



Manufacturers Need to Focus on Focus

What can you prove you do better than your competitors?

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By Michael Rosenbaum

Here's a cheery thought to start the New Year: Your best customers are very willing to tell you how to sell them more product more profitably, how to retain their business longer and how to spend your marketing dollars more efficiently to recruit more people just like them.

Sadly, few manufacturers will take advantage of this opportunity, choosing instead to accept another year of unrealized potential in 2012. Marketing dollars will be spent to recruit unprofitable customers, irreplaceable hours will be devoted to putting out unnecessary fires and substantial investments will be made in low-return operations.

Of course, there are commonsense, effective alternatives to the same-old, same-old. A focused assessment of company strengths and customer perceptions can yield an immediate, positive impact on sales and earnings by offering new insights into:

- Which customers are most likely to provide the strongest, most sustainable profit stream?
- Which market segments offer much more-or less-potential than others?
- What products/services/features are the entry point for customers with the highest potential, and which offerings are ultimately dead ends?
- What marketing dollars are being wasted on low-potential targets?
- How is the company turning away business through sales presentations that undermine confidence?

These insights offer immense value for any manufacturer seeking accelerated, sustainable, profitable growth and many advisers offer assessment services. We employ the Quadrant Five methodology, which obtains-and acts upon-the answers to three fundamental questions:

What can you prove you do better than your competitors? This is a challenging question, because it requires insight into all the factors (quality, mix, distribution, service, etc.) that comprise "what you do." It's also challenging because most factors are replicated by dozens of

competitors. Often, managers will find only a handful of true advantages versus competitors.

If you truly are better, do your customers believe it? Once you've identified your real competitive advantage, find out if that advantage is recognized anywhere in the market. If a manufacturer is selling the world's best corrugated and customers don't see the difference, nobody is going to pay a premium price for the product.

If they believe it, will they pay for it? Engineering departments and marketing people are always looking to add new bells and whistles to make products more appealing. Often, though, the customer sees the added features as nothing more than an added cost factor or one more complication to be addressed.

The value of this focused assessment lies in its emphasis on each company's existing strengths. Every successful company is built on a handful of value drivers that live in the intersection of corporate efficiency and customer demand. Too frequently, conventional wisdom about the need to expand offerings or one-off demands from individual customers will lead to expanded activities that not only add little value, but also distract the management team from the true source of success. Often, expanded activities translate directly into declining margins.

We encountered a prime example of this challenge recently at a company in danger of losing its largest account. An assessment of the impact led to a surprising conclusion: profitability would rise if the largest client was gone. How could this happen? Margin was sacrificed to obtain the large revenue stream, but then the client asked for and obtained added services. The costs of added services eroded the narrow margins that had been the price of having the account.

In another recent case, a company founder prided himself on offering customers the lowest total costs available in his industry. Unfortunately, customers did not believe this to be true, which undermined his sales team during every sales presentation. His roadmap to stronger growth included less emphasis on pricing and more emphasis on the selling points that attracted his customers from the beginning.

These types of miscalculations are made regularly by even the smartest manufacturers. They discover they are investing excessive time, dollars and expertise in the lowest-return initiatives. Management spends much of its time putting out fires in areas that offer minimal returns at best, while giving too little attention to the parts of the business that are running smoothly and profitably.

Even more perverse, the value of focusing on core strengths is no secret to any successful manufacturer. Playing to our strengths is how almost all of us become successful in the first place. Loss of that focus is a slow process of exceptions and one-off items that seep into our daily calendars.

The solution is a process of addition by subtraction, identifying the core group of activities that yield the greatest impact and devoting 80% of our creative energies there. The appeal for managers of all types is clear. No executive ever expresses a wish to be putting out more fires or

spending one more day with a toxic employee. No business leader yearns for the day that another unprofitable customer will ask for one more special project. And every leader knows, in his heart, that the biggest lie he will tell himself is that a bad deal "will make a contribution to overhead."

Distractions and lack of focus drain energy and enthusiasm from a business and the people who run it. Emphasis on the matters that matter builds enthusiasm, energy and pride, along with profitability. There is no question that greater focus on core strengths provides measurable benefits to any manufacturer.

The only question to be asked is: When? Will your company accelerate its profitable, sustainable growth in 2012, or will this opportunity be postponed? Happy New Year.

Michael Rosenbaum is founder of [Quadrant Five](#), a consultancy that focuses on the core strengths that drive sustainable profitability and customer loyalty for his clients.