms in NFL cities – **one only**”

Who / Where (your core customer)	What you sell them (products and services)

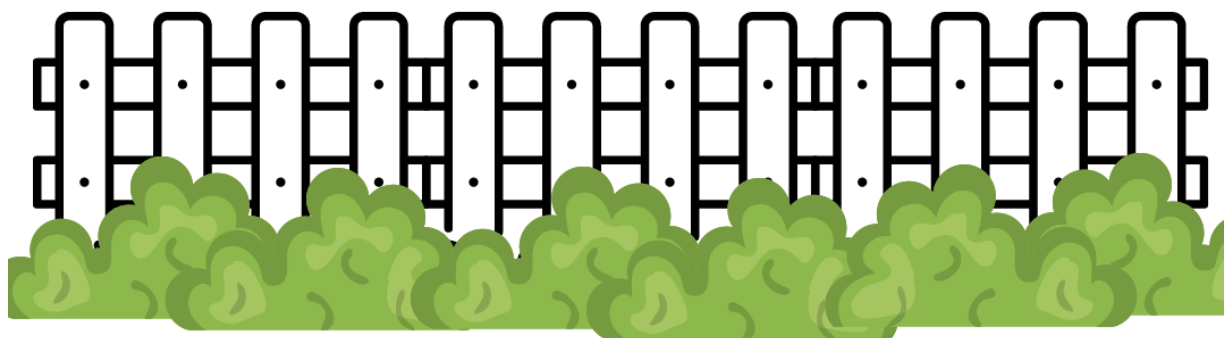
5 Brand Promises (marketing)

Your brand promise is what you want to be known for by your customers. It's what is going to drive your core customer to you and focuses on their needs, not their wants, per se.

Brand promises (try and have three of them)

Think of a kids playground in the middle of a busy road. With no fence you will keep them close to the middle. Put a fence around the playground and then suddenly everyone can run freely right up to the fence line.

The fence is the brand promises – **the fence gives us freedom!**



The importance of marketing

Marketing is a man telling a woman “I am a great lover”, but **branding** is a woman saying to the man “I understand you are a great lover”. The difference is subtle but clear. Branding is about what your customer understands about your product or message and has nothing to do with what you are telling the customer.

Why three brand promises?

It's Robert Cialdini's research on [Influence](#) that found that if you want to convince someone to buy your product/service you give them three reasons - three outperforms two or four and especially ten. And it's supported by Frances Frei's book [Uncommon Service](#). This is why Southwest Airlines has the 3 LFs – ‘low fare’, ‘lots of flights’, ‘lots of fun’. And yes, it's important to lead with the main one – ‘low fare’ for Southwest - but they have the other two. There is something about the power of three that allows teams to triangulate into a decision and provides enough creative tension to drive innovation.

Bradford Logistics' brand promises

Ben Richter has two of his promises in the tagline for his firm [Bradford Logistics](#) – ‘When security and timing are everything.’ This third is his culture. The same for Southwest Airlines. Herb Kelleher, the co-founder and former CEO, always said competition could copy ‘low fare’ and ‘lots of flights’, but not the third ‘lots of fun’. What are your three brand promises - and which is the lead?

Having the brand promise and promoting it removes the customers fear for doing business with you.



BRAND PROMISES

Speed of installation
Easy to do business with
Results in a week

BRAND PROMISE KPIs

10 days or less – installation
NPS scoring 60+
7 business days to measurable results

Brand promises and brand promise KPIs form the linkage between strategy and execution.

How are you going to differentiate?

Brand Promise	Brand Promise KPIs

6 Differentiating activities (your unique mix that is hard to replicate)

How we deliver will differentiate what we promise

Southwest Airlines – hard to copy activities:

- No advance seating
- Flies just one type of aircraft – reducing repairs parts and making it easy to swap pilots
- 2nd tier airports - lower landing fee
- Goes point to point – rather than more expensive hub and spoke
- Nurtures a quirky culture that helps customer put up with the negatives

These are blocking factors – Ryan Air – already has different planes and offer reservations (can't take it away).



List your differentiating activities:

7 X-Factor (your underlying advantage to your core customer)

Look for the bottleneck or big constraint in your industry

It is normally invisible to customers.

Outback Steakhouse **example**:

- Challenge was maintaining consistency in food quality and service – but why?
- As he peeled back layers – he found was due to the industry's average 6 month general manager turnover in stores.
- Good managers were typically moved around to take over for bad ones and great ones would leave to start their own restaurants.
- What if he could keep a restaurant manager in the same restaurant for 5 to 10 years – this would be a 10x to 20x improvement.

How do you find / discover x-factors?

- Start asking – what is the one thing I hate most about my industry – what is driving me nuts?
- What is the choke point constraining the company?
 - Could be a massive time factor
 - Could be a cost factor

Profit per X (economic engine)

You want to own the profit share not the market share

Apple has 12% of the market share for phones – but 89% of the profit share.

Pricing strategies

Robert Cialdini used a simple pricing strategy trial at a restaurant.

When most wine lists start with the cheapest and then go to the most expensive, he flipped it the other way and wine sales increased by 26%.

Why?

Profit per x – you main KPI linking to your BHAG:

- Southwest – profit per plane
- Walgreens – profit per customer visit



Remember!

Should you have any questions or require any assistance, contact your accountant or a member of our [Focus Advisory](#) division today.