

# Employee Ownership Management

**Beyster** | UC San Diego  
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## *Positioning and Marketing your Company—Internal and External Customers*

**Sid Scott, former VP-HR, Woodward Communications, Inc., Scott Consultants and  
Adjunct Instructor, University of Wisconsin**

# *Introduction*



- The purpose of our businesses
- What is Marketing?
- Exploring Brands & their promises
- Positioning your Brand
- Collaborating with your customers
- Developing “Value Propositions”
- Does employee ownership help?

# *Purpose of our businesses*



- “The purpose of our business is to make money for the stockholders “
- In an employee-owned business, we are the shareholders.
- But, this definition leaves out a very important group, **who are...?**

*Peter Drucker said it best:*



“There is only one valid definition  
of business purpose:  
to create **customers.**”

# Customers— a few more thoughts



- “Whenever I see new customers...I see \$10,000 burnt on their foreheads.”
  - (Tom Monaghan, Dominos founder)
- “If we’re not customer driven, our cars won’t be either.” (Ford Executive)
- “We don’t have a Marketing Department; we have a Customer Department.”
  - (Herb Kelleher, former CEO, Southwest Airlines)

# L.L. Bean



- “The customer is the most important visitor on our premises.
- He (she) is not dependent on us, we are dependent on him (her).
- We are not doing him (her) a favor by serving him (her); he (she) is doing us a favor by giving us the opportunity to do so.”

**L.L. Bean credo**

# *We get customers by:*



- Identifying and locating prospects
- Selling to “first-time” prospects
- Keeping , growing new customers, and
- Keeping customers for life

Phillip Kotler, Kotler on Marketing

*But...*

# *The Marketing Quandary*



- ***We spend 70% of our marketing budgets to attract new customers when 90% of revenue comes from current customers...***

***Oops-can we do better?***



# *1985 definition of Marketing*



- “**Marketing** is the process of planning and executing the conception, pricing, promotion, and distribution of goods, ideas, and services to create exchanges that satisfy individual and organizational goals.”

Source: American Marketing Association

# *Marketing in the 21<sup>st</sup> Century*



“**Marketing** is:

- ✓ the activity, set of institutions, and processes
- ✓ for creating, communicating, delivering, and exchanging offerings
- ✓ that have value for customers, clients, partners, and society at large.

Source: American Marketing Association, October 2007

## *Reasons why the new Millennium Marketing definition is better*

- **“Marketing is no longer a function – it is an educational process.”**

Nancy Costopulos, Chief Marketing Officer of the American Marketing Association

- **All organizational plans– *strategic, business, financial, etc.* need a marketing dimension.**
- **Customer relationships are for life.**

**And, its all about value!**

# *Kotler's observation*



- "Marketing is not the art of finding clever ways to dispose of what you make. It is the art of creating genuine customer value."
- What are the ways we create customer value in the second decade of the 21<sup>st</sup> Century?

# *One definition of value*



**“Value** is the satisfaction of customer requirements at the lowest possible cost of acquisition, ownership and use.”

Louis J. De Rose, De Rose and Associates, Inc.

# *Traditional examples of adding value—some of these work*

**Walmart** 



- **Lower prices** (Wal-Mart)
- **Lower prices** + (Southwest Airlines)
- **Help the customer reduce his/her other business costs**
  - U.S. Postal Service—“If it fits, it ships—for a low flat rate”)
- **Add benefits** that make the offer more attractive to the customers
  - (FedEx: “When it absolutely, positively has to be there overnight.”)

# More ways to create customer value



- It's a matter of **perception**-- **worth the cost**, e.g. BMW
- Consistency of **satisfaction**, e.g. Zappos
- Product or service **uniqueness**; e.g. Apple I pad
- It **meets needs**, e. g. Facebook
- We helped create it, e. g. Priority Club Select VISA

# Co-Creation with Customers



- “In today’s participatory culture, **customers want meaningful relationships with the brands they care about.** Innovative companies are rising to the challenge, realizing that **customer collaboration is vital** to keeping a competitive edge.”

Jeffry Grau

E-marketer Digital Intelligence





***Not so breaking news: the marketplace is getting tougher...***

# *Marketing, Selling in 2011 & beyond*

- We have an **oversupplied economy**
- **More sales** are being done **over the Web**
- Buyers are more **sophisticated & busy**
- People buy based on their goals (needs)—**not yours**
- Customers care about **value to them**
- Business people have to be **intelligent listeners**
- Marketing & Sales people **need to align with customers' priorities**

Chuck West, University of Wisconsin Executive Education

# *Understanding brands...*



- The test:
  - “An **orange** is an orange unless that orange happens to be \_\_\_\_\_”
  - “A **banana** is a banana unless that banana happens to be \_\_\_\_\_”
  - “**Catsup** is catsup unless it is \_\_\_\_\_”

# *The most well-known brands*



- Take a piece of paper and write down the **5 world-wide brands** you believe are the **most successful (well-known, most powerful, most valuable) today.**

# Most Powerful World-wide Brand Rankings *(Millward Brown)*

1. Apple
2. Google
3. IBM
4. McDonald's
5. Microsoft
6. Coca Cola
7. AT & T
8. Marlboro
9. China Mobile
10. GE

**2011**

1. Google
2. IBM
3. Apple
4. Microsoft
5. Coca Cola
6. McDonald's
7. China Mobile
8. Marlboro
9. GE
10. Vodophone  
(UK)

**2010**

1. Google
2. GE
3. Microsoft
4. Coca Cola
5. China Mobile
6. Marlboro
7. Wal-Mart
8. Citi
9. IBM
10. Toyota

**2007**

# Top 100 Global Brands, 2011

BrandZ Top 100 Most Valuable Global Brands 2011

#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010	#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010
1		153,285	84%	26		24,312	23%
2		111,498	-2%	27		24,198	11%
3		100,849	17%	28		22,587	-4%
4		81,016	23%	29		22,555	141%
5		78,243	2%	30		22,425	3%
6		73,752	8%	31		21,834	-15%
7		69,916	N/A	32		19,782	-4%
8		67,522	18%	33		19,542	N/A
9		57,326	9%	34		19,350	11%
10		50,318	12%	35		19,102	246%
11		44,440	1%	36		17,597	N/A
12		43,647	-2%	37		17,530	-20%
13		42,828	N/A	38		17,290	15%
14		37,628	37%	39		17,182	3%
15		37,277	-5%	40		17,115	23%
16		36,876	97%	41		16,931	19%
17		35,737	35%	42		16,909	N/A
18		35,404	-11%	43		16,314	-2%
19		29,774	N/A	44		15,952	0%
20		28,553	15%	45		15,719	11%
21		27,249	N/A	46		15,674	17%
22		26,948	9%	47		15,449	19%
23		26,078	7%	48		15,427	5%
24		25,524	22%	49		15,344	12%
25		24,623	-20%				

\*The Brand Value of Coca-Cola includes Lites, Diets and Zero  
 \*\*Deutsche Telekom is in the process of re-branding its business to 'T', which incorporates T-Mobile, T-Home and T-Systems  
 \*\*\*The Brand Value of Budweiser includes Bud Light  
 \*\*\*\*The Brand Value of P&G includes Lites, Diets and Zero

#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010	#	Brand	Brand Value 2011 (\$M)	% Brand Value Change 2011 vs. 2010
51		15,168	0%	76		11,558	7%
52		15,131	N/A	77		11,363	-37%
53		14,900	3%	78		11,291	-19%
54		14,306	19%	79		11,147	-37%
55		14,258	0%	80		10,883	12%
56		14,182	-1%	81		10,735	-28%
57		13,917	10%	82		10,731	15%
58		13,904	-2%	83		10,540	N/A
59		13,754	-8%	84		10,525	26%
60		13,543	16%	85		10,443	19%
61		13,421	39%	86		10,335	15%
62		13,006	7%	87		10,076	N/A
63		12,931	1%	88		10,072	17%
64		12,542	-27%	89		9,877	10%
65		12,471	3%	90		9,600	29%
66		12,413	3%	91		9,587	N/A
67		12,160	7%	92		9,358	-43%
68		12,083	-3%	93		9,263	4%
69		12,033	45%	94		9,251	6%
70		11,998	29%	95		8,838	21%
71		11,917	41%	96		8,760	4%
72		11,901	40%	97		8,668	5%
73		11,759	25%	98		8,600	15%
74		11,694	N/A	99		8,535	N/A
75		11,609	N/A	100		8,439	-9%

\*\*\*\*The Brand Value of Nintendo includes Wii and Nintendo DS  
 \*\*\*\*\*The Brand Value of Sony includes Playstation 2 and 3, as well as PSP  
 \*\*\*\*\*The Brand Value of Red Bull includes sugar free and Cola  
 Source: Millward Brown Optima (including data from BrandZ, Kantar Worldpanel and Bloomberg)

# *Benefits of effective Branding*



- Customers are attracted to stronger brands.
- A strong brand can be sold at a higher premium price and is therefore a very successful way to escape price competition.
- A strong brand attracts loyal, repeat customers and maximizes the effectiveness of your marketing efforts.
- A strong brand increases profits over the long term, enhancing the overall company value.

*Brands that survive bring  
great value...*



**“The most successful brands are  
simple, clear, passionate and  
convincing.”**

**Daniel Workman**



*In 1847, John Deere promised*

**“I will never put my name on a product that does not have in it the best that is in me.”**



# VJS Construction



- *Brand promise:*

*"We deliver an exceptional building experience by creating trusting partnerships with our customers, providing them with dedicated personal attention, quality workmanship, and innovative construction services."*

- Their slogan: ***"You can Build on that"***

# Other Brand Promises

- **Toyota** “Delivering quality and reliability in all our products.” (was there a disconnect somewhere?)
- **Wal-Mart** Was: “Always low prices”  
Now is: “Save Money, Live Better” (Does it work?)
- **GE** “Better living”  
(as expressed through (too?) many tag lines for over a century)
  - “Live better electrically “
  - “Progress through people”
  - “Progress is our most important product”
  - “We bring good things to life”

# *Well-known employee-owned Brands*



# *Employee-owned Brand Promises*



- **Southwest Airlines:** “The low-fare airline”,  
“Grab your bag, It’s on!”
- **Whole Foods:** “Locally grown” (Local means green, preserving character, diversity and quality, ‘greening up’ local economies)
- **SAIC:** “Delivering knowledge management to private and public sector organizations.”

# *In addition to the Brand Promise we need to...*

- Develop a **Value Proposition**
- Identify your target customers and audiences via research
- Position your brand to reach your target customers
- Create logos, taglines, advertising creation, media placement, sales plans, sales materials, etc.

*Let's explore **Value Propositions**...*

# A Value Proposition

- Is an internal document that helps companies “position” themselves with customers by identifying key benefits that meet current & prospective customer needs.
- Presents additional reasons that differentiate your products and/or services from the competition.
- It answers the customer question—  
*”Why should I buy your brand?”*

Sources: Kotler on Marketing, Marketing Insights from A to Z, Phillip Kotler



## *An Example of a Value Proposition*

- Volvo builds cars **with you in mind:**
  - Over time, this commitment grew into **three** core Volvo values: **safety, quality and environmental care.**
  - Today, these values define our approach to product development, design and production.
  - While remaining faithful to these core values, Volvo has decisively moved to create a family of **automobiles that advance an entire industry in safety, performance and design.**



# *W. L. Gore: An employee-owned Value Proposition example*

- The Gore family of consumer products, including our revolutionary GORE-TEX® fabric, is designed to provide superior performance in a wide range of applications.
- If it says "Gore" on the label, you can count on the very best in outerwear, guitar strings, vacuum cleaner bags, cast liners, pipe bags, and more.
- WINDSTOPPER® Outerwear combines durable wind protection and high breathability in garments that keep you warm and comfortable with fewer layers and less bulk.  
**keep you warm and comfortable with fewer layers and less bulk.**



# *Value Proposition “benefits”*



- **Products**

- Quality
- Performance
- Reliability
- Durability
- Safety
- Fastest
- Best value for \$
- Most prestigious
- Best designed
- Easiest to use

- **Services**

- Quality
- Performance
- Best value for \$
- Most prestigious
- convenient
- Most responsive
- Most trustworthy
- Most empathetic
- Make it tangible

## *Avoid Value Propositions that result in:*

- **Under positioning**—no central benefit or strong reason to buy
- **Over positioning**—A narrow look that some customers may overlook
- **Confused Positioning**—Claiming two or more benefits that contradict each other
- **Irrelevant Positioning**—Claiming a benefit few customers care about.
- **Doubtful Positioning**—Claiming a benefit people doubt you can actually deliver

# *Confused Positioning—or was it?*



- In 1920, 18<sup>th</sup> amendment (Volstead Act) enacted—prohibiting alcohol sales and consumption
- Napa Valley grapes were processed into raisin cakes with the warning “Caution: will ferment and turn into wine.”
- Napa Valley grape production increased 10-fold between 1920 and 1933—how ‘bout those raisins?
- Source: Wall Street Journal, April 7, 2005

*Customers perceptions of value can tell you whether you are positioned correctly*



*Summarizing so far:  
We can compete by...*



- Collaborating with our customers.
- Building and sustaining our Brand
- Understanding and delivering on our “Brand Promise”
- Identifying our targets and Positioning our brand
- Creating and communicating our Value Proposition via marketing and sales.

# *Does employee ownership enhance value to customers?*

- Ownership by:
  - Family
  - Employees
  - Customers
  - Stockholders
- Potential Advantage
  - Family pride
  - I, we give better service
  - We own & support you
  - More robust resources

## *Your challenge today:*

- Draft your Company's Value Proposition using the worksheet inside your binder.
- Consider:
  - What are the specific costs and other things your buyers consider and want when thinking about buying your products or services?
  - Does being employee-owned differentiate your company from the competition with customers?
  - What “benefits” come from employee ownership that translate into value for the customers?



# *How well will your Value Proposition work?*



# *Final thoughts...*



- Marketing is key to cultivating and keeping customers for life.
- A market-driven culture is essential for survival and growth and a “natural” extension of an employee-owned culture..
- You may be able to use employee ownership in a Value Proposition for your external and internal customers and sales staff to enhance marketing.
- Talk to the customers (internal, external). ***Listen to what they have to say—eliminate the “So Whats.”***

## *Your “take away”*

- Take a piece of paper and complete this sentence.
  - “Based on what I learned today, when I get back to the workplace, I’m going to:

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