

Focusing on Creating Value

by JoAnna Brandi

What would happen if you stopped TRYING to make money? If, for one whole year you didn't think about creating profit. If, for that year you took your focus off what was dropping to the bottom line? Do you think your business would fall apart? Do you think your profits would naturally drop? Well, that depends.

It depends on **where** you put the focus when you take it off of making profit.

If you shifted your focus from creating profit to **Creating Value** odds are that you would create more profit than you are creating now (and even more over time.) A radical notion? Not really. Companies that create value for customers, employees, community, and investors, create, as a result of creating value, above average profits for themselves. For after all, what is it that your customers are buying from you, if not value? Just think about how your business might be different if you put all your energy into creating value??

It's more challenging than ever to do business and create profit. Overall costs have increased, especially that of acquiring new customers. To compound matters, many companies lose 20% or more of their new customers within twelve months of getting them. They slip out the back door long before you have broken even on the cost of getting them in the front. Could attrition of customers be one of your highest costs?

B-T-B Customers prefer to remain loyal if we continue to exceed their needs for value. There's the rub - what is value?


Today's educated, demanding customers insist on quality, price, performance, speed, convenience and service - the particular combination of which they call *value*. *Value* is often an elusive, ever-moving target. What constitutes value today, changes tomorrow. The customer measures value by what's important to them. For me, convenience, speed and knowledgeable, friendly people are often higher on my list of priorities than price.

The more sophisticated a customer becomes, the more confidence they have in their own ability to make a choice about suppliers. In some cases they have learned that one choice is pretty much the same thing as another. When a company doesn't distinguish or differentiate themselves (with added value) from the competition, price often becomes the deciding factor.

When the customer doesn't need us to help her make a choice, because we look just like the competition, she often moves lower price higher on her list of priorities of what constitutes value for her - today. Take a look at what is happening with telephone services today. It has become mostly a price battle - none of the carriers seems to be offering a package of value that stands heads above the others, so they have to compete on price.

If you want your company to be around long into the next century I suggest one of these two strategies - streamline your operations to the bone and offer the lowest price around and guarantee it - or - create and add value to every aspect of everything you do. More than ever before, **creating value** for your customers is the very foundation of success.

When creating value, not creating profit, is the central operating system permeating every aspect of your company, interesting things happen, only one of which is higher than average profitability.



Companies that consistently create value keep more of their customers. An increase of only 5% in retention rates can increase profitability anywhere from 25% to over 100%! (Rates vary due to differences in fixed costs).

High perceived value correlates directly to a high share of market. Loyal customers buy more; make referrals (saving you acquisition and sales costs) are easier, and quicker to deal with. And they have one more important role - happy customers instill a sense of pride and accomplishment in your work force. While a positive, enthusiastic workforce is a key ingredient in customer happiness - it works the other way too. When customers love doing business with you - and are rarely disgruntled - it does wonders for the staff!

So what would happen if you took your focus off of cost cutting and profit making? It depends on **where** you put the focus. If you focus all your energy into creating value for all of the stakeholders in your business a funny thing will happen. Without you watching it, quite so carefully, your bottom line will grow.

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