



BRAND RANCH

BRAND & MARKETING CONSULTANCY

BRAND DEVELOPMENT NEWSLETTER

Vol. 3 · No. 2

JUNE 2009

Dear Readers:

I hope that this issue of our newsletter finds your businesses surviving and doing well in this recessionary period. This next six months will be a telling time for all our regional businesses – a time that will clearly identify those businesses/brands that clearly offer the consumer a “compelling and differentiating value proposition.”



In this issue, I am going to address a series of common mistakes that I have seen during my many years in the consulting business. These eight mistakes not only added to the 95% failure rate for new small businesses, but are also key factors in why businesses are not flourishing no matter the timing or length of operation. These factors common in new business failures are also factors that any business owner/CEO should continue to evaluate and clearly understand, for these are the foundation for any long-term successful business or brand.

As with anything in life, when competition heats up or you elevate your game to the next level, success is all about attention and knowledge of the details. The difference between champions and second place finishers are not major elements, but the small details that must be managed and perfected. It is these small details that NOW must be studied, understood, and delivered if your business is to grow and survive these troubling times.

History has proven recessions to be great times for starting new businesses. Consumers are looking for better solutions to problems, greater value propositions, and are more apt to try new products – their attitudes and behaviors change. If you understand how category shifts impact brands, then you can develop and launch a business to address these new opportunities. However, do not underestimate these eight mistakes commonly made by many new businesses, or you too will be one of the 95% of new businesses that fail within five years.

I hope you enjoy this issue. If we can be of any assistance in helping you or your management team better understand the factors that are limiting or holding your business/brand back, please don't hesitate to call.

Be well,

A handwritten signature in black ink that reads 'Michael'. The signature is fluid and cursive, written in a professional style.

Michael Blanck
President



8 COMMON MISTAKES – WHEN STARTING A BUSINESS

The old saying that “the devil is in the details” could not have been more accurate as it relates to the development and launching of a new business or brand. With an over abundance of most products/services (supply and demand), it will be those companies that address the next eight issues with greater attention and insight that will succeed. Those that do not do their homework, and think that they have a “winner” without clearly studying and understanding the wants/needs of the consumer, will likely fall on hard times.

1. COMPELLING “VALUE” PROPOSITION

The most fundamental principle of business is based on the simple economic premise “supply and demand.” In today’s marketplace, walk down any aisle of a grocery store, department store, or retailer and you will see multiple offerings of similar items – products/services designed to solve the same problems. Just look at the number of soft drinks in aisle six, snacks in aisle 10, or the number of architects in the Yellow Pages.

The first questions you must ask yourself are:

- What is the purpose of my business/brand?
- What differentiates or makes my offering unique and relevant to my audience?
- Why should a consumer buy my product/brand vs. that of my competition?

What is the compelling/strong value proposition that you are offering the consumers and does it meet or exceed the wants/needs for your targets? What differentiates the brand from competition – better, faster or cheaper? Once you have identified this compelling proposition, you must drive this point home in everything that you do as a business in order to support your brand positioning.

2. IDEA VS. OPPORTUNITY

Everyone in business today thinks that they have the best ideas or solution for a new business. The problem with this thinking is that it doesn’t matter – only if the consumer perceives the difference and understands the

compelling “added value” will it matter! The opportunity only exists if you can develop a business model that works!!

The keys to a successful business model:

- Are there enough consumers in the marketplace that will pay the price for your product/service (supply and demand)?
- Do you offer a real/perceived compelling and differentiating value proposition to get consumers to pay for your product/service? Is this sustainable?
- Can your business model succeed? Do the numbers work out so you can make a profit?
 - What are your costs to develop and deliver your offerings?
 - How many items/units will you need to sell to cover the basic costs and still have money left over to pay you and your staff?

Have you done your due diligence well enough to clearly understand:

- **Competition** – clearly understand what they offer and why they are successful.
- **Customers** – who they are and what they want.
- **Cost to succeed** – can you generate enough revenue – gross margin to make a profit (is there enough demand for your brand)?
- **Business model** – does the math work and is it sustainable?
- **Tested the product** – have you taken your product/service to a small sample of consumers to see if it delivers before you scale up and increase the financial risks?

3. FACTS!

Owner biases are the most destructive elements in start-up businesses; comments like:

- I know this is going to work – because it meets **my** needs – we’re different.
- All my **friends** think this is a great idea.

This thinking is disaster! The facts are that 95% of small businesses fail because they don’t study and understand the basic facts:

- Don’t offer anything that is “really new,” differentiating, or unique to the customer.
- Can’t acquire enough customers (supply/demand) to maintain cash flow at a level to be successful. Customer inertia or getting consumers to change their attitudes/behaviors is very difficult!
- Don’t review the costs (numbers) of starting a business or offering a new brand.
 - They forget the CUSTOMER IS KING! They are the ones who determine who wins or loses in the business world!
- Allow their own biases to overshadow the real facts – there are very few real and true new products/services launched each year - be honest you are not the exception to the rule!
- They don’t study the category or brands already in the marketplace. Talk to others, look at others offering similar products/service and find out about the business.

Learn from others – and history!



4. PEOPLE MANAGEMENT/ PROBLEMS

All businesses or brands are delivered via their employees. Once you have developed a compelling value proposition and business model, then you must find employees (or consultants) who will help you build and deliver your experience consistently over time. It takes a very different set of business skills to start a business vs. growing a business.

There are three keys to people management:

- **Acquiring the right people** – Employees who have an interest, passion, or attitude about your product/services. The old adage is true – “hire for attitude and train for skills.”
- **Training** – by far the most deficient area of most small businesses. Business owners look at this as a cost or expense; in fact, it is imperative to the successful delivery and execution of your business/brand strategy. If your customer has a bad experience they will be more than likely (90%) not to complain, but seek out a new alternative – your competitor. Consistent “superior” delivery at every consumer touch-point is critical for long-term success.
- **Retention** – employee turnover is not only costly, but very destructive for the relationship building between a business/brand and its customers. You must create an environment of success, career growth, and financial compensation that will keep “great” employees in your business, allowing you to focus on the growth and further development of your business – brand.

As the owner or manager of any business, you must learn to delegate, trust, and give employees the authority to make decisions and interact with clients/customers.

5. DELIVERY IS 99.9%

A great idea is just that - until it is delivered “consistently” at every touch-point over a long period of time -

you have not reached success. In any business/brand process you must understand and manage two elements: brand identity and brand image.

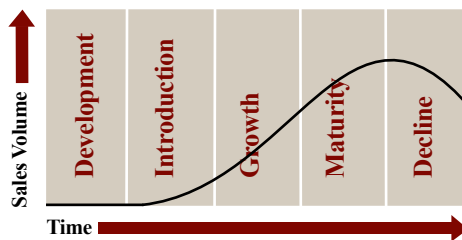
Identity – is the development and delivery of your vision, name/logo, business model - strategy, values, and products/services (packaging, pricing, etc.).

Image – is the development and delivery of your marketing, public relations, advertising, Web site, and special events.

Consistency over time is paramount to success!

6. GROWTH CRISIS

The skill-set of a start-up business owner and one that is managing growth are sometimes very different and require someone with experience and expertise. The different phases that a business progresses through (see diagram) require different skills.



The speed and complexity of managing the variables/factors of a business will grow exponentially as a business/brand becomes bigger. Controlling “strategic growth” will keep you and your organization focused and maximizing your return on investment.

Business today has become more complex and sophisticated. Make sure that during your development and growth life-cycle you utilize experts in their fields to add to your success rate. I find it troubling that business owners will consult accountants, lawyers, and manufacturing professionals, but will use novices in the development of their brand and marketing tools/programs. Branding and marketing are the cornerstones to any and all successful organizations - make sure you are delivering a compelling message.

7. MARKET TESTING

With a combination of conducting proper due diligence and testing your hypothesis, you will significantly reduce the entrepreneurial risk factors for your start-up business. There are a number of simple steps to follow:

- **Start small** – you learn from doing.
- **Learn** – take your product/service to the marketplace – your target consumers.
- **Information** – power is in the information/data – track everything – it will provide you with greater knowledge and understanding.
- **Insights** – ask the correct questions as you test your concept.
- **Adapt** – continuously learn – change and seek feedback this will ensure you are delivering the precise product/service the consumer wants/needs.

Love your CUSTOMERS, not your product! Customers make the ultimate decisions and they will make you successful – not your product.

8. ORGANIZATIONAL STRUCTURE

As I stated in my opening lines, the difference between becoming a champion or an average business is in the details. The structure and partners that you bring into your organization are equally as important. If you are considering joining forces with another individual make sure you build a team that will offer you the following:

- **Knowledge** – surround yourself with smart and competent people (not friends)
- **Skills** – each person must bring a different set of skills – listen to individuals who have experience (or seek outside assistance – it’s cheaper and faster than making costly mistakes).
- **Vision** – you must have similar ambitions, goals and passion for this to work.

Now is the time to act. But, do it wisely and pay attention to the details!

ONLY THE STRONG WILL SURVIVE!

With overall retail sales down 8.2% over 2008, and a few categories down even more; furniture and home furnishing stores, women's clothing, jewelry stores, and traditional department stores are facing double-digit year-over-year declines. Only those brands that differentiate themselves and stay relevant to their consumers will survive.

“YOU MUST LOVE YOUR CUSTOMERS, not the products you sell”

- Retailers **MUST** offer a superior shopping experience – one that is fun, enjoyable, rewarding, and engages the shopper with involvement and encourages active participation.
- Merchandising **MUST** be inspiring and allow consumers to touch, feel, taste, and interact.
- Atmosphere **MUST** exude energy, create excitement, and entertain – not just a sterile row of products. Cabela's does this with a fish tank that captivates the consumer's imagination.
- Authenticity **MUST** be part of your theme or brand statement....make the experience one that is different and captivating – push the limits! This will get consumers talking and wanting to visit just to see what is new and happening at your store.
- Service **MUST** be extraordinary – today this can be a real and true differentiator. Train your employees so they are knowledgeable about your products and can sell the benefits that match your customers wants/desires.
- Superior value **MUST** be part of your business model – offer good value at a reasonable price! The “total experience” will either add value or cast you into a direct competitive situation where price will be a determining factor.

Research studies have shown that the longer a consumer stays in and shops your store, the more likely they are to purchase and spend more....so create an environment that is compelling, engaging, friendly, and fun – **your future might depend on it!**