

Marketing Your Magic

By Ken Ackerman



As you describe your company's magic, remember the importance of dazzling with detail.

THE BUSINESS OF WAREHOUSING, particularly for wholesale distributors and warehouse service providers, is in constant danger of becoming a commodity. Some managers believe that warehousing is a task that can be handled adequately by anyone with a strong back. Commodities normally are sold by price, with few vendors recognizing special features about the product they are selling.

Because of the danger of commoditization, we typically ask warehouse managers to describe their "special magic," those unique features that make their warehousing operation superior. When 1,000 chief executive officers representing a variety of businesses were surveyed, only two were able to describe the competitive advantage of their company.

■ Identify Your Magic

If you were asked to list the reasons your company is special, could you provide a quick answer? If you asked your key employees to describe the company's competitive advantage, would they have a ready response? Are your customers aware of the competitive advantages of your company? If you don't know, wouldn't it be worthwhile to ask them, and find out?

Have you identified the competitive advantages of your primary competitors and compared them with your own magic? Sometimes the best way to handle a competitor is to avoid competition. A professor studying the service industries focused his work on the airlines, with particular emphasis on one carrier, Southwest. During an interview with the CEO of a competitor, he asked how they meet the challenge of Southwest. The executive replied that he could not compete; therefore, the company would stay strong in locations not served by Southwest.

■ Think Like the Customer

As you consider your magic, and compare it with that of your competitors, ask this question: *Why should I buy from you?*

Be honest and specific with your answer. Avoid generalizations such as "We give better service." Instead, you might say: "Last year our company received quality awards from two of our customers."

Stay away from the standard answers claimed by many warehousing specialists, including the following:

- We have a modern building.
- Our people make the difference.
- We have the best price.

Then, consider the reaction of the typical customer: *So what? What's in it for me?*

What are the consequences for the executive you work with if a warehouse performs according to expectations? Part of your magic should be the things that you do to help your customer sleep well. In the early days of computer marketing, sales representatives for the leading manufacturer were

taught that “nobody ever was fired for buying IBM.” If the prospective customer noted that other brands were available at a cheaper price, the salesperson indicated that buying from the leader results in job security for the buyer.

With the IBM example in mind, put yourself in the place of your customer. How would you convince that executive that your company’s performance always will hit the target, that nobody ever was fired because of a failure at your ware-

house? Be specific, including metrics and comparisons.

■ Dollars Versus Value

How can you save your customer money? In today’s deflationary environment, warehouse operators are challenged in working with clients who request price reductions. As a buyer, you see an increase in commercial messages from a variety of businesses that are offering special discounts in order to attract new customers. Purchasing agents for

all companies are under pressure to demonstrate their ability to lower costs through aggressive negotiation with their suppliers. At the same time, there is little evidence that warehouse operators can reduce either hourly-wage costs or space-occupancy costs. If you cannot lower your costs, how do you negotiate with a customer who demands a lower price?

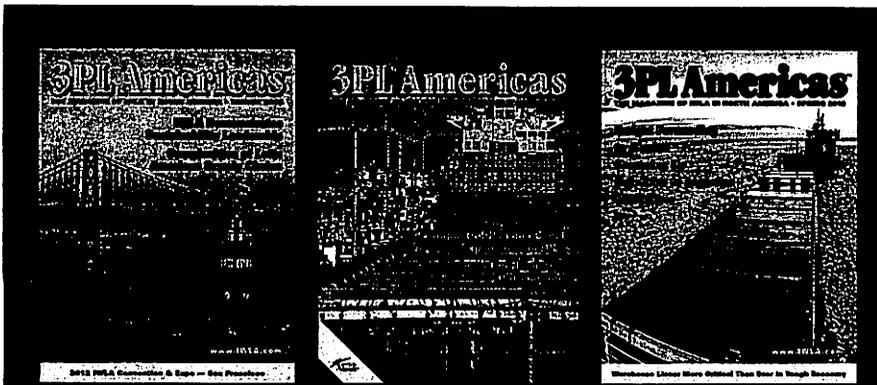
Look beyond price and consider value. What have you done, or can you do, to increase the value of your warehouse services for your client? What have you done for other customers that might be applied to this one? What collaborative changes in palletizing, or stacking procedures, will enable you to store more units in the same amount of space? What changes in your client’s shipping procedures would increase your ability to receive, store or ship an increased number of units per hour? What steps can be taken by you and your customer, working together, to increase storage and/or handling productivity?

■ Where’s the Beef?

As you describe your company’s magic, remember the importance of dazzling with detail. If you indicate that your service is superior, highlight that with examples of the reduction of order cycle time, improvement of inventory accuracy, reduction of shipping errors, and prevention of damage. You cannot provide this detail without metrics, so continuous quality measurement must be part of your process. You should measure these elements whether or not the customer has asked for them.

If you claim that your warehouse services are highly regarded, provide testimonial evidence from existing customers. Not all clients are willing to provide testimonials, but no one should be offended by the request. Furthermore, unsolicited testimonials should be utilized whenever possible.

If you say, “Our people make the difference!” how do you support the claim? A quality staff usually



Future Issues of 3PL Americas

3PL Americas is the magazine of IWLA and provides members and non-members with news and information on concepts and best practices in warehouse and logistics management. The lead articles for upcoming issues are set well in advance. We welcome reader input on themes and articles for future issues.

The lead article themes (and editorial deadlines) for upcoming issues are:

- **Fall 2012** – Logistics in the healthcare-products industry (November 16, 2012)
- **Winter 2013** – Grow Your Own Way – I (January 18, 2013)
A pre-conference issue
- **Spring 2013** – Grow Your Own Way – II (April 12, 2013)
A post-conference issue
- **Summer 2013** – Security in the supply chain (July 12, 2013)

Suggestions for authors, articles and themes can be submitted to 3PL@jmla.biz.

has stability. What is the average length of service for your workforce and that of your senior-management team?

If you advertise that your warehouse is more flexible or more responsive than the competition, what examples can you provide? Demonstrate how you reduced customer X's order cycle time from three days to 1.5 days. Describe how you increased shipping capacity for customer Z from 10 truckloads per day to 18 truckloads.

If you say that you have the most innovative warehouse team in the industry, provide examples of new practices that resulted in increased value for a customer.

In other words, illustrate every aspect of your company's magic with specific case examples.

■ Marketing Myopia

Myopia, or nearsightedness, is a disease that can afflict corporate purchasing agents. As Harvard marketing professor, Ted Levitt, described it, not every vendor understands what the customer is buying. Levitt pointed out that the consumer who purchases an electric drill really is not buying the tool; rather, some perfect holes. Because some vendors sell warehousing as a commodity, buyers tend to emphasize price and ignore quality.

The intelligent buyer of logistics services should be looking for the best value, not the cheapest price. That value is measured by experience, flexibility and dependability. Like the buyer of the electric drill, your customer is not buying modern warehouse buildings or even impressive management; instead, he is purchasing logistics value. By failing to market the value proposition, the vendor is likely to fall victim to the low-priced competitor.

Put yourself into the shoes of the buyer. He may understand that logistics services have value, but sometimes that value is hard to define. As buyer expertise declines, and new methods of sourcing are adopted, managers are asked to respond to

electronic transmissions of RFIs (requests for information) and, later, to RFQs (requests for quotation). Communicating value in this situation becomes a real challenge.

If you are the vendor, can you communicate your value proposition clearly in every presentation? Are you able to present case studies that illustrate the special magic only your warehouse can provide? Can you be sure that the customer understands the value that your company delivers every month? Remember, the buyer is looking for perfect holes, not a good drill.

■ It's All About People

Because people always are an essential element of your special magic, a constant audit of your workforce is necessary for maintaining quality. There are two approaches to developing a superior team: developmental and Darwinian. If you follow the developmental method, you should offer continuing training and mentoring opportunities to enable the average worker or manager to grow. This could include funding the education for an executive to acquire an advanced degree or budgeting for staff members to join professional societies, and participation in trade shows, workshops and conferences.

In contrast, employers following a Darwinian approach will emphasize recruitment and hiring of highly talented people, coupled with frequent elimination of those who fall to the bottom of the talent ladder. In Darwin's words, they focus on "survival of the fittest."

Which option is best for your company? If you value stability, emphasize development. If your priority is fast growth, you may want to be Darwinian.

What steps might be taken to assess attitudes of your workforce? Consider these statements, and ask employees to either agree or disagree:

- I know what is expected of me at work.
- I have everything I need to do the

work properly. At work, I can do what I do best every day.

- In the last seven days, I received recognition for good work.
- My supervisor is interested in my progress.
- My company is interested in my development. My opinions seem to count.
- My coworkers are committed to doing quality work.
- In the last year, I've had opportunities to learn and grow.

Results of this assessment will identify not only strengths and weaknesses of workers, but also the effectiveness of supervision and leadership.

Peer review can be part of the assessment process. Ask employees for their opinions of the rest of the team, including the supervisor.

■ Today's Challenge

Marketing your magic never has been more critical than it is today. During difficult economic times, only the strongest companies survive. Your customers have reason to worry about stability and strength as they review the activities of their suppliers.

It is easier to keep and grow good customers, than it is to find new clients. Therefore, in marketing your magic, start with your current customers, not those that you hope to acquire. If you demonstrate that your warehousing services are superior to those offered by competitive sources, your ability to grow can be assured.

The inspiration for this article was provided by two books: Now, Discover Your Strengths by Marcus Buckingham and Donald O. Clifton, and Creating Competitive Advantage by Jaynie L. Smith. Listening to lectures by Buckingham and Smith stimulated additional ideas.

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