

# Good Business Run Wisely

June 2008

A newsletter to help you Maximize Value Creation in your business

Volume 2, Number 6

[www.Robert-McKinney.com](http://www.Robert-McKinney.com)

## In This Issue

- Quote Of The Month
- Moving From Analysis to Development of a Plan
- Developing the Marketing Mix: *Product*

## Quote of the Month

“Anybody can survive in some way or other, even the skid row bum. The trick is to survive gallantly, to feel the surging impulse of commercial mastery: not just to experience the sweet smell of success but to have the visceral feel of entrepreneurial greatness.”

— Theodore Levitt

## Profits begin with Preparation, *not* Products

Many businesses start with a product. Someone develops a better mousetrap and decides to sell it. They develop a process to make it, slap a price on it, and maybe even open a store. When they find business is slower than expected, they decide they either must spend more money advertising or work double hard at direct sales. It's an all-to-common scenario that makes me think of war.

A military general eager to spring into battle gathers his troops and weapons and shouts “charge!” The battle rages long and vicious with all the general's time spent reacting as he loses ground continuously. It's why most startups and more than 50% of new products developed by established companies deliver a fraction of their expected results.

Readers of *Good Business Run Wisely*, in contrast, are like the military general standing on a hill above the battlefield. He carefully analyzes the terrain, spots the ground that might make him vulnerable, and observes his competitors to understand their strengths and weaknesses. This better method allows him—and you—to focus on the strategy and remain offensive, gaining ground and advantage.

That's because during the past few months you have seen the importance of “Situational Analysis.” You have examined the “4C”s: Customers, Competitors, Collaborators, and your Company. And you learned how an industry analysis using Porter's 5-Forces framework helps determine the balance of power within an industry.

The next step, like the military general, is to strategize. Just like the strategy of war is complex and specific to individual battles, the details of true business strategy are specific to individual companies and, therefore, beyond the scope of a newsletter. If you would like specific help with your business strategy, [email us](mailto:robert@robertmckinney.com).

### Path to profits

#### 1. Analyze the situation

- Customers
- Competitors
- Collaborators
- Company

#### 2. Strategize

##### Develop a marketing mix

- Product
- Price
- Place
- Promotion

## Contact Us

[Robert-McKinney.com](http://Robert-McKinney.com)

[email Robert](mailto:robert@robertmckinney.com)

Once you have analyzed your situation and created a strategy, you are ready to focus on your “Marketing Mix,” otherwise known as the “4Ps”: Product, Price, Place, and Promotion.

Over the next four months I will introduce each P. Each P plays an important role individually and collectively in the success, or failure, of a company.

This month, we start with the P that started it all: “Product.”

---

## Developing the Marketing Mix: *Product*

A product is more than a tangible item or specific service. It is everything that satisfies your customers’ needs. Your product includes the functionality, quality, styling, safety, packaging, brand name, support, repairs, warranty, and accessories of your offering.

For example, when people buy a Toyota, they buy it to get to work every morning and to bring home groceries on Saturday. Toyota’s product is reliable transportation. In contrast, people buy a Porsche for the thrill of speed and the status of owning a German sports car. Porsche’s product is excitement and sex appeal.

Likewise, although McDonald’s is a burger chain, moms don’t go there for the burgers. They go there because the restaurants are consistent, inexpensive, clean, and allow them a 30-minute break while the children play in Playland. McDonald’s product is consistency and convenience.

Tiffany & Company is a wise company that knows their product is not just jewelry but status and companionship. They maintain the ultimate brand name by providing customers with an exquisite purchasing experience, a robin’s-egg blue box with white ribbon, and a matching card to hold the receipt.

Even the products of business-to-business (B2B) companies entail more than what they seem. Take the example of a drill bit company. Their customers don’t need drill bits, they need holes. The drill bit company’s true product is providing a competitive advantage to industries by creating holes cheaper or better. They might do this by offering technical assistance, financing, or even devising a new way to make holes. If not, the drill bit company will have to compete for business on price.

Most companies are product oriented—that is, they start by having a product for which they try to find a customer, like the scenario that began this issue of *Good Business Run Wisely*. When you look to your Situation Analysis to uncover your customers’ unmet needs, you can develop truly valuable products. You can see the profitable uses for your item or service. And your product will practically sell itself.

Satisfying customer needs, that’s Good Business Run Wisely.”

---

## Brief Concept: *Customer Equity*

*Customer equity* is the present value of all the future profits derived from a single customer. Although short-term profits may be boosted through advertising & sales promotions, maximizing customer equity requires a robust strategy & the proper marketing mix. Δ

- Product**
- Functionality
  - Quality
  - Styling
  - Safety
  - Packaging
  - Brand name
  - Support
  - Warranty
  - Accessories