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## Editorial

### An alternative to low price thinking

It seems that in the face of any form of competition, the response, in almost most salespeople is to either match the price or lose the sale.

This is bad for current profitability and it is bad for future profitability - because all the people who have knocked you down on a price tell their relations, friend's colleagues and anyone they meet at a party that they can expect to get, the same cheap prices from you. There is evidence of this margin erosion in so many industries.

There is a story about a hairdresser, which shows there are alternatives. It gives an insight into how to turn things around and it applies to any person selling products in any industry!

There was a hairdresser in a small country town charging \$25 for haircuts and doing very well because there was no competition in the town.

One day a competitor opened a salon directly across the road with a big sign in its window saying "\$6 HAIRCUTS".

At first the original hairdresser was rattled. He realised that if he kept his price at \$25, he'd lose a lot of his customers to this new competitor but if he dropped his price to \$6, he might eventually drive this price cutting guy out of business but perhaps he would go broke trying. He thought perhaps he couldn't afford to take \$19 off his margin.

Three points about this situation.

First he had the standard reaction to competition - meet or cut the price. It's the most obvious answer. If you disregard the industry and the price difference, I believe most businesses in this country think they would have to either match the price or lose the sale

Second, he really had no idea about his real costs so didn't know what his margins where or how much he could afford to compete

Third he didn't know if the value he had been offering was good enough to beat a competitive offer.

Luckily he had a good idea - and a good idea is preferable to having no idea and simply cutting the price!

What the hairdresser did, was he kept his price at \$25 and put a big sign in his window that read

“WE FIX \$6 HAIRCUTS”.

Most businesses fix \$6 haircuts for \$6 when they could be charging \$25

Brainstorm all the things your customers get that are included in the price of your products and communicate these before they make their purchase decision. Why do we have to wait until a customer gets a \$6 haircut before we fix it?

### Critical Factors needed in Understanding Retail Shoppers and Shopping

Recently MAANZ participated in a seminar about an online survey which has provided some interesting insight for retailing.

Customer Profile – Go beyond the simple demographics

Number of shopping trips per month/week

Purpose of each shopping trip

Amount spent on each shopping trip

The variables

Purpose of shopping trip

Shopping trip purpose and amount spent are critical

Who they went shopping with (or alone?)

Reason for shopping trip

Categories purchased on last few trips

### Requirements for Achieving Retailing Success

Understand that retailing (in all categories) is undergoing transformational change

Manufacturers are still primarily brand focused. Customer shopping experiences are not well researched by them

Retailers primarily focus on product category and buying. They need to primarily focus on what customers want - the customer variables.

The overall economy and resulting customer expectations have an impact on retail

Understanding customers overall media consumption is the key to retail promotional success. It's not just TV/Internet – it's which part of these, how often, and how important it is to the viewer

Retailers and customers together create retail communities.

Actual consumer behaviours are what drive retailers' marketplace success. Intentions and attitudes are less important

Retail “theatre” drives sales in store

Digital communication is the key to retailing in the future.

### Retailers Need More Customer Knowledge.

Retailers and manufacturers must work together to provide “holistic” retail experiences for shoppers

New shopper segmentation approaches are critical to developing more effective retail promotional programs



The meat pudding is made from a sheep's stomach stuffed with oatmeal and minced intestines and is traditionally eaten on Burn's Night.

This year supermarkets are reporting stronger sales than ever and said haggis is even flying off the shelves during the rest of the year as customers look for cheap and nutritious meals.

Total haggis sales for 2009 in the UK alone were worth £8.8 million, an increase of around 19 per cent on 2008 figures, according to Scottish Government figures.

Leading haggis maker, Macsween of Edinburgh, has reported a total sales increase of 20 per cent for 2009 and an increase of 25 per cent in the run up to Burns Night 2010.

The increase is largely due to the Homecoming celebrations last year to celebrate 250 years since the birth of Scotland's national poet Robert Burns. Haggis is also being offered in more variations, including cocktail haggis for starters and slices of haggis for breakfast.

But experts say the year round increase in demand is due to consumers being a little less squeamish about unusual cuts of meat.

In the last year major retailers have brought back ration-book era cuts of meat like pigs trotters and ox cheeks as demand grows for cheap and nutritious meat.

Siobhan Barnes, Sainsbury's meat buyer, said people are also learning to love offal like haggis. Last year the chain sold more than 50,000 haggis and expects sales to go up this year.

### **Tesco creates and produces its own movies**

It's not too unusual these days to find DVDs for sale in supermarket chains. But how about a supermarket chain that actually creates and produces its own movies that are available only at its respective stores?

Tesco, the UK's largest supermarket group, is partnering with a media firm to create DVD feature films based on books. The films will be available only as DVDs -- not in movie theatres -- and will be sold only through Tesco's retail and online operations.

"This ground-breaking relationship with Amber Entertainment is a significant development for Tesco and the first of its kind for the industry," says Tesco's entertainment director, Rob Salter. "Through this partnership we will be able to offer our customers an exclusive window to own a first-run film from a range of well-known authors."

Tesco has already cut a deal with best-selling author Joan Collins to sell four film adaptations of her books. Collins said "I love the concept of creating quality DVDs I know my readers will enjoy. It's an innovative idea to partner with Tesco, and gives the consumer something exclusive."

Tesco is a retail brand that is creating marketing opportunities by inventing its own unique product lines. Another example of how the strongest brands conjure ways to remain relevant and profitable even in dire financial times. [www.brandchannel.com](http://www.brandchannel.com)

### **Adidas rewards consumers for sharing in online push**

Every company wants its online videos to go viral, but few companies go so far as to actually give consumers an incentive for sharing. Adidas, however, is doing exactly that in a highly interactive push to promote its lightest-ever footwear and apparel lines over NBA All-Star Weekend.

30-second spot starring NBA star Dwight Howard that will encourage viewers to visit its website and YouTube channel, where they can access more content featuring Mr. Howard, including one video that will gradually unlock to reveal more content of the player the more times it's shared.

Adidas has also created a "Subservient Chicken"-style video of Mr. Howard dunking that shows him jumping as high (or as low) as consumers choose via a gaming-style grid control. (It's not easy to secure Mr. Howard's highest leap, however, and users who can't will get to watch him miss a dunk; if you manage to select the highest point on the grid, you get to see some of the jaw-dropping agility for which Mr. Howard is known.) A third video lets viewers watch one of Mr. Howard's dunks from five different angles.

Agencies 180, Los Angeles, and Riot, Amsterdam, are behind the effort, which can be found at [youtube.com/adidasbasketball](http://youtube.com/adidasbasketball).  
AdAge.com

### **Celebrate diversity in the most delicious way!**

Australian workers represent over 230 different nationalities and A Taste of Harmony (15-21 March 2010) offers employees the opportunity to celebrate their diversity by participating in a tasty and fundraising free event!

An initiative of the Scanlon Foundation, A Taste of Harmony encourages workplaces across Australia to gather together and share a multicultural lunch. Staff can bring dishes that reflect their cultural background, their favourite ethnic dish or cook something from a country they have never tried before.

Last year's celebrations saw more than 60 000 Australians enjoying not only delectable dishes but also learning more about their colleagues and their cultural backgrounds.

A Taste of Harmony 2010 is proud to have the support of some of Australia's biggest celebrity chefs including Tobie Puttock, Maeve O'Meara, Shannon Bennett and Guy Grossi.

For more information and to register visit [www.tasteofharmony.org.au](http://www.tasteofharmony.org.au) or call 1800 077 067.

### **App-Store mobile downloads to top 4.5b in 2010**

Global consumers are expected to spend \$6.2 billion at mobile application stores in 2010, while related advertising revenue will generate \$0.6 billion worldwide, according to a market study by Gartner, Inc.

Mobile app stores will exceed 4.5 billion downloads in 2010, eight out of 10 of which will be free to end users, Gartner analysts said.

Gartner forecasts worldwide downloads in mobile application stores to surpass 21.6 billion by 2013 and will generate more than \$29 billion in revenue.

The analysis also found that free downloads will account for 82% of all downloads in 2010, and will account for 87% of downloads by 2013. According to Gartner, an application can be free because the developer is offering it at no cost to the consumer while charging for other things within the application. There are also applications that are free to use but that charge for physical goods delivered through the application. There also are many applications that are free to users and derive their revenue from advertising. This is done with banners as well as full-page advertising such as that between game levels in game apps.

Worldwide mobile application stores' download revenue exceeded \$4.2 billion in 2009 and will grow to \$29.5 billion by the end of 2013, Gartner said. This revenue forecast includes end-user spending on paid-for applications and advertising-sponsored free applications. Ad-sponsored mobile applications will generate almost 25% of mobile application stores revenue by 2013, the study said. The proportion of apps downloaded that are free will also increase in the same period, by 5 percentage points, from 82% to 87%.

Estimates of app store revenues and downloads range widely. Tech researcher Ovum predicted in November 2009 that worldwide app store revenues would reach only \$5.7 billion in 2014. In December 2009, ABI Research projected only 5 billion mobile app downloads by 2014. And Screen Digest forecasts 4.4 billion app downloads from the Apple store alone in 2010.

Gartner

### Worldwide online search market grows 46%

The total worldwide online search market grew 46% in December 2009 compared to December 2008, according to the latest qSearch data from digital research firm comScore, Inc.

### US, China lead in total number of searches

During December 2009, Internet users conducted 131.3 billion online searches, compared to 89.7 billion online searches in December 2008. The US led all countries in total online searches, conducting 22.8 billion. This represents 22% growth from 18.7 billion in December 2008.

China ranked second with 13.3 billion searches, a 13% increase from 11.8 billion a year earlier. Japan came in at number three, growing 48% from 6.2 billion to 9.2 billion searches, followed by the UK, which grew 35% from 4.6 billion to 6.2 billion searches.

Google Sites was by far the most popular search property during December 2009, collecting 87.8 billion searches worldwide, a 58% increase from 55.6 billion in December 2008. Its closest competitor, Yahoo Sites, collected 9.4 billion searches worldwide, a 13% increase from December 2008. Rounding out the top five were Chinese search engine Baidu.com, growing 7% from 8 billion to 8.5 billion searches, Microsoft Sites, growing 70% from 2.4 billion to 4.1 billion searches, and eBay, growing 58% from 1.3 billion to 2.1 billion searches.

### Argentine government stops innovative beer promotion

Instead of simply throwing a poolside beer party, Argentine agency Santo and its client Isenbeck decided to host a summer celebration last week where lucky contest winners would swim in a hotel pool full of Isenbeck beer.

There's no law against swimming in beer, but the Argentine government nixed the idea, claiming the "Pileta de Cerveza" ("Pool of Beer") ad campaign and the plunge into a pool brimming with brew would encourage irresponsible drinking.

"Their complaint is just ridiculous," said Santo founder Maximiliano Anselmo, noting that people wouldn't actually be drinking the beer they were swimming in.

Santo began running an enticing spot in late November showing a young man who strips, climbs a tall ladder and does a cannonball dive into a pool full of beer as his admiring friends watch and sip from Isenbeck bottles. The spot

announces the fiesta and the pool filled with beer instead of water, and invites people to enter to win a chance to cavort in the pool with five of their friends on Jan. 9 in Mar del Plata, Argentina's most popular beach resort. (AdAge.com)

## In Spain, Pepsi becomes 'Pesi'

Pepsi-Cola's intriguing insight from Latin America that many Spanish speakers can pronounce the brand's name more easily and phonetically without that pesky second "P," has arrived in Spain. In a new commercial-within-a-commercial, hunky Spanish soccer star Fernando Torres gets fed up when the director keeps correcting the way he says "Pesi" on camera.

After the English-speaking director yells "Cut" through 189 takes, Mr. Torres rips the letter "P" from a Pepsi sign behind him and boldly tells the director that in his neighbourhood, it's called "Pesi."

This approach was a big hit, although somewhat controversial, in Argentina last year when Pepsi humorously renamed the brand "Pecsi" in keeping with Argentine accents. Now Pepsi is parsing different Spanish accents, adopting the "Pesi" spelling in Spain without the Argentine "C."

In Argentina, the challenge for the brand's agency, BBDO, was to do a price comparison with Coca-Cola to emphasise Pepsi's lower price during the depths of the global economic crisis last year. The message was that in a tough economy, Pepsi costs one peso less than Coke, so you can either save money by drinking Pepsi, or save by drinking Pecsi.

"Changing Pepsi to Pecsi was a way of gaining closeness [to the consumer] and transcending a mere value message," said Ramiro Rodriguez Cohen, a BBDO Argentina creative director.

Pepsi also created a Pecsipedia for Argentine slang that more than 1,500 people contributed to.

"This campaign is based on a universal insight: Pepsi is pronounced in many different ways, as was reflected in the BBDO Argentina campaign," said a spokeswoman for Pepsi's agency in Spain, Contrapunto BBDO.

In Spain, the execution is different. In addition to the TV spot with Mr. Torres, Contrapunto BBDO also created a "making of" version that tells the whole narrative: Mr. Torres, a famous player who used to play for the Atletico Madrid soccer team, was hired to make a blockbuster Pepsi commercial, set in a space ship that's surrounded by monsters and princesses. But the story changes dramatically when he takes his linguistic stand and becomes a true hero, defending his neighbourhood and the way people speak there.

Another video on the site introduces the Comando Pesi, a team charged with going first to Mr. Torres' neighbourhood and then to other parts of Spain to see how they pronounce the soft drinks name and what other local expressions they use. Their local words and idioms will be added to the Real Pespedia Española, which sounds like a spoof of the Real Academia Española, Spain's conservative body responsible for establishing the rules governing the usage of the Spanish language.

As in Argentina, the overall message in Spain is, "Do you say 'Pepsi' or 'Pesi'? If you say 'Pepsi,' it's correct. If you say 'Pesi,' it's even better. It doesn't matter how you say it, you are saving either way."

<http://adage.com/globalnews>

## Forrester forecasts 8 percent increase in global it spending in 2010

Forrester says the global technology industry will see an 8.1 percent increase in IT spending in 2010, with software and computer hardware leading the charge, and IT consulting services following.

After declining 8.2 percent last year, U.S. IT spending will grow 6.6 percent in 2010 to \$568 billion, according to Forrester's latest research report. Global tech spending, which dropped 8.9 percent in 2009, will rise to more than \$1.6 trillion in 2010.

Forrester is particularly optimistic about IT spending of businesses and governments in the United States, with Forrester Research VP and principal analyst Andrew Bartels predicting a the tech recovery that will be stronger than the overall economic recovery, with technology spending growing at more than twice the rate of gross domestic product (GDP) in 2010.

But the regions where growth is predicted to be the strongest in 2010 (when not measured against local currency) are Western and Central Europe, where tech purchases are forecast to rise by 11.2 percent, boosted by the dollar's decline against the euro.

Forrester Research expects IT purchases in Canada to grow by 9.9 percent, Asia Pacific by 7.8 percent, and Latin America by 7.7 percent.  
Forrester Research

## Google wasn't winning in China anyway

Google's decision to pull out of China unless the authorities will allow uncensored search results -- an unlikely outcome -- probably does stem from moral outrage over the government's heavy-handed tactics.

But it could be a face-saving way to exit a market where Google has made surprisingly little progress. Most research companies agree Google controls at most one-quarter of China's search market. That's hard to swallow, given Google's dominant position in the U.S. and many other major markets.

So why hasn't Google figured out a way to dent the lead in China of front-runner Baidu?

First-mover advantage

Chinese were using Google and Yahoo before Baidu was launched by Robin Li in 2000. But Google didn't launch its Chinese site, Google.cn, until 2006, effectively giving Baidu first-mover advantage.

Baidu handles more than two-thirds of search queries in China, says Chinese consultancy iResearch.

Google has never been a big believer in traditional marketing anywhere, including China, while Baidu is an active advertiser in TV, out-of-home and digital media.

"Their chief problem was the idea they could come into the market without doing marketing and expect to replicate the miraculous success they had enjoyed in the U.S. They did no marketing," said Kaiser Kuo, a Beijing-based consultant for Youku.com and the former head of digital strategy at Ogilvy & Mather in China.

"They just had a name that was hard for Chinese to pronounce and harder to spell," Mr. Kuo said.

Understood behaviour

As a Chinese-owned company, analysts say Baidu understands the local market better, both the behaviour of consumers and the kinds of tools they want in a search engine.

"Google has vision but its execution in China wasn't strong. They don't get the nitty-gritty nuances and are not close enough to the market," said Quinn Taw, a Beijing-based venture partner at Mustang Ventures who has held senior positions at Mindshare and Zenith Media in China.

Until recently, for instance, Google.cn had the same clean, sleek look of Google.com, even though Chinese web surfers, particularly in the early days, preferred clicking on popular search topics rather than typing in search characters. Baidu's site reflected that preference from the start.

Google was also slow to promote popular services such as bulletin boards and online videos.

"With its massively popular Tieba forums, a question-and-answer service and a wiki, Baidu leveraged Chinese netizens' natural propensity to share and create content and seamlessly integrated it in to the overall search experience way before Google's attempts," said Sam Flemming, founder and chairman of CIC, an internet research and consulting firm in Shanghai.

"Even Google's attempts in the West at integrating social media and search fail in comparison to what Baidu is doing in China," Mr. Flemming said.

#### Speaking Chinese

Baidu also knows how to talk to Chinese users, literally. In Mandarin, a word is represented by one or more characters that can have multiple meanings. The search engine needs to be sophisticated to understand the right meaning of the characters in a search request.

"Baidu has developed better software and technology for the task," said Dick Wei, VP of equity research at J.P. Morgan in Hong Kong.

Those are the most obvious and easy explanations, but they don't fully explain why Google hasn't conquered China. After all, it was a last-mover in the U.S. and still managed to dominate search in that market and Google is successful in other non-American markets.

Japan, an insular Asian country that also has a character-based language, is dominated by two American search providers, Yahoo and Google.

#### Connections matter

Like many things in China, the real answer comes down to connections, piracy, nationalism and corruption.

When Baidu issued its IPO in late 2005, about one-third of Baidu's users were music fans using the site's online music file-sharing service, which operated much like Napster.

Baidu didn't earn revenue from the music downloads, but music attracted tens of millions of Chinese to its site and helped make it the No. 1 search engine player. As an American company bound by U.S. laws protecting intellectual property, this growth tactic was not open to Google.

Music companies, of course, hate Baidu's music-sharing site. The major labels such as EMI, Warner Music Group and Vivendi's Universal Music have tried suing local sites that allowed illegal downloading, including Baidu, with minimal success in court and little support from Chinese consumers.

Baidu has started to curb illegal music-downloading, but "MP3 search was a big traffic driver and is still a big reason people go to Baidu," said Mr. Wei. "When they are used to going to Baidu, why switch?"

#### Better with advertisers

Baidu is also much better at talking with advertisers.

Media buyers "couldn't give Google money if they wanted to," Mr. Taw said. "Their sales guys were very arrogant, superior and hard to get hold of. They went out of their way to be jerks."

Unlike Baidu, Google made another mistake in refusing to offer rebates for volume media buys, a common, if not always legal, practice in China's media industry. (Rebates are a sticky issue in China, as the discounts are not always passed along from media executive to their employer or from the media agency to their client.)

Appeal to nationalism

Nationalist sentiment is an issue too.

"Everyone who works in and understand the web in China knows how crucial this can be. Baidu played on this in its advertising and brand messaging, [telling consumers] Baidu is a Chinese company and product, Google is everything but," said Adam Schokora, a digital strategist at Edelman in Shanghai.

If Google.cn does disappear, the site will be missed by the sophisticated, white-collar web users who typically preferred Google.cn to Baidu, as well as by advertisers catering to this affluent market.

Google's presence in China was "nothing to sneeze at -- it does not deserve the drubbing some people have surmised," Mr. Kuo said. One-quarter of China's 338 million internet population "is still 80-plus million people. It has 50 million Gmail accounts [in China] and had built a brand that was associated with integrity," Mr. Kuo added. "It was much loved by people who were loyal to it."

AdAge.com

## TV stats

The World Spent \$112 Billion On 205 Million TVs This Year: 69 Percent Were LCD TVs

LCD TVs have taken over the world. Market research firm DisplaySearch estimates in a new report that of the 205 million total TVs shipped in 2009, 140.5 million, or 69 percent, were LCD TVs (the rest were plasma and CRTs). In 2010, that percentage is forecast to rise to 78 percent for LCD TVs, when total shipments will rise to 218 million.

Total TV shipments have actually been on the decline since mid-2008 as demand for older CRT TVs plummeted. Only in the third quarter did the increase in shipments of LCD TVs make up for the decline in other kinds of TVs. For the year as a whole, DisplaySearch still expects a 1 percent decline in shipments in 2009, followed by a 6 percent increase in 2010.

Worldwide TV revenues fell an estimated 10 percent to \$101 billion, from \$112 billion in 2008. But revenues are expected to rise in the first quarter of 2010 for the first time in six quarters.

As LCD TVs take over, the extreme price erosion they go through puts a lot of downward pressure on the industry's revenues. For instance, the average price of LCD TVs in 2009 is expected to see a 24 percent decline, which is counterbalanced by the increase in demand. But after all is said and done, LCD TV revenues are only expected to rise 1 percent in 2009.

Total TV shipments in Q3'09 were up Y/Y on a unit basis for the first time in a year, and DisplaySearch now expects that global TV revenues will rise Y/Y in Q1'10—the first time in 6 quarters. As shown in the latest DisplaySearch Advanced Quarterly Global TV Shipment and Forecast Report, total TV shipments will rise from 205 million units in 2009 to 218 million units in 2010, a 6% increase following 2009's 1% shipment decline.

Source(s): TechCrunch | DisplaySearch

## MasterCard launches transaction data service

MasterCard has upped the ante among global payment companies by rolling out MasterCard Advisors Merchants Solutions, just a few months after American Express announced American Express Business Insights. Both services use the proprietary data collected from the networks of consumer transactions and use it in a variety of ways to help marketers with prospecting, new-store placement, business strategy and planning and developing campaigns.

Credit and debit payment processors like MasterCard and Visa collect fees on transactions -- every time a card is swiped they get paid -- and they collect data, which they're now packaging for marketers. They are increasingly looking to provide targeted consumer data to marketers and retailers in an effort to attract new business and boost their bottom lines as shoppers cut back on spending and banks tighten credit lines.

MasterCard said its data is a broader reflection of consumer behaviour because it combines MasterCard transaction data with other proprietary information, such as its SpendingPulse reports on national retail sales, and it also includes third-party data such as cash and check purchases. MasterCard also claims experience, as it has been providing similar services to its financial institution partners since 2001.

AdAge.com

## Warranties

The law says customers can demand faulty goods be replaced or repaired well beyond the 12-month warranty. Instead, consumers are being fobbed off when products break and urged to buy "extended warranties" that provide protection they're entitled to anyway.

According to the recent National Baseline Study on Warranties and Refunds, one in two shoppers aren't aware they have any rights beyond what's promised on a product's warranty card. Also, the study found 57 per cent of retailers and 47 per cent of manufacturers have no idea that consumers have any rights beyond the common 12-month manufacturer's warranty.

The reality is that, regardless of the length of warranty offered by the manufacturer, Australian consumers have the protection of a "statutory" or "implied" warranty under the federal Trade Practices Act. In essence, the law says consumers have the right to a refund, replacement or repair if the product doesn't last as long as one would reasonably expect, bearing in mind its cost. The law also says a product must be of "merchantable" quality and fit for its purpose.

The trick is, the act doesn't set any time periods. What constitutes a "reasonable" time depends on the nature of the product, its age and quality and how much was paid.

"This reflects the reality," says the deputy chairman of the Australian Competition and Consumer Commission, Peter Kell. "You'd have different expectations of an inexpensive toaster compared with an expensive TV set. It would be difficult to imagine the same warranty period applying to both."

Kell says that what's reasonable may at times be a source of disagreement between the consumer and the retailer but the ACCC's experience is that problems tend to emerge "fairly early on, well within any 'reasonable' period".

A spokeswoman for the consumer group, Choice, Elise Davidson, says it's a problem that the statutory warranty involves a subjective judgement about what's reasonable.

"People need clear answers but unfortunately ... there's no formula,"

It's up to the retailer to fix any problem. Consumers shouldn't be "fobbed off" with the line that they have to take the problem up with the manufacturer.

Kell says the ACCC encounters retailers who seem unaware of their responsibilities in this regard. "There's nothing more frustrating for consumers than ending up in the situation where the shop is passing the buck," he says. "Under the law, the retailer must deal with the warranty issue." They are obliged to replace, repair or refund when a product breaks under warranty.

The warranties and refunds study by the National Education and Information Advisory Taskforce found most consumers would prefer a product to be replaced (46 per cent) or repaired (40 per cent), while only 8 per cent would insist on a refund. Retailers favoured repair over replacement.

#### Key points

As well as the manufacturer's warranty, there is a "statutory" or "implied" warranty.

This warranty may last years longer than the manufacturer's warranty.

This means you probably don't need to buy an extended warranty.

You have the right to ask for a refund, replacement or repair.

The retailer is obliged to fix the problem and can't fob you off to the manufacturer.

#### Gmail to go all Facebook on us

Google has announced plans to add social media-esque updates to its Gmail program. Currently, Gmail users can update their availability through the Gmail chat feature, but it simply consists of "available" or "busy" settings, along with the ability to add a custom message.

According to a recent article in the Wall Street Journal, Google products YouTube and Picasa will also be part of the status update stream. The new feature will allegedly allow individuals to see status updates, much like Facebook and Twitter. But, the big question is: will the new features include Twitter and Facebook updates as an aggregate or will they rival the two?

Google is pretty impressive, but would they really want to take on mega social media like Facebook and Twitter? They might. And let's be honest, we've all wondered who will top Facebook, and this may be it. Exactly how the Gmail status updates will work is still unknown, but no doubt Google is working hard to develop something that's far more savvy than anything we've experienced thus far.

It would be less risky (and perhaps far less fear inducing for Facebook and Twitter) if the new Gmail feature provided an integrated view of friend's social media profiles. However, my money is on Google competing directly with Facebook and Twitter. It should be an interesting battle to watch. If Google's past performance is any indication, whatever they do will most likely result in some sort of cultural change.

Heather Strang

#### Heinz plans new recipe, packaging for flagship ketchup brand

One of the staples of the American fast food diet is ketchup – and nine times out of ten, that ketchup is made by H. J. Heinz Co. But even the world's most popular ketchup, introduced in 1876, can't avoid modern-day marketing.

Heinz just announced that it will be reformulating its core ketchup recipe to reduce the amount of sodium in the product. Heinz will also introduce "Simply Heinz" next month, a new ketchup product that will replace the high fructose corn syrup in its regular ketchup with sugar. It will cost the same as regular Heinz ketchup. Both moves are designed to improve the nutritional content of the company's famous tomato-based condiment.

More changes are on the way. Those little single-serve packets – Heinz produces some 11 billion of them every year – are getting an update, too. Heinz will replace the packets with "Heinz Dip & Squeeze." These new packets hold three

times as much ketchup and have a dual function, says Heinz: "Peel back the lid for easy dipping, or tear off the tip to squeeze onto favourite foods." It's the first ketchup packet makeover for the foodservice industry in 42 years.

It always seems to be risky business when a long-standing brand modifies its product. New Coke met with a consumer backlash in the 1980s. Domino's recently made a major change to its pizza recipe with mixed results. So how will consumers react to a new formula for the ketchup they've known and loved for over a hundred years?

## Subaru dog tested advert

In the US, Subaru have noticed of Subaru drivers own a pet.

That's why the car company's latest ad campaign focuses squarely on not just the owners, but their dogs – who are shown "driving" the Subaru Forester in an ad that carries the tagline "Dog tested. Dog approved."

Subaru has gone a step further by partnering with the ASPCA (American Society for the Prevention of Cruelty to Animals). At "Share the Love," a recent Subaru sales event during which new car buyers could choose to donate \$250 to one of five charities, the ASPCA was the top choice.

Subaru began an integrated marketing strategy two years ago that includes arranging for media placements and sponsorships. The car company has worked deals with Animal Planet shows "Groomer Has It" and "Dogs 101," and will be advertising during National Geographic's "Dog Whisperer" marathon in February

As for the ads themselves, Kevin Mayer, Subaru's director of marketing communications, thought animal actors Olive and Zelda were impressive. "The dogs were such good stunt dogs and did a lot of the facial expressions just naturally," he says. Rumour has it that, instead of union scale, they're willing to work for food.  
[www.brandchannel.com](http://www.brandchannel.com)

## Coke looks abroad for results

When Coca-Cola reports earnings this week, investors will get a sense for whether consumers in India and China were able to help offset the company's slowdown in sales in the U.S., Europe and Japan. The world's largest beverage maker derives about 80% of its sales from its international operations and has clearly set its sights on expanding economies that are growing at a faster pace than developed countries.

Judy Hong, an analyst at Goldman Sachs, expects declines in sales volume in Western Europe and Japan and beverage sales to be flat in North America. At the same time, she expects emerging market volume growth to be driven by a 25% increase in India, 12% in China and 5% in Brazil.

This will follow a similar pattern in the third quarter, when consumption of Coca-Cola beverages in India grew 37% and 15% in China, while declining 4% in North America.  
[www.dailyfinance.com](http://www.dailyfinance.com)

## DeBeers Valentine's day promo

For Valentine's Day, JWT has created a site for diamond retailer DeBeers that allows consumers to record webcam declarations of their love at [DropEverythingForLove.com](http://DropEverythingForLove.com).

A more dramatic feature of the site has JWT film crews filming the journeys of nine participants—travelling both short and long distances—to surprise their partners. One video follows David, a young tech hipster at a San Diego non-profit, as he surprises blonde South African paramour Kirsten on the beaches of Cape Town with a DeBeers diamond ring.

The viral initiative has no traditional media support, with initial awareness driven by Facebook, retailer emails to consumers, and ads on the homepages of sites like the New York Times and the Los Angeles Times. Since going live last week, within the first couple of days, the site received nearly 300 submissions. Entourage actress Debi Mazur is one of them, waxing to the webcam about her nine-year romance with Italian husband Gabriele Corcos. For the JWT-shot videos, people can submit their own stories, or nominate others, on the site or through Facebook.

There is no obvious DeBeers affiliation although the black-and-white site is designed with a diamond facet motif, which appears to sparkle when a cursor passes over it. The promotion features the company's Everlon love knot jewellery collection. DeBeers, like other luxury marketers, has taken a sales hit in the economic downturn, and the site's copy reflects the current climate: "Because this year is not about the things you give or receive, it's about the strength of your love."

## Chinese New Year or Spring Festival

Chinese New Year or Spring Festival is the most important of the traditional Chinese holidays. It is sometimes called the "Lunar New Year" by English speakers. The festival traditionally begins on the first day of the first month in the Chinese calendar and ends on the 15th; this day is called Lantern Festival. Chinese New Year's Eve is known as chū x?. It literally means "Year-pass Eve".

Chinese New Year is the longest and most important festivity in the Lunar Calendar. The origin of Chinese New Year is itself centuries old and gains significance because of several myths and traditions. Ancient Chinese New Year is a reflection on how the people behaved and what they believed in the most.

Celebrated in areas with large populations of ethnic Chinese, Chinese New Year is considered a major holiday for the Chinese and has had influence on the new year celebrations of its geographic neighbours, as well as cultures with whom the Chinese have had extensive interaction. These include Koreans (Seollal), Tibetans and Bhutanese (Losar), Mongolians (Tsagaan Sar), Vietnamese (Tet), and formerly the Japanese before 1873 (Oshogatsu). Outside of Mainland China, Hong Kong, Macau, and Taiwan, Chinese New Year is also celebrated in countries with significant Han Chinese populations, such as Singapore, Indonesia, Laos, Malaysia, the Philippines, and Thailand. In countries such as Australia, Canada and the United States, although Chinese New Year is not an official holiday, many ethnic Chinese hold large celebrations and Australia Post, Canada Post, and the US Postal Service issues New Year's themed stamps.

Within China, regional customs and traditions concerning the celebration of the Chinese New Year vary widely. People will pour out their money to buy presents, decoration, material, food, and clothing. It is also the tradition that every family thoroughly cleans the house to sweep away any ill-fortune in hopes to make way for good incoming luck. Windows and doors will be decorated with red colour paper-cuts and couplets with popular themes of "happiness", "wealth", and "longevity". On the Eve of Chinese New Year, supper is a feast with families. Food will include such items as pigs, ducks, chicken and sweet delicacies. The family will end the night with firecrackers. Early the next morning, children will greet their parents by wishing them a healthy and happy new year, and receive money in red paper envelopes. The Chinese New Year tradition is a great way to reconcile forgetting all grudges, and sincerely wish peace and happiness for everyone.

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## Advertisements and Events



In all cases, negotiation involves both science and art. The science involves the systematic methods and approaches for achieving a result and resolving any conflicts between two parties. The art concerns interpersonal skills, the ability to be convincing and be convinced, as well as judgement regarding which tactics to use and when to use them.

There is no typical price negotiation. Negotiation dynamics are strongly influenced by a number of structural and situational characteristics.

In price negotiations, the needs of buyer and seller are a function of value derived and value imparted. While negotiations may apparently revolve around price, the other components of the product offering (quality, volume of purchases, service delivery financing, return policies, etc.) may be on the agenda of the vendor or the customer. While buyers will tend to verbally emphasise price throughout the bargaining, any of these product aspects can serve as a negotiable issue while price remains firm. In fact studies have demonstrated that among many buyers, premium price differentials of as much as 30 percent are acceptable if accompanied by superior product attributes.

The more issues there are in a negotiation, the greater the opportunities for compromise and creative bargaining. If price is the sole issue, flexibility may be limited to the various dimensions of price (e.g., volume discounts, time of payment, inflation clauses). Clearly, then, the negotiator needs to view the bargaining process from a broader perspective.

Of primary consideration is the extent to which the buying and selling representatives have the formal authority to negotiate. How much authority and power does the representative have in terms of the negotiation?

A common breakdown occurs because of the competitive pressures salespeople encounter in striking a deal. Members of the sales force are under great pressure to achieve both their personal goals and the goals of the sales department, to satisfy the customer's objectives, and to maintain a competitive posture with respect to the opposition.

Another consideration is the degree of recognised interdependence between the buyer and seller. Both parties need each other, so the real issue concerns the balance and use of power. Power is a function of dependency. That is, the more the seller is dependent on the buyer, the more power the buyer has. Dependency is determined by how much one party needs the resources (i.e., products or revenue) controlled by the other party and the availability of alternatives. If the buyer is purchasing a critical item from a vendor who is the only available source of supply, the buyer's heavy dependency enhances the seller's negotiating power.

Negotiation can be characterised by the number of issues involved. The willingness to pay or receive a certain price may interact with other issues. The existence of multiple issues to be jointly resolved through negotiation permits the parties to enlarge the size of the total pie before determining how much each side is to receive. However, it is a challenge to determine which trade-offs the other party will be inclined to make when multiple issues are involved.

Also, the existence of time pressures should be noted. By optimally using the time frame available, the disadvantages of hasty negotiation by one party can be averted. In addition, the degree to which the negotiation is public is important. If different terms are worked out with various customer accounts, the ability to negotiate flexibly with any one account is affected by how much other customers learn of the tactics used and final terms agreed upon. Competitors are also in a position to benefit from learning a firm's negotiation strategy.

Further, negotiations can be repetitive or non-repetitive. Repetitive bargaining usually finds the parties adopting a more co-operative stance.

Finally, the location of the negotiation is a factor. There may be a psychological benefit, as well as an ability to control the agenda of the proceedings, when the party negotiates on its home turf. (Lure the tiger from the mountain)

One side can enhance its own bargaining position by negotiating in an environment in which support people are readily available. Alternatively, negotiating from the perspective of the other side allows one to learn about the needs and capabilities of the other party.

## Negotiation Objectives

In preparing to negotiate we need to consider some fundamental questions. Of these, the most important are

- ❖ What do I need to achieve through negotiation, and why? Are my objectives good? Are they too short term in nature?. Are there other benefits I can achieve from this negotiation?
- ❖ What does the buyer want to achieve, and why?
- ❖ How does this represent value or a real benefit to the other party? If they do not see good value then the negotiation is a waste of time.

The answers to these questions will define the negotiation atmosphere. If they cannot be answered satisfactorily, it may be that one or the other of the parties does not understand their own needs. Failure to understand needs may suggest that the necessary time and commitments have not been expended in preparing to negotiate. However, it may be impossible to answer these questions prior to substantive discussions between the parties. Needs often emerge in the discovery process of give-and-take during preliminary discussions.

Clearly defining needs allows a negotiator to establish meaningful aspirations. Their level and limit define aspirations. In a best-case scenario, the level of aspiration is the level of benefit sought, the specific goal the negotiator professes to seek. An aspiration limit is the ultimate fallback Position of a negotiator. It is the irreducible minimum below which he is unwilling to go.

## Brian Monger

### Time-wasters (and Savers)

#### Time-wasters

Unplanned (and unnecessary) meetings  
Office politics  
Gossiping  
Executive toys  
Traffic jams  
Illegible hand-written letters  
Doing other people's jobs  
No-shows  
Making coffee  
Long-winded memos  
Drop-in visitors  
Bureaucratic paperwork  
Hunting for files  
Telephone freaks  
Re-drafting letters and reports  
Interruptions  
Arguing with secretaries  
'Fire-fighting'  
Procrastination

Personal calls

## Time-savers

Checklists  
Standardised letters  
Time logs  
Daily 'to do' lists  
Speed-dial telephones  
Telephone amplifiers  
Answering machines  
Conference calls  
Computers  
Efficient secretaries  
Action files  
Speed-reading  
Targets  
Delegation  
Deadlines  
Qualifying prospects  
Confirmed appointments  
Card systems  
Mobile phones  
Dictating machines

## Getting that sale

We are all attracted to interesting people. Attracting clients is no different. Have clients approach you by being a person of interest. Understand that you are helping people, not selling. The fear of being seen as just another salesperson is a powerful enemy that holds you back from being the success you deserve.

Fearlessly tell people what you do. Life is fleetingly short, so live every day and enjoy it in all manner of ways. Will you make mistakes and have some failures? Of course you will, but the lessons learned from your defeats will improve your self-esteem. Get up, go to work, do the best you can, and go home.

The secret is to be consistent and persistent with the activities that will create your success. Have the discipline to learn, to read, and to develop so that you have the mental acuity to think in ways that others want to hear about. Be provocative and be valuable and clients will seek you out.

1. Leveraging your smarts ads to your marketing whirlpool (ref: Willmot's Marketing Whirlpool)
2. Creating a community of clients creates business growth for you, time and time again. The synergies that exist within the clients you already have are extraordinary. Become a nexus for your clients, enabling them to connect.
3. Be seen as a thought leader or a provocateur. Either way, you will get noticed.
4. Have confidence, you already are an expert. You need to let your target markets know by writing press releases, articles for trade magazines, speaking at business events, and getting published in your local press.
5. Join associations that tie you to your target markets.

6. Get an accountability partner; most of the members of my Mentoring & Coaching Program use me as a way to hold themselves accountable to achieve agreed upon actions within a specified time frame. Action is the only precursor to success.

Your three action points for today:

a) Contact every past client and key prospect and tell them something you are doing that will be of interest to them. Send them one of your articles that have been published in a magazine that they will get value from. Let them know you will be speaking at their local Rotary Club.

b) Refine your activities in utilising Willmot's Marketing Whirlpool to accelerate relationships

c) Ask for more testimonials from clients. Write a case study that is valuable and worthwhile for your target market. Consistently develop your intellectual property. You will attract more business by being interesting.

Ric Wilmot

<http://www.executivewisdom.com>

## 'Efficient market' thinking is inefficient

Jeffrey Pfeffer

You know the joke about two economists walking down the street and seeing a \$20 bill lying on the sidewalk. The first economist says, "Look at that \$20 bill." The second says, "That can't really be a \$20 bill lying there, because if it were, someone would have picked it up already." So they walk on, leaving the \$20 bill undisturbed.

The logic — that there are no opportunities for achieving exceptional returns because if such opportunities existed, they would be quickly discovered and implemented by almost everyone — underlies not only the efficient market theory in the world of finance but is incredibly pervasive in management decisions about all sorts of topics. I have had people tell me that downsizing must be effective — notwithstanding lots of empirical evidence to the contrary — because if it weren't, companies wouldn't be doing it. Similarly for individual pay-for-performance incentive schemes and those pervasive, but despised, forced-curve performance evaluations that neither managers nor employees like but companies mandate. Most companies are doing them, so they must be a good thing to do, again, evidence to the contrary. Efficient market thinking presumes that not only are crowds wise — if everyone is doing something it must be optimal — but that, by inference, doing what everyone else does is the path to success or at least to avoiding calamity.

We should know better. In fact, we do: Numerous behavioural scientists ranging from Duke University social psychologist Dan Ariely to University of Chicago economist Richard Thaler, have shown that cognitive biases and irrational behaviour are pervasive, crowds can be foolish as well as wise, and neither asset prices nor management practices necessarily make sense. Look no further than the recent financial debacle. Justin Fox has recently written *The Myth of the Rational Market*, a book describing the history and people behind the efficient markets hypothesis in finance and how that theory managed to survive lots of contrary evidence for a long time. Fox's book reflects my experience that belief often trumps evidence.

There is an obvious paradox for companies and managers who fall into the Panglossian view that every pervasive practice must be for the best because information markets are efficient. The paradox is that you can't achieve extraordinary success by copying what everyone else is doing. If you do, you get pretty much the same results as everyone else. That's why Malcolm Gladwell has written about the strategic advantage, particularly for underdogs, of not playing by the conventional rules in sports, war, or business.

In virtually every area of business, the companies that have broken from the pack have not only seen some common sense business truths but have been willing to act on that insight, even when others weren't. Southwest Airlines long ago understood that people paid to get from one place to the other, so that a hub and spoke system that routed people through busy airports with lots of delays not only irritated the passengers but was economically harmful to the airline, which was not making money while people made connections, taxied, and waited to take off. Whole Foods Market understood that people would pay more for food they wanted to eat, which led not only to a focus on organics but also to permitting local stores to alter their food selections to appeal to local tastes. This decentralisation of stocking decisions violated the conventional wisdom in the grocery business that it's all about costs, which go up if you don't purchase in large quantities. Recently, retailer Macy's seems to have figured out the same thing for its stores, and is finally going to permit variations in merchandise assortments to reflect local buying patterns.

The problem with belief in efficient markets is that it leads managers to stop trying to out-compete their rivals because there's no point. The idea also leads to lots of benchmarking and following the crowd. The problem with benchmarking is that it gets you to the middle of the pack, not to the top — and also ignores differences in strategies and conditions facing different companies. If all you need to do is copy others because they have already discovered the "truths" about your business, what justifies enormous executive salaries? Why should following the crowd be that difficult or expensive?

So, if you have an idea that makes sense and goes against the "market," whatever that market is, go for it. Who knows, you might create the next Apple, another company that has eschewed "the market is always right" thinking in its product designs and in its decision to keep \$25 billion on its balance sheet so it could keep innovating during a recession when its rivals were weak.

Jeffrey Pfeffer is a professor of organisational behaviour at Stanford's Graduate School of Business and is the author or co-author of 12 books including "What Were They Thinking? Unconventional Wisdom About Management."

## Making change work

1. Thought processes and relationship dynamics are fundamental if change is to be successful.
2. Change only happens when each person makes a decision to implement the change.
3. People fear change it "happens" to them.
4. Given the freedom to do so, people will build quality into their work as a matter of personal pride.
5. Traditional organisational systems treat people like children and expect them to act like adults.
6. "Truth" is more important during periods of change and uncertainty than "good news."
7. Trust is earned by those who demonstrate consistent behaviour and clearly defined values.
8. People who work are capable of doing much more than they are doing.
9. The intrinsic rewards of a project are often more important than the material rewards and recognition.
10. A clearly defined vision of the end result enables all the people to define the most efficient path for accomplishing the results.
11. The more input people have into defining the changes that will affect their work, the more they will take ownership for the results.
12. To change the individual, change the system.

## Case study: Toyshops are playing for keeps

The combined threat of recession, superstores and the internet has made the independent shopkeeper an endangered species. Eric Clark visits three traditional toyshops where the game is far from over.

Play Inside Out in Teddington was founded 10 years ago by Nicola Cooper. 'I look for the traditional things, anything that conjures up memories. And toys that are different from those in big stores. If I like it, I get it'

John Fielding, the owner of Langleys, which has been a Norwich institution since 1883. 'Every inch has to be made to work,' he says of the crammed store. 'It looks a mess, but really everything is ordered and planned'

It is Saturday morning in Norwich and city-centre chain stores are thronged with Christmas shoppers riffling through branded products and the latest television-advertised goods. But step out of the bustling Market Place in the shadow of the cathedral, enter the Victorian Royal Arcade with its wrought-iron and glass lanterns, rich timbers and art nouveau tiles decorated with peacocks, turn between bow-fronted windows, and you enter a different world.

Excited children gaze spellbound as a remote-controlled helicopter swoops between puppets and huge spiders hanging from the ceiling. Beyond, thousands of playthings wait to be discovered. Here are pirate hats, stacks of brilliant glass marbles, kaleidoscopes, jigsaws. Puppets, a Roman siege machine, magnetic fishing games, chattering teeth, scores of soft toys... All the while, yapping battery-operated dogs scuttle between children and parents.

Langleys is straight out of a nostalgic Hollywood film, a toyshop the way they used to be – and occasionally still are. In an age of supermarket domination, out-of-town stores, the internet and the mounds of movie-linked pieces of cheap plastic, its survival for 126 years seems a near miracle.

John Fielding, first set foot in the shop more than 40 years ago as a boy clutching his pocket money. Then his father bought it. Now he owns it – one of probably only 400 traditional, independent toyshops left in Britain, a fifth the number of 20 years ago. With one disappearing almost every week in 2007 and 2008, it is little wonder that to some those shops that remain look as relevant and secure as horse drawn carts and gas lamps. But the wonderful thing is that, under the circumstances, the survivors are doing rather well.

This is partly because they offer something special in an age of depressing retailing conformity: as many as 6,000 different (and ever-changing) toys, mostly from small and often quirky manufacturers. At a business level, the recession forced out the weak and those that remain have strong foundations and retailing savvy. And, not to be underestimated, most have benefited hugely from the closure of Woolworths. Its demise threw £300 million worth of toy sales (11 per cent of the market) back into the pool.

Founded in 1883, Langleys moved into the arcade in the 1920s. When Fielding first saw it as a boy it was 'the toyshop, a big fish in a small pond. In those days there was no Argos, no Toys R Us, and supermarkets were places that sold food. Children would be brought in as a treat after being dragged around the other shops.' When his father, a bicycle shop owner, bought Langleys in 1971 'it was like your father becoming Willy Wonka.'

Fielding helped out in the shop during school holidays, took a business degree, worked in America for a year, considered becoming a pilot (now his part-time passion), and in 1985 moved into the store full-time.

Since then, the toyshop scene has changed almost beyond recognition. 'Everyone has got into toys,' Fielding says. Norwich now has four Argos stores, Mothercare, an Early Learning Centre, Tesco and Asda, and there is a Toys R Us 10 minutes' walk away. 'The really big thing in the last three or four years has been the acceleration of the supermarkets. They often pick some prime toy lines and sell them at less than cost to get people inside.'

Few of Langleys' toys overlap with those being pitched by the supermarkets and large stores. Range is one – perhaps the – major weapon for traditional toyshops in their battle against their big competitors. It is possible because of the vast number of toys from which they can choose – there are between 60,000 and 100,000 different toys currently available in Britain, with new ones constantly added, mainly from small companies.

Every square foot of both selling and backroom space at Langleys is packed. 'Every inch has to be made to work,' Fielding says, grinning at shelves of harmonicas, balsa-wood planes, water balloons, drums and football rattles. 'It looks a mess, but really everything is ordered and planned.'

The owners of small toyshops are constantly looking out for new lines, touring trade fairs, scanning the internet, poring through catalogues, listening to salesmen. When they see something that appeals they can move quickly. 'There's almost an infinite number of toys being made,' Fielding says. 'Having so many toys gives us the ability to fine-tune our product range to our own market.'

Today, sitting in his tiny office – so small that when one of the three occupants moves, someone has to squeeze out of the way – Fielding is excited about a range that has just arrived. They are bright wooden animals on springs from a firm called Panoply in Chippenham, Wiltshire. Discovered by his manager at a toy fair, the cartoonish ants, spiders, dragonflies, octopuses and dragons are designed to bob from bedroom ceilings. 'A lovely product,' Fielding enthuses, reaching out to touch one. 'I think we'll sell hundreds and hundreds.'

One of the joys of traditional toyshops is that they probably hold all those toys remembered from long ago. Nevertheless, constant change to keep customers excited is crucial to success – what Nicola Cooper, 130 miles away in Teddington, west London, calls the 'wow' factor.

The size of a large sitting-room, Cooper's shop – Play Inside Out – could probably fit into Langleys four times over. The only thing big about it is the personality of the owner and the extra-wide doorway to accommodate double buggies. Cooper calls the shop, sandwiched between two restaurants on Teddington's main street, 'my little treasure trove'. Even the ceiling is utilised – from it hang mobiles, play buggies, vivid umbrellas, strings of flags. She edges her way under dressing-up clothes. 'It could just do with being a little bit larger,' she admits.

Despite its size, there are divisions – a baby corner, a doll section, games shelves (from Monopoly to Bash a Burglar), spaces for kites, small animals, bows and arrows, juggling props, a creative area (tie your own shoe laces, sticky mosaics), a cooking zone (tea sets, wooden fruit, imitation cakes), a table of Brio wooden toys. Cooper's voice rises with excitement as she conducts a tour. 'This is what people like – every time they look around they see something different, something they've missed.'

She started the shop from scratch 10 years ago, seeing a gap in the local market: the only toy outlets were in Tesco and at a small Woolworths. For a woman with three children under eight whose husband has his own demanding chartered surveyor business, it was a brave decision. Her previous experience was on the other side of the counter, selling fragrances to retailers. Despite nervous accountants, she pressed on, encouraged by the fact that Teddington was a baby-boom area.

Her children helped design the shop. 'We took their colours, purple, yellows, and made it light and bright.' It was, she admits, 'a struggle'. Fitting and stocking the shop cost £65,000. Looking back, she sees many mistakes: wasted money, over-optimism. Small toyshops, like country bookshops, have always attracted dreamers, people with £10,000 in redundancy who think they can make a new start in a gentler career. If ever those days existed, they are long gone. 'I certainly wouldn't look at setting up a toyshop now, knowing what I know,' Cooper says. 'You have to be very brave and very wealthy.'

She attends all the toy and gift fairs: 'I look for the traditional things – humming tops, pop guns, kaleidoscopes, anything that conjures up memories. And toys that are different from those in big stores. If I like it, I get it.' Like Fielding, she relishes her discoveries. 'I always get a kick when I order something and then find I got it right.' Exciting her today are Guatemalan worry dolls – tiny, colourful figures for children to put under their pillows or take to school when they are troubled. They sell at £9.99. 'I can't get enough of them.'

Like other traditional toyshop owners, Cooper is a great believer that, apart from the range, it is personal service that helps her thrive. For that reason, she has made a conscious decision not to sell on the web. 'A lot of people have tried to persuade me on the idea of selling online, so I did look into it,' she says. 'But I ask them, do you want a high street, do you want to be able to go out shopping, pick something up, feel it, buy it and walk out with it? If you continue to shop on the internet, you won't be able to have that pleasure; small shops will disappear.'

A great thing about the best toyshops is that they are shops for children, not merely for children's products. They make little people feel important. In Cirencester, Gloucestershire, Mark Mitchell has taken this to what must be near its ultimate. At busy times, his shop, Crocodile, looks like a playroom as children bake make-believe cakes or manipulate the wooden animals on a farm or play-act with puppets in a theatre. Parents find themselves prevailed upon by other people's children to accept newly poured cups of tea. 'I always felt I wanted children to be the centre of the shop, and for parents to feel comfortable,' Mitchell says. Crocodile, tucked away in the city's old wool market, now a pedestrian precinct, has long been a Cotswolds landmark widely known for its traditional wooden toys. Until the beginning of this year it had been run by the same couple for 23 years.

Mitchell, a soft-spoken designer and bespoke cabinetmaker, and his wife, Sarah, a teacher, knew it as locals and the parents of three small children. Despite having no retail experience, they bought it for £100,000. Mitchell wanted a business that was less 'feast and famine' than his cabinetmaking commissions and that would utilise his strengths as a designer and parent: 'Crocodile had a name for quality but we wanted to take it forward another step. There were things on shelves, untouchable. Children could only play under the stairs.' He redesigned everything to be visible and at child height.

Out went display shelves, clutter and strong colours; in came light oak floors, neutral colours, open space and low play tables. 'Basically it's a new shop.' Everything can now be played with. 'We're effectively losing a tremendous amount of stock because we put out one of everything,' Mitchell says, 'but it's giving the parents confidence in what we're selling.' Wherever children wander, they remain visible to their parents.

Parents can see which toys really grab and hold their child's attention. 'Initially a child wants to go to everything but eventually they will home in on something that really attracts them.'

Mitchell stocks twice as many toys as before. He has expanded the age range by bringing in remote-controlled toys, science and construction kits and huge kites. He is almost puritanical about the toys he will – and won't – stock. All must have a make-believe play value. He is strongly against licensed products linked with films and television: 'They have a short window, they are expensive because they have to produce a quick return. The parent pays more than he or she should and doesn't get quality. We don't do Barbie.'

When a child settles on a favourite item in the shop it is not because the child has been told to like it 'by some pushy TV ad' but because he or she enjoys interacting with it. One games company even offered free stock if he would carry its product. 'I said no, very politely, because it wouldn't fit what I believe should be in here.'

Most of his customers clearly share such sentiments. 'We do get some who just want to keep their children quiet, but the vast bulk are very concerned that what they buy is right for the child.'

He is keen on toys that are not gender related. He stops at a safari park. 'It's a wonderful role-play toy,' he says, 'and not something where there'll be peer pressure that it's a boy thing or a girl thing.'

Unusually, he stocks only one make of each item and not necessarily the most expensive. 'I want to be able to say, this is the best I can do both in physical quality and value for money. I don't want people going away and not being happy. I genuinely feel that people are in our shop because, yes, they may be feeling a bit pinched at the moment, but they would rather spend a few more pennies for something that's going to last, that's going to provide play value.'

About 30 per cent of the toys in Crocodile are wooden. In an area of affluence and second homes, it doesn't hurt that the doll's houses, castles, fire stations and train sets will sit happily among carefully chosen furniture. 'People are investing a lot more money than they ever have in their homes,' Mitchell says. 'If the toys are ones they are comfortable to have left out, the children will get more active play and the parents will be keen to play along with them.'

Coming up to his first Christmas, he says he is on track to surpass his target (he needs to turn over £320,000 worth of toys a year to be economic), though he has yet to pay himself and does all the work himself except for one very part-time assistant (his wife plans to join the business once the children are older).

While the recession has hit the takings at most high-street shops, turnover at Nicola Cooper's Teddington store will this year be the same as last: 'We haven't been hit by the recession so far.' At Langleys, sales so far this year are up five per cent: 'We are optimistic for a successful year,' Fielding says. Which is not to say that any of them are going to be rich any time soon.

But what Mitchell, Fielding and Cooper and other traditional independent toyshop owners all share is an almost childish enthusiasm for toys and play. Mitchell says, 'I'm not doing it to be a multi-millionaire. It has to be a real passion.' Wandering around Cooper's shop is like being with an excited child. 'I just get a great buzz from it, a great enjoyment from seeing someone walk out happy,' she says. And Fielding adds, 'Working with toys is special, just playing with stuff. It's got to be more fun than selling jewellery or clothes.'

Are they an anachronism? Can they continue? Fielding admits, 'We are becoming a rare beast. During my whole time here I've wondered whether we were going to be around in five years. But as long as we can keep changing and discovering new things, I think we can survive. Perhaps the day will come when it is no longer viable. I hope not.' Cooper is upbeat: 'There will always be babies, we'll always have birthdays, there'll always be parties. And that means toys.'

## Techniques to influence

The best marketers are very good observers of human behaviour. They always keep their eyes open to understand how people make decisions and how smart companies sell them their stuff. This is something that no business school in the world can teach you. This is what gives the best marketers in the world the edge that everyone else just dreams about. These are the 9 weird psychological tricks they know.

### Consistency

Robert Cialdini, in his book "Influence: The Psychology of Persuasion", talks about an experiment he did. They asked a group of people to put a huge sign in their yards that said "Drive slow; kids playing". The overwhelming majority of the people said no. A second group of people were asked to put a tiny sticker in their windows with the same text. Almost everyone agreed. Then they were asked to put the giant sign in their yards. A large percentage agreed.

The takeaway? People want to be consistent with previous actions. If they said yes to something in the past, they're more likely to say yes in the future.

What does this mean to you? You need to get your prospects to say yes to something. And the best way to do this is by asking for a tiny micro-commitment.

### Contrast

The principle of contrast states that "People see things as good or bad depending on what's around them". For example, a regular house looks beautiful next to an ugly one but the same house looks ugly next to a gorgeous mansion.

What this means to you? You should have a bad offer on your website. Yes, seriously! We proved this to be true every time we tested it. It makes your main offer look so much better.

### Social Validation

People want to be liked and want others to think they make smart decisions.

What this means to you? Explain why buying your product is a SMART decision. People will need to justify their actions with others and they'll repeat whatever you say. Make a compelling argument so people feel good about buying your stuff. (And, make sure your stuff is extremely good!)

### High Price = High Quality

Have you noticed that when you go to the \$1,000 doctor you feel a lot better than when you go to the \$500 one? The \$300 pair of shoes is always better than the \$150. Really? No, not really; but it's all about perceptions, not facts.

What this means to you? You are hurting yourself by charging too little for your products. Raise your prices and increase the perceived value of your stuff.

### Exclusivity

People want what they can't have. What restaurant would you rather go to: the one that is fully booked for the next 3 months or the one that's empty? What school do you want your child to attend: the one with the 6-month waiting list or the one that is advertising everywhere trying to fill up their classes?

What this means to you? Make sure your prospects know you don't take anyone as a client. Tell them they need to apply and you'll be selecting the ones that are a good fit. This will make them want you even more!

If you sell products and can't pull this off, try this: say in your copy who SHOULDN'T buy your product. For example, if you sell handmade lamps, try saying "if you're looking for cheap lamps, you won't find them here. If you're the kind of person who appreciates the art of lamps made by hand by Asian artisans, you're in the right place."

### Too Many Choices = No Action

Doesn't it piss you off when you want to buy a digital camera, go to eBay and they have 3,497,765 cameras listed? You think "OMG! I'll be here all day!"

What this means to you: narrow down the choices you give your visitors and increase your sales instantly.

### Scarcity

People take action when the offer might not be available in the future.

What this means to you: giving people reasons to act isn't enough; you need to tell them why they need to act NOW! Some ideas:

- \* This offer expires on Friday
- \* I'll only be teaching this to 10 people
- \* I'll take only one client this week
- \* 4 items available. When they're gone, they're gone forever.

## Risk Reversal

The lower the risk an action has, the higher the chances are for someone to take action.

What this means to you: have a guarantee! Go beyond the standard "money back guarantee". Some ideas:

\* If you don't lose 5 lbs. in 10 days with my personal training program, I won't charge you a dime, I'll train you for free for an extra month and I'll even pay for your gym membership.

\* If your back keeps hurting after trying the BackGenius 2500, just give us a call and we'll give you 200% of your money back, pay for the return shipping and we'll even take care of the pick up.

Guarantee results, not just "satisfaction". Get very specific.

Note: depending on your market, about 1% of the people will rip you off, but your sales will double. Do the math and see if this works out for you. Hint: it will ALWAYS work out in your favour. Remember: your market is going to be taken by the boldest marketers. This could be you or your competitors. Don't let fear of losing stop you from winning. If you're afraid of things going south, just test your guarantee on 200 sales and keep some reserve cash just in case. Then compare the extra sales with the refunds you had to give and see if it makes sense to keep doing it.

Edited from original source <http://www.TheOutsourcingCompany.com/blog>

## The walls came tumbling down

Jim Collins

A few years ago, while staying at a Marriott hotel in Houston, I walked by a large conference room rollicking with noise—hoopla, yelling, almost a revival session. Curious, I peered through the door and witnessed a congregation of women, all wearing pink, putting forth testimonials about how their relationship with their company had changed the way they lived, giving them confidence, responsibility, self-direction, and control over their lives. I had dropped into a Mary Kay meeting. Say what you will about the pink Cadillacs and unusual culture of Mary Kay, you cannot deny the company's success. And the more I learned, the more impressed I became with the degree of commitment and energy these people displayed. Then a remarkable fact dawned on me: none of the people in that room had jobs with Mary Kay. They had a contractual relationship with the company, and the opportunity to do well within the boundaries of the contract, but they didn't have a job. They had no stable salary, no office to go into every day, none of the traditional mechanisms that would make them "part" of the company. And yet they displayed tremendous commitment and every sense of being part of Mary Kay. Mary Kay has created a remarkable blend of tight psychological attachment and extreme operating autonomy, in which the organisation and its people connect in the spirit of partnership and freedom, not ownership and control.

I start with this story because it foreshadows the organisation of the future, one in which the walls that have traditionally defined organisational boundaries—what you own, what you control, whom you employ, where they work—will cease to have any significant meaning. Instead, the defining boundary will be a permeable membrane defined by values, purpose, and goals; organisations will be held together by mechanisms of connection and commitment rooted in freedom of choice, rather than systems of coercion and control. Executives will need to accept the fact—always true but now impossible to ignore—that the exercise of leadership is inversely proportional to the exercise of power. Indeed, they will need to accept the fact that the whole idea of walls is becoming an unproductive concept and that the most highly productive relationships are all, at their core, mutual partnerships. I elaborate on these points in this chapter, looking at them from the point of view of four shifts executives need to make in order to be effective in the next century.

First, executives must define the inside and the outside of the organisation by reference to core values and purpose, not by traditional boundaries.

Every great organisation is characterised by dual actions: preserve the core and stimulate progress. On the one hand it is guided by a set of core values and fundamental purpose—which change little or not at all over time—and on the other hand it stimulates progress—change, improvement, innovation, renewal—in all that is not part of the core values and purpose. Core values and core purpose in enduring great organisations remain fixed, while their operating practices, cultural norms, strategies, tactics, processes, structures, and methods continually change in response to changing realities. Indeed, the great paradox of change is that the organisations that best adapt to a changing world first and foremost know what should not change; they have a fixed anchor of guiding principles around which they can more easily change everything else. They know the difference between what is sacred and what is not, between what should never change and what should be always open for change, between "what we stand for" and "how we do things." The best universities understand, for example, that the core value of freedom of inquiry must remain intact as a guiding precept while the operating practice of tenure goes through inevitable change and revision. The most enduring churches understand that the fundamental values and purpose of the religion must remain fixed while the specific practices and venues of worship change in response to the realities of younger generations. Core values and purpose provide the glue that holds an organisation together as it expands, decentralises, globalises, and attains diversity. Think of them as analogous to the principles of Judaism that held the Jewish people together for centuries without a homeland, even as they scattered during the Diaspora. Or think of them as analogous to the truths held to be self-evident in the U.S. Declaration of Independence or the enduring ideals of the scientific community that bond scientists from every nationality together through the common aim of advancing knowledge (for a more detailed discussion of this concept, see J.C. Collins and J.I. Porras, *Built to Last*, 1994, and "Building Your Company's Vision," *Harvard Business Review*, Sept.—Oct. 1996).

Core values and purpose define the eternal character of a great organisation, the character that endures beyond the presence of any set of people or individual leaders. In the long run, individual leaders do not hold an organisation together; core values and purpose do. In the best organisations, leaders are subservient to the core principles, not the other way around. Furthermore, an individual's membership in the organisation is ultimately defined by shared core values and common purpose, establishing a form of connection that often endures beyond that individual's formal activities with the organisation. Consider the U.S. Marine Corps. It is a tightly aligned, high-performance organisation, and yet it has a highly permeable membrane of membership. Those who survive boot camp forever carry the core values of being a Marine, remaining connected to the family of Marines by the fundamental principle that "Marines take care of Marines." Marines almost never say, "I was a Marine." They say for the rest of their lives, "I am a Marine." I know of a prosperous businessman who took special interest in the plight of a homeless man for the simple reason that they had both served in the Marine Corps decades before. They had not served in the same unit; they were not of the same generation; they had never even met. And yet once a Marine, always a Marine, and Marines take care of Marines. It is a lifetime connection that transcends an individual's active participation as an enlisted soldier.

As we move into the next century, core values and purpose as a defining boundary will become even more important. Given the obvious trends in organisations—greater decentralisation and autonomy, wider geographic dispersion, increased diversity, more knowledge workers, technology and travel that make going into the office a less relevant activity—the bonding glue that holds organisations together will increasingly be in the form of shared values and common purpose. No matter how much the world and its organising structures change, people still have a fundamental need to belong to something they can feel proud of. They have a fundamental need for guiding values and a sense of purpose that give their lives and work meaning. They have a fundamental need for connection to other people, sharing with them beliefs and aspirations to form a common bond. More than at any time in the past, people will demand operating autonomy—freedom plus responsibility—and will simultaneously demand that the organisations they are part of stand for something.

Second, executives must build mechanisms of connection and commitment rooted in freedom of choice, rather than relying on systems of coercion and control.

Of course you can't just establish shared values and common purpose and then expect everything to hold together; you also need tangible mechanisms that foster the commitment required to produce results. However, unlike the systems of the past, these mechanisms will increasingly rely on commitments freely made and will grant wide operating autonomy, rather than relying on coercion and control.

Allow me to use my research laboratory as an example. My large-scale research projects require the contributions of highly dedicated and talented research assistants. The research teams, usually four to six people, operate in a high-performance, high-energy climate characterised by a powerful sense of team unity and work ethic. During the summer session, team members frequently work more than forty hours per week, putting forth whatever it takes to accomplish objectives on time with thoroughness, accuracy, and quality. They generally feel that they've produced some of the best—if not the best—work of their lives while working on the teams.

And yet this high-performance environment relies almost not at all on the traditional methods of coercion and control. We have no offices or fixed hours; researchers attend team meetings, but otherwise they work on their own, managing their own time. If they want to work intensely for three days a week and take four-day weekends, fine; if they want to work from midnight to 6 A.M., fine; so long as they meet their commitments, they are completely free to arrange their own time. They have no budget constraints; if they need something to get their work done, they simply buy it and get reimbursed. They're not coerced by the carrot of a career path or long-term employment, as the lab operates under a strict "no permanent full-time employees" model. There is no direct impact on assistants' graduate study requirements (for example, no threat of grades), as the lab operates as an independent entity in an informal joint venture with the University of Colorado. And money is not a controlling factor; although they're paid better than other graduate research assistants, they earn less per hour than they would if they spent their summer at a corporation or consulting firm.

The whole key to the high-performance climate on the research team is our use of mechanisms of commitment and connection rooted in freedom of choice. We operate off of a clear set of deadlines and project objectives, yet team members generally select their own deadlines, as people feel much more committed to a deadline that they have had a hand in setting. We break the research projects into discrete chunks and then have a draft in which individuals bid for the pieces they would most like to work on, a process that creates much greater commitment than pre-assigned responsibilities. We have weekly gatherings at the lab in which team members interact with each other, and we assess overall progress and discuss emerging ideas; the meetings serve as a glue, bonding the team members together. Most important, we design the work process so that team members must draw from each other's work as the project progresses. This creates more commitment to perform than anything I could say, as no team member wants to let his or her comrades down or look inadequate relative to peers. When team members request to miss a key team meeting, they do not ask me for permission; rather, they must personally call each team member and get his or her consent, thereby delegating the power of consent to the team. And as a precursor to all our mechanisms of commitment and connection, each person invited to join the team receives a written and verbal orientation on team values, purpose, and performance standards and is asked to join only if he or she can commit to those principles. Before joining, each person is told: "If you have any doubt about whether this is the right place for you, then it is in our mutual interest that you decline this opportunity."

The commitment plus freedom model requires heavy up-front investment in selecting the right people. It does not try to mould people to be what they are not. People often ask, "How do we get individuals to share our core values?" The answer is, "You can't." You can't open somebody up and install new core values in his or her belly. The key is to find, attract, and select people who have a predisposition to sharing the core values, and to create an environment that consistently reinforces those core values, buttressing it with mechanisms of connection and commitment. If you select the right people in the first place—and they select your organisation—then you don't need to control them. They don't need fixed hours. They don't need to come into offices where they can be watched. They don't need rules. You need to

guide them; you need to teach them; you need to provide direction; you need clear objectives; you need mutually agreed deadlines; you need mechanisms of commitment and connection. But you don't need control. Most organisations under invest in the selection process and then try to correct for bad choices through control and over management. If you select the right people, you don't need to mould people. Indeed, the moment you feel the need to control and mould someone, you've made a selection mistake.

Third, executives must accept the fact that the exercise of true leadership is inversely proportional to the exercise of power.

The best and most innovative work comes only from true commitments freely made between people in a spirit of partnership, not from bosses telling people what to do. Leadership cannot be assigned or bestowed by power or structure; you are a leader if and only if people follow your leadership when they have the freedom not to. I've always been impressed with the mechanisms that W.L. Gore & Associates, Inc. has put in place to create a climate of leadership. Gore uses the twin mechanisms of lattice structure and natural leadership, which give every individual the freedom to establish working relationships with any other individuals without regard to any chain of command. In addition, any individual can by self-initiative assume leadership for an objective, again without regard to any hierarchy, so long as others freely commit to follow. To facilitate this flexibility, no one at Gore has a formal title; there are no vice presidents, no directors, no chief this or chief that; everyone has the simple title associate. The beauty of these mechanisms is that they allow those with true leadership potential to quickly rise to positions of responsibility. Conversely, those without leadership skill will quickly be rendered impotent as associates simply bypass them and align around those who can lead. In effect these mechanisms allow groups of associates to fire their boss.

If you're uncomfortable with the idea of vesting people with the power to fire their boss, then you're not ready for the task of leadership in the next century. As people become increasingly comfortable with ambiguity, they will increasingly trade the single-job model for a multi-client model, thus granting to any single organisation or leader less power over their lives and livelihood. All those people who lost their jobs at IBM in the 1990s, for example, suddenly came to understand that low ambiguity (a single job) comes at the price of high risk (all eggs in one basket). You can already see this change to the lower-risk, multi-client model happening as older executives bemoan the "lack of loyalty" in the younger generation. And yet there is no less loyalty in the younger generation. They are simply granting less power to any single organisation; they are less subservient because they have more degrees of freedom. And the moaning executives are simply confusing subservience to power with loyalty to cause. But they are very different concepts indeed, and executives will need to cultivate the latter and relinquish dependence on the former in order to be effective. Eventually we will look back at single-job employment structures as a somewhat barbaric form of organisation, much the way we view indentured servitude today. We will increasingly see a shift away from ownership of people in any form, including the traditional job, which is nothing other than an advanced form of owning people by owning their time. In the future every relationship, at least in the best organisations, will be viewed conceptually as a joint venture.

Fourth, executives must embrace the reality that traditional walls are dissolving and that this trend will accelerate. We are moving toward a world in which the concept that walls are necessary is becoming archaic and is no longer useful. The most progressive corporations have jettisoned the idea that they can exist in a walled-off cocoon of private activity. The customer revolution, for example, reflects a dissolution of the walls companies once tried to construct between customers and companies. One leading company, Granite Rock, has taken this change so far as to extend to its customers the power to decide for themselves whether and how much to deduct from an invoice if they feel dissatisfied. Granite Rock customers work in partnership with Granite Rock people toward the mutual goal of continually improved Granite Rock products that benefit both customer and company. The quality revolution is also about dissolving artificial walls. For instance, a central tenet of any good-quality effort is that suppliers and producers will operate in partnership to create a better end result.

All around us we can see signs of tumbling walls. Technology allows us to access Harvard lectures without being admitted inside the exclusive gates of the Harvard student body. The internet allows us to share databases directly with colleagues at organisations around the world, without being on the staff of those organisations. And the dissolution of walls is not limited to the work world but is occurring in all aspects of life and society. The walls around the traditional family are dissolving. It's not uncommon, due to divorce and complex family histories, for an adult to be parenting children with whom he or she has no genetic link or to be mentoring genetic offspring who live in someone else's household. This may not be ideal, but it is a fact of modern life. At a national level the scale and impact of manmade systems, both economic or technical, are making national boundaries less relevant. A German academic colleague has told me that the most psychologically significant event for the German people in the past decade was not the tearing down of the Berlin Wall but the failure of the Chernobyl nuclear reactor, which made it clear that the problems and disasters of one nation cannot be contained within that nation's legal boundaries. Racial walls, although still visible and oppressive where they exist, have become less concrete. Political leaders in both the southern United States and the nation of South Africa have no choice but to learn to be effective across racial lines, else they have no hope of holding major political office.

In part we are simply seeing a fulfilment of the promise of the Enlightenment, particularly in the tradition of John Locke, which sought to dissolve the walls between sovereign and subject and emphasise the rights and dignity of the individual. But what is happening today is more than a philosophical shift. It is also a reflection of a practical fact: the most productive relationships are in their essence mutual partnerships rooted in a freedom of choice vested in both parties to participate only in that which is mutually beneficial and uplifting. Moreover, the social systems best suited in the long run to meeting the material and spiritual needs of the majority of people tend to distribute, rather than concentrate, power. Unless we see a resurgence of tyranny (always a threat, as dictatorship is a highly efficient form of organisation), there is every reason to believe that this trend will continue, and accelerate. This article first appeared in *Leading Beyond the Walls*, a book edited and produced by the Peter F. Drucker Foundation on Non-Profit Management and published by Jossey-Bass books, 1999.

## Top entrepreneurial mistakes

### Trying To Get Rich Quick

Most overnight successes take 15 to 20 years to achieve. If you go in expecting to be rich overnight, you may become discouraged early on and give up your dream prematurely. Know that success takes time, takes perseverance and takes a little bit of luck. Give your business the time to grow. Only if your company is stagnant for a long time, should you take it as an indication to try something new.

### Assuming No Competition

Even if you have the latest, greatest, never-been-done-before approach to something, don't assume you have no competition. Competition is more than just the direct, obvious competitors. Competition is also all the available alternatives. What else could the consumer do instead of using your product or service? Could they do nothing?!? The customer almost always has the option of walking away; and that is a serious competitive threat.

### Being a Weak Leader

The success of your company is contingent on you being a strong, effective leader. This does not mean you need to be an authoritarian, and this does not mean you are everyone's buddy, either. A great leader sets the course for the company, communicates it constantly and inspires the team to get there.

### Being All Business All the Time

Many entrepreneurs put their personal lives on hold to focus exclusively on their business. Ultimately both suffer. No question your business needs your full attention and effort, but only in short spurts. Just like a peak

athlete, in addition to cranking up for game time, you need to have a proper healthy diet, get enough rest, and take breaks. Balance your personal and business life and you will actually do better in both.

### **Pie-In-The-Sky Financial Goals**

If all business plans came true, being a billionaire would be nothing extraordinary. Many entrepreneurs go into a new venture planning astronomical returns. Yet, most never even get the business off the ground. Unrealistic goals not only hurt your credibility, but can also be an emotional drain. Set Specific, Measurable, Accountability, Realistic, and Time specific (SMART) goals to ensure continual progress; chances of being an overnight success (albeit in 15 to 20 years) are much greater!

### **No Rallying Point**

There is a reason why employees leave high paying corporate jobs to go to start ups, and it sure isn't for the money. People are driven to serve an important purpose, in addition to bringing home enough bacon to feed the family. Many businesses never define their real purpose for existence and continually attract a mix of employees who are seeking success in different ways. Clarify the purpose of your company, beyond just making money, and you set the stage for attracting like minded employees. A team focused on the same goal is a very powerful force.

### **Cutting Price**

Often, the first thing entrepreneurs resort to when business is tough is to try differentiating on price. Cheaper prices mean more customers, right? Wrong! Most customers are willing to buy more expensive items because of the greater quality or the better convenience. During tough times, often an increase in price, coupled with improvements in quality or convenience can bring the customers in droves. Price slashing is a dangerous game. At some point you have to slash yourself to keep costs down.

### **No Clear Marketing Message**

You never know where, when or how a new prospect is going to hear of your business. If you have a mix of messages out there, the prospects will have an unclear expectation of what you offer. Your company must be presenting a consistent clear message on all fronts. You will never get a second chance to make a first impression. Make sure every opportunity a new prospect will get to see your business for the first time, sends the same consistent message.

### **Not Being Fortright**

The days of cover ups, died out with Bill Clinton's denial of sexual relations with Monica. The anonymous nature and grand size of the Internet allows someone in the know to share anything with anyone at anytime. If your business tries to cover up a mistake, it is just a matter of time before the word leaks and you are labelled as a liar. That's not good for business. Be the one to break your own bad news, you just may be perceived as honest and trustworthy.  
Michael Michalowicz

### **Think You Know China? Eight Things Foreigners Get Wrong**

China Is Not Just Like America in the 50s,  
P.T. Black

As a public service, here's a thoroughly idiosyncratic, non-comprehensive list of the eight most common misunderstandings about China.

#### **1. China is America in the 50's (or Japan in the 80's, or Mexico in the 90's, or...).**

Everybody loves a good historic analogy, but China is too big, too complex, and too thoroughly integrated with the rest of the world. China's consumer culture is leapfrogging its own unique path.

## 2. China's public data are unreliable.

There have been tremendous strides recently in the quality of publicly available data, especially for urban demographics. Pay attention to the development plans of central and city governments. Their plans are clear and ambitious, if vague at times. I also recommend a visit to the Shanghai Museum of Urban Planning to anyone curious about population density, retail clusters, or transportation infrastructure.

## 3. China's internet is like the rest of the world.

As Google's drama has highlighted, China's internet is unique.

Global big guys like eBay, Amazon, Facebook, Twitter, Skype and yes, Google, are insignificant or non-existent here.

Want to utilise social networks for your brand? Spend a day learning QQ, and mastering its roster of functions not seen in the West. I have a soft spot for Douban, which acts as a sort of user-generated index to the global library of music and film.

Empowered by Douban, culturally-inclined youth are uncovering everything from punk classics to experimental Dutch cinema, and sharing them with their friends.

## 4. China's consumers are split between urban and rural.

Technically true. But most global brands are actually dealing with a limited part of China: the mega-urban and the merely urban. China's consumer market is overwhelmingly clustered in cities, many with populations of one million or more. Size isn't everything. The most relevant factor for marketers should be the city's access to a cultural centre like Beijing or Chengdu. A mom living in a medium-size city two hours from Guangzhou is likely more sophisticated about brands than her counterpart living in the massively populated, but under-exposed, provincial capital city Zhengzhou.

## 5. China's regional differences are as big as Europe's.

I hear this one from very sophisticated people, keen to show their respect for the scale and scope of China. Their hearts are in the right place, but they overstate the case. There are certainly regional differences, but within a moderate range. All of China learns the same history, takes the same exams, speaks the same language (at school at least), and watches the same news programs. Climate is one big exception, and it does influence food, architecture, and even clothing.

## 6. There are big generation gaps between each decade.

Generation gaps are huge, and they crop up more than every decade. This is a logical result of fast economic growth. Changes in culture and technology result in wildly different formational environments. Today's 25-year-olds grew up watching glossy boy bands like Taiwan's F4. Meanwhile kids a mere five years younger watched gender-bending Li Yuchun (from Super Girl) and other courageous oddities of the Reality TV circuit. Is it any wonder they embrace a weirdness that baffles their elders?

## 7. China is rapidly westernizing.

Without a doubt China is modernizing--just look at all the KFCs. But can we call it westernizing if those KFCs sell congee for breakfast? While there is a notable increase in Western brands and lifestyle options, it is matched by a comparable increase in historic Chinese culture. Witness the renewed interest in pu'er tea collecting, learning calligraphy, and the resurrection of Imperial dishes. There is a strong argument that China is becoming more Chinese. There's one other often-overlooked influence: North Asia. Japan, the world's second biggest economy, sits off China's

shore, and its cultural influence is at least as significant as that of the West. Sure, 18-year-olds in urban China are wearing American Nikes. But 15-year-old kids are reading Japanese manga and listening to Korean pop.

## 8. Chinese youth are divided into tribes.

There is a kernel of truth here, and young people are segmenting themselves at ever-earlier ages. But these tribes look different from their Western counterparts. In the West we can use magazine, music, and brand affiliations as shorthand to describe a group. These don't quite work in China, what with print media being relatively small and the music scene so confused by piracy. Brand preference can be descriptive in big cities, but in the rest of the country brand differentiation is more blurred. So what does that leave? Celebrity preference can be useful. Choice of hobbies, including membership in online clubs, says a lot about a person. But there is a lot of fluidity and change.

P.T. Black is a partner at Jigsaw International, a boutique lifestyle research agency in Shanghai that looks at the direction of change in China, particularly among young adults.

## Larry Doesn't Work Here Anymore - At least not in spirit.

I hired Larry almost two years ago. His technical background, coupled with his ability to get things done, made him an ideal choice for project manager in my group.

### Change

Things change. Six months later, the Company reorganised and my group was distributed among several others. The talented team I built was seeded in other groups to help them grow. Larry moved to a group where his skills were really needed. He fit in well and immediately became a productive member of the new group.

### And More Change

More change. This new group was disbanded. His new boss was fired. Larry was transferred to yet another group. This time, he did not fit well in the group. Other members of the group shared his skill set, so what he offered was redundancy rather than new talent. His new boss assigned him to a task for which he was ill-suited. He struggled with the new task and did not perform to his usual standards.

Last week, I saw Larry. He was down the hall and too far away for me to speak with. However, his body language came through loud and clear. His head was down. His smile was gone. And the spring had gone out of his step. Even for our casual office, his clothes seemed a little unprofessional. The talented, motivated, winner I had hired had become an unmotivated drone.

### No Change

It's really sad to see Larry like this. He's a good man and I'm sure he feels badly about not having been able to handle a task he had been given. However, it's our company I really feel sorry for. They've lost the talented, motivated, hard-working employee with the ability to do many things well.

Rather than use this outstanding employee in a position where he could excel, the Company moved him to a place where he failed. Instead of moving him back to his original position or trying him in a new position, the company left him where he is and effectively branded him a failure. There is no doubt in my mind that Larry will move on to another company just as quickly as he can find a suitable position. He will do well there. He is a pretty talented guy. Our company cannot afford to lose talented people, but we have lost Larry. For now, we still have his body, but we no longer have his spirit.

The lesson here is simple. Find and hire the best people you can. Put them in the places where they can do good and let them go do it. Help your people succeed and your company will succeed.

F. John Reh  
About.com Guide  
[www.management.about.com/](http://www.management.about.com/)

## Twenty-one ways to lose a sale

1. Get in to see your prospect under false pretences.
2. Be overdressed/underdressed.
3. Being late
4. Apologise for taking up the buyer's time.
5. Try to be funny at the wrong time.
6. Use precocious language.
7. Bring up controversial subjects.
8. Talk about your operation or other troubles.
9. Monopolise the interview.
10. Be belligerent.
11. Talk your company down.
12. Knock your competitor.
13. Sell on the basis of friendship (only).
14. Sell them more than they can profitably use.
15. Threaten to go over the buyer's head,
16. Expect special treatment.
17. Make promises you cannot fulfil.
18. Be pessimistic.
19. Emphasise your low, low price.
20. Criticise the prospect's firm.
21. Use high-pressure selling tactics,

## Social media marketing myths

For brands, resistance to social media is futile. Millions of people create content for the social Web on a daily basis. Your customers have been using it for a long time. Your competitors have embraced it. If your business isn't putting itself out there, it should be.

But there are some recurring fallacies and misconceptions out there. Many companies are finding that these tools don't live up to the hype, especially small businesses. There are a lot of challenges that aren't immediately apparent. Are you considering Twitter, Facebook, et al as part of your marketing plan? Before you jump in, keep these myths in mind:

**1. Social media is cheap or free.** Yes, many social media tools are free to use, including Facebook, YouTube, Flickr, the social network building tool Ning, and content aggregators like StumbleUpon and Digg. There are many free blogging tools, too, like WordPress, Blogger, FriendFeed, and Twitter. But incorporating them into a corporate marketing program requires time, skill, and money.

**2. You can make a big splash really quickly.** Sure, sometimes this happens. Social media is great if you're already a star, but there really isn't any such thing as an overnight sensation. For example, tweets can drive traffic to articles, Web sites, Facebook pages, contests, apps, videos, etc. — this is easier if your audience already cares about your brand or if you have a truly original product or idea that excites people to the extent that they want to share with their friends. But it takes a lot of time and dedication to keep your content fresh.

- 3. You need to be on all the big sites.** Most brands that have succeeded with social media sites generally focus on just a few of them. Just because the media says it's cool to tweet doesn't mean it has anything to do with your business. If you plan to frequent social networks, don't spread yourself too thin. The companies that choose their weapons wisely and give it their all are the ones that succeed in the social space.
- 4. If you create something that's great, people will find it.** How's that supposed to happen? Unless you can drive traffic to your social media effort, it's akin to a tree falling in the woods with no one around to hear it. Many tools can drive traffic, including Twitter, Digg, StumbleUpon, blogs, and SEO, but word of mouth trumps them all — one friend telling another, "Hey, check this out!" is very powerful.
- 5. It's for kids.** Contrary to the perception that social media is for tweens, teens, and 20-somethings, older demographics are rapidly evolving into this space. According to analysis by iStrategyLabs, Facebook experienced 276% growth in users aged 35-54 in 2009 and is its fastest growing segment.
- 6. You can't build quality relationships online.** The thinking on this goes that it's a waste of time connect with people online that you don't know in real life — that it's a pointless exercise that doesn't lead to lasting relationships with your brand. It's actually quite the opposite: Social media enables you to be face to face with your target audience. Even if they don't turn into paying customers, you still gain valuable insight into what they think and what they react to.
- 7. It gives away content and ideas you should be charging for.** Simply put: The more you give, the more you receive in social media. You need to let go of the idea that all the content you produce is proprietary, engage with your audience, and encourage them to share what you've created.
- 8. It's a fad.** The drumbeat about social media has become deafening. Yet many marketers remain sceptical, hesitating to expand budgets and expend resources on a craze. But social media is a fundamental shift in communication — it isn't just a new set of tools, but a new sphere of networking, communicating, living, and organising. It has become intertwined in our lifestyles, so it's here to stay.
- 9. Anyone can do it.** It sure sounds that way, doesn't it? There are a lot of people, from whiz kids to more experienced marketers, who claim to be social media experts. Some even portray themselves as gurus. But how many of them have created successful social media initiatives for clients? To be effective, a campaign must integrate social elements into all aspects of marketing, including advertising, digital, and PR. Theory is no match for experience, and the best social media marketers now have years of experience incorporating interactivity, forums, viral video, apps, social networks, blogs, user-generated content, and contests into the marketing mix.
- 10. It's a cure-all.** While social media is a great tool for online reputation management, it's not a panacea. Don't get so wrapped up in the concept of the social Web that you ignore the other problems with your marketing strategy. Social media is another in a long list of tools you should leverage for brand messaging.
- 11. You can do it all in-house.** You need strategy, tools, contacts, and experience — a mixture not usually found in in-house teams, who are often tempted to use the wrong tools or to reinvent the wheel... which leads to (you guessed it) lousy results. How many in-house teams have the expertise to conceive and implement a social media campaign AND drive traffic to it via blog advertising, SEO, Twitter, etc.?
- 12. Social marketing results can't be measured.** There are a variety of methods and tools you can use for this; I've covered some of them here and here, and more become available every day. You can monitor blog comments, mentions in the media, traffic stats, Facebook fans, Twitter followers, comments on your content, real-time blog

advertising results, click-throughs to your Web site. The tools are out there, and the number of people who know how to aggregate and interpret the data is growing.

## The Black Swan:

John S. McCallum

Time may be the most scarce executive resource of all, so when recommending books to executives, it is important to get it right. There is a lot of interesting material out there but not all that much has the kind of reward-to-time ratio that executives need in terms of information, ideas and insights.

The keys to being a good executive are judgement, wisdom and temperament. That is where reading should add serious value. In that light, I unreservedly recommend *The Black Swan*, by Nassim Nicholas Taleb (Random House, 2007).

What separates executives is the ability to make good decisions when the stakes are high and there is not nearly enough time or information to make decisions. The problem is always the same: A big decision must be made now, and the future, on which the decision depends, is somewhere between murky and unknown.

Enter Taleb with what can only be called a refreshingly different take on risk, randomness and decision-making. A read will add materially to the tool kit you bring to the executive function. At minimum, you will ask better questions as you sift through options in search of the clarity and confidence needed to choose wisely. This book is a cut above the average in terms of value added for executives. It is also superbly written, very entertaining and chock full of curious anecdotes and facts.

The "Black Swan" is a metaphor for the incredibly rare occurrence that really matters. An actual black swan in swanland is apparently a one-in-a-zillion occurrence. Taleb's definition of a Black Swan (his capital letters) event is an outlier which has extreme impact and which, after the fact, we rationalise as an event that can be explained and predicted. To Taleb, "A small number of Black Swans explain almost everything in our world, from the success of ideas and religions, to the dynamics of historical events, to elements of our own personal lives".

A Black Swan example is the September 11th, 2001 terrorist attack on New York City. The 9/11 Black Swan did not change everything but it sure changed a lot, and in big ways too: travel, security, Iraq, Afghanistan, etc. Taleb points out that World War I, World War II, the fall of the Soviet Union, the rise of Islamic fundamentalism and the market crash of 1987 all follow Black Swan dynamics. The Economist of August 9, 2008 had a cute take on black swans in a commentary on the credit crunch and central banks, "To borrow the title of a popular book: shoot black swans on sight."

My goal here is to get executives to spend some time with Nassim Nicholas Taleb. Much like a trailer for a movie, I offer these few tidbits from Taleb, in the hope of tweaking executive interest.

First, Taleb points out that "Life is the cumulative effect of a handful of significant shocks" or Black Swans. Reminds me of that famous line in the critically acclaimed 2001 movie "Riding in Cars with Boys," when Drew Barrymore's character Beverly Donofrio says "One day can make your life; one day can ruin your life. All life is four or five big days that change everything". Taleb asks us to consider those few days when we met our mate, chose our profession, were exiled from our country of origin or were suddenly enriched or impoverished, days which really do shape everything.

So it is with enterprises as it is with life. Not much happens from most days to most days but a few days can change everything: for example, the arrival of a new competitor, a change in your fundamental technology or a big change in your market. Andrew S. Grove of Intel fame calls such changes "inflection points" in his wonderful book *Only the*

Paranoid Survive (Currency, 1996). For Grove, "An inflection point occurs when the old strategic picture dissolves and gives way to the new." How executives respond at these transformational moments can make all the difference. You will be better equipped to tangle with them after a trip through Taleb. And Grove, too.

Second, Taleb develops a concept that executives would do well to apply to every major thing they do: "What you don't know (can be) far more relevant than what you do know". It is a natural human tendency to focus on what you know, but what you don't know is what usually comes back to haunt you. Taleb ties this concept in with the expert: "The problem with experts is that they do not know what they do not know. Lack of knowledge and delusion about the quality of your knowledge come together – the same process that makes you know less also makes you satisfied with your knowledge." Worth considering when retaining advisory and consulting help. Mark Twain has a good line that ties in: "It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so".

Third, executives will find Taleb's development of the oft-overlooked but crucially important distinction between the value of doing something good and the value of preventing something bad very useful. Executives tend to be action-oriented people focused on visible achievement, but preventing something bad from happening, while hardly recognised and rewarded, can be just as important or even more important to enterprise success. Taleb calls them mistreated heroes: "Those who we do not know were heroes, who saved our lives, who helped us avoid disasters".

Which of the following is treated better in an enterprise? The executive who took the enterprise into a bad investment but manages to make the best of it, or the executive who didn't want to make the investment in the first place? The executive who makes a bad hire but rehabilitates the person at great cost and time or the executive who recommended against hiring the person? I note that World War II Canadian Prime Minister Mackenzie King said that "The real secret of political leadership is more in what is prevented than accomplished."

Fourth, Taleb offers this: "If you want to get an idea of a friend's temperament, ethics, and personal elegance, you need to look at him (her) under the tests of severe circumstances, not under the regular rosy glow of life...Indeed the normal is often irrelevant". This is sure worth considering when it comes to personnel decisions, particularly hiring decisions. The standard interview/reference process leaves a lot to be desired in that it so struggles to escape "the normal."

Fifth, Taleb says "Metaphors and stories are far more potent (alas) than ideas." If there is one thing I have learned in 36 years of teaching MBAs, it is that they remember the stories most of all, and for many years. It is through metaphors and stories that we learn. Being an executive means, at heart, getting things done through other people; that is very close to the essence of teaching. Executives as teachers will get a lot of insight from Taleb's story. To quote him, "This book is a story".

Sixth, executives are in the risk business. Much of what they do involves projecting future possibilities, assessing probabilities and then making choices. Most of the things in the world that matter to executive decision-making are not described by the normally distributed bell or Gaussian curve, though they are such convenient constructs that executives can be forgiven for subconsciously slipping into assuming that they are so described.

Executives, especially finance and investment executives who have been so burned of late, should make Taleb's discussion of the bell curve a must. Taleb: "Forget everything you heard in college statistics or probability theory. If you never took such a class, even better... You can skip (the chapter on the bell curve) if you belong to the category of fortunate people who do not know about the bell curve". Taleb variously calls the bell curve "that great intellectual fraud", "a monstrosity" and a "beast," making me wish he would tell us what he really thinks of it. Taleb will make you wince the next time you use bell-curve assumptions to do anything, especially something in the realm of finance.

Finally, Taleb introduces us to two most engaging characters: Fat Tony and Dr. John. Fat Tony is a street-smart guy with a weight problem. Dr. John is a straight-laced former engineer who now works as an actuary. Taleb presents each with a question I have used in class for years: "Assume that a coin is fair, i.e., has an equal probability of coming up

heads or tails when flipped. I flip it ninety-nine times and get heads each time. What are the odds of my getting tails on my next throw?" Dr. John says one-half since flips are independent. I have taught statistics and any answer but that gets a zero on the question. But listen to Fat Tony "You are either full of crap or a pure sucker to buy that '50 percent' business. The coin gotta be loaded. It can't be a fair game. (Translation: it is far more likely that your assumptions about the fairness are wrong than the coin delivering ninety-nine heads in ninety-nine throws.)" From there Taleb takes you through a valuable discussion of thinking within the box (Dr. John), outside the box (Fat Tony) and why straight-A students often don't get nearly as far in life and business as those with much lower grades.

The Black Swan is made for executives. Pick it up! You will not regret it!

John S. McCallum is Professor of Finance at the I. H. Asper School of Business, University of Manitoba. His column is a regular feature of Ivey Business Journal.

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## Debunking the notion of a triple bottom line

Robert Pojasek

When I teach the "Strategies in Sustainability Management" course at Harvard University in the spring, the students are required to read a journal article by Wayne Norman and Chris MacDonald, "Getting to the Bottom of the 'Triple Bottom Line.'" This effective debunking of the notion of a triple bottom line (TBL) is 6½ years old now, and it is still making people angry.

The basic thrust of their case against the serious use of the TBL concept is that it is "inherently misleading -- the term itself promises or implies something it cannot deliver."

As business ethicists, they present a series of arguments for why it would be impossible to evaluate an organisation's social responsibility performance by aggregating the kinds of data typically presented in a company's social responsibility report. They do not claim that the supporters of the TBL concept actually claim to aggregate the data in this way, but only that this is what they would have to do for the analogy with financial accounting to have any meaning or credibility. They then argue that the TBL concept cannot be rescued simply by sharpening its claims -- "The TBL rhetoric is badly misleading and may in fact provide a smokescreen behind which firms can avoid truly effective social and environmental reporting and performance."

The TBL concept was introduced by two pioneering sustainability consulting firms, AccountAbility and SustainAbility, in the early 1990's. Since that time, other consulting firms have bandied about the term and it is embraced in business school curricula, socially responsible investing organisations and even by a wide range of NGOs. When you examine how this term is used, in almost every case the promoters are trying to convince people who already take seriously the financial bottom line that they should also take seriously social and environmental bottom lines. However, upon further analysis, it is difficult to find anything that looks like a careful definition of the TBL concept, let alone a methodology for calculating the TBL with financial rigor.

According to Norman and MacDonald, the TBL concept turns out to be a "good old-fashioned single bottom line plus vague commitments to social and environmental concerns." Their concern as ethicists is that it may be exceedingly easy for almost any firm to embrace the TBL and make no more concrete and verifiable commitment to CSR and sustainability. If you have not read the paper, the response by Moses Pava and the reply by the original authors, you need to do so.

Perhaps the TBL hyperbole has prevented us from formulating better ways of comparing the results of adherence to the three responsibilities. Measuring the 79 lagging indicators of the Global Reporting Initiative does not provide a single aggregate parameter that takes in all three responsibilities. Sustainability consultants have a wide variety of

dashboards and other interpretative tools, but these also do not provide an aggregate measure as promised by the TBL.

The closest tool might be the ADRI (i.e., Approach, Deployment, Results and Improvement) method offered in the Australian Business Excellence Program.

Here's how it could work in place of the TBL: An organisation would prepare a written approach to each of the three responsibilities using the criteria posited in the business excellence framework. Next, the company would present a detailed action plan for the deployment of the approach for a given fiscal year. At the start of the year, it would select the metrics that would be used to determine the results that would indicate how effectively the approach and deployment were working. Finally, the expected outcomes or improvement associated with the approach and deployment would be postulated and committed to paper.

The ADRI approach would be used for all three responsibilities -- environmental, social and economic/financial. Using a trained team of independent assessors, the ADRI can be scored using the methodology in the Australian Business Excellence Framework. Each of the three components would receive a score based on how the documented outcomes compare to the scoped activity. Since scores are unitless numbers, it would be possible to add the three scores and obtain a single measure of sustainability for the organisation. It is also possible to score the lagging indicators (results) and add those scores to the final score.

There are approximately 70 business excellence frameworks used around the world, including the Baldrige Performance Excellence Framework here in the United States and the EFQM Excellence Framework in Europe. This independent, third-party scoring method has been around since 1987 -- much longer than GRI or other ESG measurement frameworks.

If you need to have the answer in dollars, maybe you could use a risk management standard like the ISO 31000 standard. Operational, regulatory and reputational risks can be expressed as financial values. Hmmmm...

We just need to move this TBL concept aside so we can get on with a monitoring and measurement methodology that can serve the many stakeholders that want to know what the TBL cannot deliver. Perhaps there are still too many that are clutching to their TBL ideals.

Robert B. Pojasek, Ph.D., is the sustainability practice leader at Capaccio Environmental Engineering and an internationally recognised expert on the topic of business sustainability and process improvement.

## How to build a loyal team

Loyalty isn't dead. Instead, it has shifted, with few people nowadays feeling loyal to the company overall or even the people running the business.

Most of us believe that the best way to motivate ourselves and others is with external rewards like money—the carrot-and-stick approach. That's a mistake, Daniel H. Pink says in, *Drive: The Surprising Truth About What Motivates Us*, his book. The secret to high performance and satisfaction—at work, at school, and at home—is the deeply human need to direct our own lives, to learn and create new things, and to do better by ourselves and our world.

So, to use Pink's language, today's workers tend to feel horizontal loyalty — a commitment to colleagues, former colleagues and particular projects. In short, put people on a team, and loyalties develop.

As a manager, you need to understand this if you're going to motivate people effectively. No one tactic is going to forge the bonds of loyalty, of course, but there are lots of small things you can (and should) do to build stronger and more productive relationships with your employees.

## 1. Frequently take the pulse of your team.

This sounds pedestrian, but when was the last time you asked your team members how they feel about their jobs? It's a small thing, but do it.

Try a simple, anonymous questionnaire:

- Do you understand where the company is going and what you need to do every morning?
- Do you see how you fit in?
- Do you care enough to take action?
- How loyal are you to your projects and your team?
- What are the aspects of your work that you like most?
- What would you like to learn?
- What are your aspirations?
- Which of your talents gives you the greatest satisfaction?

## 2. Create great jobs.

What's a great job? Individual expectations naturally vary, but the 600 senior executives and HR professionals surveyed for The Work Foundation's 2009 "Good Jobs" report agreed on several common factors for job satisfaction:

- Task variety
- Workplace friendships
- Fair procedures
- A balance between how much effort workers put in and the rewards they receive
- A certain level of autonomy and control for employees to work unsupervised.

The takeaway? Your team members want meaningful work that makes use of their talents and interests, and that offers good compensation — not just financial rewards, but recognition, authority, or leadership.

So know your employees' personal goals and make sure that they have the tools to achieve them. Set aside some time in annual reviews to collaborate on goal-setting. What would they like to do more of? What would make their jobs more interesting? "The past year has meant that [managers] cannot offer people promotions or new titles, so they just avoid asking about goals or aspirations.

Every job has elements that are repetitive, but these can be leavened with personal projects that give employees freedom to indulge an interest or acquire another skill that can prove helpful to the business.

## 3. Create great careers.

Work with your people to develop an extended career plan for them — even if that plan means the individual must leave the business to achieve a certain professional goal. The reality is that some of your key people will leave for a variety of reasons, no matter how much they seem to like their jobs. Why not map a path that would welcome them back into more senior roles after gaining other experience? So-called 'boomerang' employees can be great external advocates for your company. McKinsey and Microsoft realised this benefit and created online alumni networks to keep in touch with departed colleagues.

## 4. Rebalance the blame culture.

Most people don't leave their company, they leave you. If you want engagement, you must show that you care, delegating more than just the rubbish that you don't want to do. A manager who is quick to apportion blame for

mistakes is highly corrosive. Delegating effectively means sharing credit and taking blame. Do that, and the staff will take the risks that are required for success. They'll do it with you and for you.

## 5. Make meetings optional.

Most people dislike meetings because often they take too long and don't create results. Denmark-based workplace happiness advocate Alexander Kjerulf's advises against making meetings compulsory. This is about treating people like adults, he says. "They can decide if their time is best served by going to a meeting or working at their desks."

That way, those who attend do so voluntarily, and with the expectation of adding something valuable. Make meetings shorter, more focused and get everyone who's attending to influence the agenda. "And always start a meeting with something positive. It sets the tone."

## 6. Acknowledge individuals.

There are lots of ways to create a sense of respect among your team. Some things are really simple, like saying good morning.

If you're a manager, make sure you make yourself available to people when they need to speak to you. General team praise is largely meaningless, but specific and personal thanks goes a long way. Move from "Good job, team" to "Thanks, Jane, for staying late last night."

## 7. Put employees into the bigger picture.

This should be something every manager thinks about from recruitment onwards. Employees look to team leaders to remind them why their work is important in the big picture, and to create excitement about what the company is doing.

There's no quick way to achieve this. It's your job to align business values and goals for employees. Focus on results. Find ways to make people feel like their work has an impact on the overall business, such as keeping them in the loop on what happens next for a project they've completed or acknowledging when their work has generated more customers or revenue.

### Be realistic

Be realistic about what you can offer as an employer. You can't make people happy and you're going to see some turnover. Some churn is healthy. It's infinitely better than an office filled with loyal, but "useless time-servers,".

## Successful brands

Brian Monger

A commodity is by simple definition an undifferentiated value offer. That is buyers cannot discern any point of differentiation between it and other offerings - except usually on the basis of price. This results in commodities being sold purely on the basis of low price and low margin.

Another definition of a Commodity is a product with a poor marketer. No value offer needs to be a commodity. There is no value to anyone in the market to market a commodity.

The following are notes from a training package developed by the Marketing Association on **the Elements of Successful- Product and Brand Management**

Most organisations are now realising the importance of creating strong brands that provide real customer benefits so they can avoid the vicious practice of continual price slashing and cost reduction due to the downward pressure that exists in commodity markets. They're discovering that it is desirable to compete on more than just price and volume.

*The trend toward brands*

Organisations on a global scale now realise that one of the most promising paths to long term longevity, a prosperous organisation, and healthy profits is to create and manage strong brands for their products and services.

### *Commodity thinking*

Commodity products are largely undifferentiated products that offer little or no perceived differences between competitive offerings. These are lowly differentiated value offers with high levels of substitutability and straightforward price discovery.

With little-to-no perceived difference, consumers shop for commodities primarily on a low price basis.

Producers of commodities are driven to compete on low price and high volume. In general, the product life cycle is at the point where significant customer education and assistance is not required, customers have widely adopted the product, the market is mature enough to have attracted multiple competitors, and the market expands while prices decline as consumers demand price concessions.

### *Move away for commodity thinking*

First off you need to identify or devise ways to create unique attributes and unique promises of value offered solely by your organisation and your product offering(s). This distinction as to why your brand is unique in your category is usually referred to as your **unique selling proposition**.

Your unique selling proposition (USP) tells your target segment the main and most important reasons they should choose your brand over competing offerings. Your USP is a claim of a unique set of benefits not found anywhere else. Once you have defined your most important unique selling proposition, then you begin to build your brand based on it.

Let's take a closer look at steps to effective value offer branding

### *Step #1: Analysis - Conduct a comprehensive audit*

Launch a marketing audit (the steps in undertaking a marketing are also part of a MAANZ training Package in Marketing Planning and Strategy) to understand how your current buyers perceive you and your value offer. Conduct a brand audit with primary and secondary research to understand why your prospective customers choose your value offer or your competitors Value offer. Commodity marketers are often very surprised to learn from customers that price is rarely not the most important factor - let alone the only factor.

Study your competition and examine market trends. How are your competitors products positioned? What are their brands' or products' strengths and vulnerabilities? How does your position compare with competitive positions and how will those positions be affected by market trends?

Conduct an internal audit in addition to your external audit. Find out what all stakeholders think and feel about your Value offer. What do they value in your offer? What guides their perceptions and behaviour? What brand promises do your employees and distributor employees feel they must deliver on? Are their goals in line with the brands goals (as well as your organisation and your stated mission?)

Also conduct a **marketing communication audit** to uncover the real messages you are sending to your internal and external stakeholders. Are your marketing communications saying the right things in the right ways consistently over time and across all media? Are your internal communications to employees and shareholders doing the same?

If you discover some inconsistencies and liabilities during this phase, don't fret - fix. Remember, the most important goal to accomplish at this point is to emerge with an accurate picture of the current state of affairs, be it pleasant or

unpleasant. Only once you have accurately diagnosed any illness can you begin to prescribe the cure. Remain objective and seek to define things how they really are.

## *Step #2: Find and define points of differentiation in your value offering*

Once you have conducted your audit and surveyed the competitive landscape, then you can make a list of all the ways you are or can be unique.

Provide other reasons than rock-bottom prices as to why you are (or can be) different and why people should buy your value offers. Even in markets where buyers say, "all of the products from us and our competitors are the same," we can find differentiation/branding opportunities.

Sometimes obvious differences will be defined in your product offering by this point. Other times not.

### *What can serve as the basis for differentiation?*

Uncover hidden differentiators: Many things can serve as the basis of differentiation for and subsequent branding of your offer. These attributes can apply to your core offer, your satellite or add on services, your organisation, the support you offer, or other intangible buyer benefits that are (or can be made to be) unique to your total product offering.

What makes your organisation unique and preferred in the mind of the prospect might be something in the product, something in the processes, or maybe some corporate belief or philosophy.

### *What can be used as points of differentiation?*

- **New features**

Look for ways to create new product features that certain customers will value. Innovate and redesign your offer to include new and unique features.

- **+ 1 features**

"+ 1 features" are small, incremental differentiating features in products. Adding incremental features into your value offering, your brand may offer value not found anywhere else. Be wary, however, once this practice is common in any competitive environment there will come constant pressure to add + 1 features while continuing to cut price. This can be a good strategy in high volume markets that are expected to last indefinitely.

This + 1 strategy is often found in high technology markets where manufacturers will add + 1 features such as additional software pre-installed on computers, new ring tones for mobile phones, digital cameras in phone models, or Internet service providers who offer spam blocking software or personal Website storage space as part of the purchase in addition to their core product offering.

- **Value Bundling**

Bundling several options, features, or benefits into your package can significantly increase the value of your offering. You may be able to find ways to offer several features, services, or options and package them together to create a "bundled", value-added package. I've seen organisations offer extended warranties, a supply of relatively inexpensive consumable items as "starter kits," and enhanced support packages in order to offer greater desired value to their customers and reduce the overall cost of ownership.

- **Payment Terms and Longer Guarantees**

Does everyone in your industry offer net 30 terms and 30-day guarantees? If so, then by offering options or even more generous terms and longer guarantees you might be able to increase the value you offer without investing significant capital toward new product features and value-added "giveaways."

- **Better value and quality**

Increase the value you offer your customers will increase by improving reliability. Increase Quality (remember here that quality is defined by customers not engineers and production departments) - seek to reduce your defect and return rates.

- **Reduce buyer risk and uncertainty - increase certainty with guarantees**

You will find different levels of risk-aversion amongst different customers. Offer guarantees or other means to reduce risk and dissonance to make it easier for prospective buyers to trust you such as money-back guarantees. Other ways to reduce or reverse risk are to offer free trials, lengthen money-back guarantees, promise free repairs or replacements, offer "try before you buy" evaluations, 100-percent-satisfaction-no-questions-asked return policies, free financing, or delaying your invoicing.

- **Really Understand Your Customers - in depth**

Segment your markets (potential customers) to gain better insights that you can use to build better value offers. Create different levels of value offer to different customers such as a Bronze, Silver, and Gold levels of support packages available. This will help meet the needs of those who value additional assurance while proving a low cost option for those most driven by price alone.

- **Deliver Value**

Actually delivering the value promised by your brand is what you are basically in business to do.

Actually getting your product to your customer in the most effective and efficient way is also basic. Find a way to get your value offer to your customers better or faster. Often by increasing your distribution network you can offer faster response and reduced delivery time. Overnight shipping, staggered shipments to meet your customers' inventory needs, more secure shipping, or available backup delivery methods might be things you can explore. Sometimes just being the person in your industry with the highest on-time delivery or fulfilment rate can make the difference.

- **Improve Tangible Design**

Often innovative or eye-catching design or packaging of a product can serve as a strong differentiator and help become a part of the brand's essence. Innovative, unique, and appealing packaging can alone be the only point of differentiation you need in order to start building a powerful brand.

- **Improve your Marketing communication**

Brand communication is an essential part of building a strong brand for your offer. Commodity-prone products require unusually clear communication of the value offered in both economic and emotional terms.

Highly targeted and sharply focused communication must take place within the framework of an integrated marketing communications plan that includes one or more parts of the marketing communications mix: personal selling, sales promotion, direct marketing, advertising, and publicity. The brand value must be communicated clearly and consistently over time and across all chosen communications channels.

Communicating your brand promise clearly, concisely, and consistently across all marketing communications channels will enable you to build strategic awareness. Strategic awareness occurs not only when your customers recognise your brand, but also when they understand the distinctive qualities that make it better than the competition. Strategic awareness occurs when you have positioned and differentiated your brand in the mind of your market.

Only when strategic awareness is established can you hope to create brand preference within your market. Once brand preference is created, then you can increase your price.

Define and communicate the value in your offer (the core plus peripherals such as delivery, installation and training, and technical support etc.). What can you promise that none of your competitors are willing to put in writing? That, in and of itself, might make you unique in your industry... just be sure you deliver on your promises.

- **Customer-driven added value**

Ask your customers what they wish you could offer or what they would like to see and often they will tell you exactly what you can do that cannot be found anywhere else. Customers have a way of knowing what unmet needs there are

and they are usually happy when an organisation comes along and asks them how to serve them better. They are comparing you against your competition constantly and will often have insights and data that you don't.

Have a clear understanding of what your customers want and need before tying your brand to what you perceive to be a customer value. Don't try to guess what your customers might respond to. Ask them! More often than not they'll tell you. Just make sure you do it in a way that is valid and statistically significant through research. You might just uncover a benefit that you never would have thought about on your own.

- **Look outside you industry for ideas and examples**

Intel looked to examples of component (or ingredient) branding in other markets such as NutraSweet, Teflon and Dolby for its inspiration.

***Step #3: Choose the most compelling and unique point of differentiation***

Perhaps even more important than defining points of differentiation for your brand is to make sure these points offer customer value for which your targeted customers recognise the value offered. Differentiators are nice, but not worth anything to you if your buyers don't recognise them or see any value associated with them.

Why should somebody choose you over your competition other than price? The answer to this question might help you choose the best position upon which to build a strong brand.

There may be many possible positions for your brand but it is important to choose the one that is most defensible, least likely to be copied, most compelling, and most unique. Do not try to incorporate so many points of differentiation in your positioning that your customers become confused or overwhelmed. This might cause competition with yourself, cannibalise sales of your higher profit offering(s), and be very difficult to manage.

- **Your Brand Must Be different!**

Find a way to offer something unique that cannot be found anywhere else. Your most important, unique, and least easy-to-copy point of differentiation should be the unique selling proposition for your brand and serve as the basis for your branding efforts.

***Step #4: Eliminate the reasons for your customers not to purchase from you***

Often organisations can unwittingly offer certain things or behave in certain ways that turn potential customers away. Be honest and seek to uncover and understand the reasons customers choose to not do business with you.

In the computer and software industry we often see customer resistance to purchasing from vendors who "lock in" customers through proprietary systems and software. Other reasons people will not buy from you might be confusing billing and/or payment terms, poor post-sale support, unfriendly sales staff, or simply your location. Identify the reasons people avoid choosing you and eliminate these reasons if you can.

***Step #5: Create a powerful image for your brand***

Create and build a powerful image for your brand. Once you make your value offer distinctive, build your new image through a combination of words, imagery and other devices that appeal to human logic and emotion.

- Choose or create a memorable name for your brand.
- Create a visually effective logo.
- Write a tagline or slogan for the brand that concisely captures and communicates the essence of your unique selling proposition.

A brand must communicate what it distinctively stands for using as few words and/or images as possible, so keep the message simple but memorable. Build the image so it is distinctive and easily recognisable to your target market.

Image alone can help differentiate a value offer - whether based on actual or perceived benefits - as long as the strategy is executed properly. Images can be built to inform buyers about hidden or small differences that they might otherwise be unaware of and thus turn these differences into something that, in their own minds, they simply cannot live without.

A brand is an identifiable entity that makes specific promises of value and all aspects of your brand's identity must communicate those promises and convey the uniqueness of your brand so you create the desired image within your market.

Branding is more than the development of a memorable name, an appealing logo, or a catchy slogan. All components of a brand must work together to create a differentiated personality for the brand that heightens awareness while building preference. Such strategic awareness will allow the brand to enjoy greater loyalty from your market while commanding a price premium with better margins.

### *Innovate - Looking good going forward*

Continually look for ways to innovate, create customer value, and stay ahead of the competition.

Eventually all forms of differentiation can be copied, so continually stay ahead of the curve to ensure that your brand remains differentiated from the commodity pack mentality. Do this through a comprehensive program of differentiation, image building, product development, consumer research, service, delivery and quality improvement.

Routinely measure factors such as: brand loyalty, name awareness, perceived quality, relevance and preference. Focus on continually improving the four core customer values of convenience, availability, value offer functionality, and relationship to find ways to continually increase the value you offer to your customers.

### **The value of integrity**

Integrity is one of the four characteristics of successful leaders. And it's important in every aspect of your business.

Here is a plan for leaders facing the 'integrity dilemma'.

#### **1. Have a Vision of Integrity**

Create the greatest-value offering for your customers. meeting and exceeding customers' expectations, you will satisfy them -and instill a pride in your employees.

If you do good business, it's good for business.

#### **2. Understand the Integrity of Your Mission**

Make your business' quality and value the best that it can be regardless. Work to increase your company's value by improving every aspect of it. Only cut costs without cutting quality. Avoid cutting corners and half-hearted efforts, and you won't have to be concerned that your competition has already passed you by.

#### **3. Understand the Integrity of Functions**

All functional units need to be the best that they can be. A strong engine won't make up for a weak transmission. Work together toward mutually agreed upon goals to correct departments' previous practice of acting like prima donnas with disregard for other departments, to expose inadequate departments that try to hide their incompetence, and to counter



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