

It's Not What You Sell, It's HOW You Sell It

By Steve Saenz / July 1995

In 1992, one of America's most successful (and wealthiest) businessmen passed away. Before his death, Sam Walton had amassed a fortune that was reported to be in excess of \$20 *billion*. This extraordinary man built a veritable empire across the United States and forever changed the nature of the retailing business. Among the many factors that contributed to his success, Mr. Walton apparently understood one basic tenant of marketing that served him (and his shareholders) exceedingly well-- that the true product of a successful company is not *what* it sell, but *how* it sells it. This simple, but profound, concept holds true for virtually any service business, including money management and investment management consulting.

What Wal-mart sells is not unique. In fact, you can find almost everything they sell in any number of other stores. What is unique is *how* they sell it! The shopping experience begins when the friendly greeter at the front door says, "Welcome to Wal-Mart. How are you doing today?" It is further enhanced by the wide assortment of merchandise found on the shelves and the "everyday low prices" offered to customers. These visible signs of excellence are supported by countless *systems* that operate behind the scenes, including state-of-the-art inventory management and massive distribution facilities that defy comprehension. The glue that holds the entire organization together is *a commitment to serve the customer* and the "can-do" attitude that is instilled in every employee. In short, Wal-mart is a market leader that has achieved what most companies can only dream of-- a growing army of loyal and satisfied customers.

Another company that understands that the true product of a successful business is not what it sells but how it sells it, is McDonald's. In just forty years, Ray Kroc's little hamburger stand has grown into a global powerhouse that generates almost \$10 billion in annual sales (parent company only). The company, which calls itself "the most successful small business in the world," licenses or owns over 15,000 stores and is adding some 1200-1500 new ones per year. They feed more than 28 million people each day, representing more than six percent of gross restaurant receipts in the United States, alone. How do they do it? By delivering convenience, consistency and cleanliness! They do it by providing customers with what they want, when they want it. Say what you will about the food, but the one thing you can count on is that a Big Mac in Bakersfield is going to taste like a Big Mac in Bangkok. No surprises. That, in itself, is worth a bundle. Just ask the shareholders.

Today, money managers and investment management consultants may want to look carefully at their own businesses and ask themselves the following important questions:

- *What* are we selling?
- *How* are we selling it?
- How many other firms are selling the same thing?
- In what ways do we *distinguish* ourselves?

The answers to these questions may reveal a harsh reality for many advisors. Today, that reality is evidenced by the fact that (despite one of the best markets in history) most money managers and consultants are having a difficult time raising new assets. Undoubtedly, there are many good explanations for this peculiar situation. One that we would like to offer is that everyone out there is selling the same thing the same way. For money managers, that means that consultants are unable to distinguish one money manager from another. For consultants, it means that clients are unable to distinguish one "consultant" from another. The end user has too many choices and, to him/her, they all look alike.

Another possible explanation is that investors have had their fill of Wall Street "professionals" and their self-serving ways. Increasingly, they are cutting the middleman out of the loop and doing it themselves. A recent Fortune article reported that the economic value (time only) of all "do-it-yourself" projects taken on by Americans this year could be as high as \$2.8 *trillion*, or 40% of GDP. While it is difficult to assess the direct impact of this trend on the money management and consulting businesses, the message is clear-- as an industry, we have to do a better job of serving our customers!

So what can money managers and consultants do to win more business? Start by re-evaluating *everything* you are currently doing and figure out how you can do it better. Get to *know your customers* better than anyone else. Position yourself as a *resource* and, above all, *deliver* what you promise. Be sure to take a hard look at the way you treat your "internal customers." How well do you know your employees? More importantly, are you taking care of them? Remember that people don't care how much you know, until they know how much you care! Finally, at the beginning of each day remind yourself that *what* you are selling is not unique. There are hundreds, if not thousands, of other firms that offer similar products and services. And the next time you drive by a Wal-mart or McDonald's, remember what Sam Walton and Ray Kroc understood so well- *it's not what you sell, it's how you sell it!*

