

The River Heights View

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The Winning Edge Dr. Phillip D. Hall and Frank Hurtte

Theoretically, success in business is simple. But in the real world this same success is incredibly challenging to achieve. Every piece of a complex puzzle must fall into place and remain there. The successful distributor knows that it all starts with knowing two basic things: customers and competitors.

Know your customers: With all due respect to the famous Mac-Kay 66, we don't mean that you should know their golf scores, alma maters and favorite liquors. You need to know what they want to buy, why they want to buy it, and sometimes, what happens if they don't buy it. Customers are searching for the products and services integral to their business goals and they are going to select vendors that anticipate (and provide) what they want and need. The first step is that you must understand the customers' businesses. With this information you figure out how to provide solutions that match their needs.

This concept sounds simple but many find it hard to carry out. You must use every possible means to get this knowledge. Here are some practical ideas to get you started:

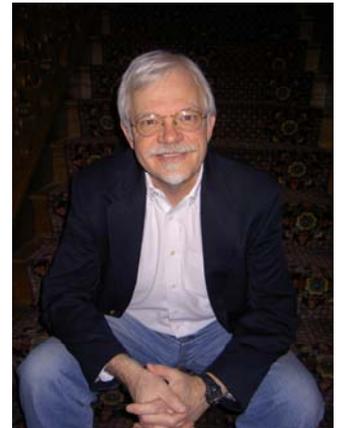
Train your people to know and understand customers.

The distribution industry spends the bulk of its training time on vendor led product familiarization (incorrectly labeled as sales training). Products are important and time is limited, but these sessions miss the mark. A customer focused workshop is created by adding a **"3-Why"** discussion to the last few minutes of product training sessions.

Here is a dialog to get your juices flowing:

The traditional training is coming to an end and Bill Fletcher the local Acme Salesman says, "And that concludes our discussion of the Acme Power Poker." To drive customer understanding, you ask three **Why** based questions.

1stWhy. "**Why** would this product be important to our customer WC Manufacturing?" A customer service person says something about how it pokes more holes faster.



Frank Hurtte of River Heights Consulting combines "in the trenches" experience with long range strategic thinking.

The Specialist Question

- What is a specialist?
- Who is using them?
- Who are these specialists?
- What are the pitfalls related to Product Specialists?
- What have the results been?

The Winning Edge (cont)

2nd Why, “**Why** are more holes faster important?” Your junior salesman answers because that way WC can make more products.

3rd Why, “**Why** is that important?” This final question leads into a discussion of increase revenue, meeting the new delivery deadlines, and dollar values associated with these increases.

Read the technical and trade magazines of your customer’s industry.

Often trade journals will give you an early warning sign of the general concerns of the industry. Trade journals open the door for in depth discussion. A very simple use would be to ask your customer if he believes the article reflects the issues at his/her company. The dialog that follows often will open a number of topics regarding the inter-workings of the customer.

If you wonder where to start on getting these magazines, often they are found in the lobby or common areas of your customer. Electronic versions of these publications are often found online and at minimal cost. Amazingly very few distributors use this wealth of information.

Use your customer service and technical support staff.

Engineers and technical people from your customer often form bonds with your own technical support folks. Within this special relationship opinions and observations flow in both directions. Often these people are tuned into the dynamics of the customer’s organization and understand the reason for the pressures on price, delivery, etc. Tap into this resource.

Always understand the reasons for change.

Look for more than the obvious by applying the **3-Why Technique** to common questions. Here are several that should always be explored.

River Heights Consulting: The Story behind the Story.



Let River Heights Consulting assist you on with your strategic business issues.

River Heights Consulting was founded by Frank Hurtte to address the needs of the distribution channel. Frank Hurtte, RHC Founder, is fond of saying, “In sports, everybody wants to practice running, but in the game, it’s the hand-off that makes the difference.” Whether the hand-off is between distributors and their suppliers, distributors and their customers, or between multiple distributors,

River Heights can help. To receive complimentary issues of “The River Heights View” please send an email to; info@riverheightsconsulting.com Frank and his staff would like to hear from you.

“Think like a man of action, act like a man of thought...”

Heneri-Louis Bergson

The Winning Edge (cont)

- Why did a customer switch vendors?
- Why did the customer change specifications or requirements?
- Why did the customer expedite the product?
- Why did the customer ask for electronic parts printouts?

Customer knowledge must be a priority all the time. Remember, you are not the only one doing this. The simple basics of business success are not proprietary information: Every firm is trying to do the same things, especially your **competitors**.

Know your competitors, know yourself: Business is simple; two or more firms are looking to make the same sale. The winning firm is the one that takes the profitable sale away from the rest of the industry. If you take more away than the others, you have real market growth.

You know the customer, now you want the customer to select you instead of one of your rivals. You must out perform your competition in providing the right solutions for your customer. Service, customization, delivery timing, matching quality requirements to price, or other factors all come into play. Satisfy the customer in a manner that distinguishes you and you win.

Michael Porter of Harvard University states that all competition can be generalized to two classifications: Cost/price leadership and differentiation. Cost leaders can give the customer lower prices and will get selected if this is the customers' key. Differentiators do what is important better than the others and will be selected because of higher quality and service. This is basic, the ABCs. The challenge is to master the specifics of your industry, your competitors, and your customers.

Cost Leader or differentiator? Distributors suffer most when they try to "straddle the fence". The differentiator style competitor typically needs expensive in-house resources. Product knowledge does not come cheap. The ability to modify or customize inventory often requires additional resources. The sales activity associated with differentiation is much different than the action plan of a price driven competitor. Both types of competitors need to know their customers, but often the information required to make the sale is different.

Distributor managers often report hearing their salespersons' say, "the customer likes our service and gave me last look to match prices." This scenario happens literally hundreds of times a day in the world we call distribution. Without a strategic competition factor the wrong decision could be made. It's not enough to have a general idea of where you play in the competition game. Your plan has to be well

The Winning Edge (cont)

thought out, written down, and revisited often. Salespeople, customer service, and key vendors all need to understand your competition strategy and the competition strategy of other distributors in your market space. If you are in the “differentiation game”, this needs to be reviewed often.

A variation of the differentiation style competitor is the niche player. The niche strategy requires very special knowledge of the customers in a particular segment. The niche has to be large enough and experiencing a positive outlook to make it a long term opportunity. A niche strategy is a *where* decision. A firm decides *where* to compete by customer segment, product line, or both. The firm still must take on every rival for this niche and find the way to win.

Winning is everything. The successful distributor understands the customers and knows how to beat the competitors to these customers. Then the distributor acts in every specific way to implement the winning competitive strategy.

Meet the Authors

Dr. Phillip D. Hall

Phil Hall comes with a wealth of academic credentials and awards. He has 25 years of university level teaching experience with over 15 years spent in MBA Programs. Dr. Hall received his MBA from Cal State Sacramento and was awarded a PhD from the University of Nebraska - Lincoln (with special emphasis in Strategic Planning). While a Professor at Nebraska, Phil served as Assistant Dean of Students in the College of Business. During the 1990's Dr. Hall was recruited by St. Ambrose College of Davenport, Iowa. At St. Ambrose, he has served as the Chair of Managerial Studies as well as conducted numerous courses in the undergraduate and post-graduate curriculums.

Frank E. Hurtt

Frank Hurtt has spent his life straddling the line between engineer and businessman. Frank graduated from the University of Illinois - Champaign with a degree in Computer Engineering. He worked for a leading manufacturer of automation equipment in both a field engineer and sales role. Frank had P&L responsibility in one of America's fastest growing Electrical Distributors. Today Hurtt is a nationally known author, speaker and industry consultant. As the Founding Partner of River Heights Consulting, he works with corporations and charitable organizations in defining their strategic future.

