

A Consultant's View

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Does your company have ADD?

There are companies that act as if they have ADD (Attention Deficit Disorder). They bounce from major redirection to major redirection. While that might work for some employees, others find themselves with “whiplash” and want to leave. The marketing costs can be huge. There are ways to cope with market demands without incurring such high costs.

Every company that tries to stay close to the customer will be pulled in many directions. Each time a new prospect comes in with new ideas; there will be pressure to change directions to try to capture that sale. Of itself, this pressure is a good thing. It provides the impetus for keeping the company alive in the marketplace.

Bouncing from market idea to market idea is a great way for a very small company to find out what customers will actually pay for. However, the larger the company, the worse the problems become. The problems come in when the company actually tries to follow every possible new sale. Every sale has some “opportunity costs”. The deeper the investment needed to capture that sale, the larger that cost becomes.

There are significant costs in bouncing from idea to idea, from product to product, and from business process to business process. It costs in time, product quality, employee trust and commitment, management skills, as well as money. If the customer is not willing to pay for all that, you can lose

by getting the sale. For a number of efforts, the only way to make money is to find multiple customers who are willing to pay for it. If you don't have a way to find those multiple customers, it is better to let the opportunity go.

Of the costs of bouncing around, often the largest costs are the employee costs. Most people value stability in their job. Bouncing from effort to effort destroys their trust that management is competent.

When employees lose that trust, they walk away either physically, or mentally. The worst is when an employee “walks away mentally” but still stays around to poison the discussions, do less quality work, and slow down the whole enterprise.

**Every Sale
May
Cost More**

There are ways to change this ADD behavior in a company. Since we can't give drugs to a company, the only solution is to change management action. Similar to behavior modification for ADHD children, the first thing is to be aware of the consequences; the true cost of chasing a prospect. Secondly, have a clear idea of what the benefits are if that prospect is turned into a client. It may mean entering a new market with a whole different way of marketing and many potential customers. Or it could be a one time deal. Only when we have a clearer view of the costs and benefits, can we make a better decision and stick to it.

Staying close to the customer is vital to a healthy company. However, equally vital is to balance the customer demands with the potential future profit.

Who will Challenge Visa/MasterCard?

Now that both card associations are publicly traded companies, they will (subtly) move away from the unspoken basis for their existence – the trust of the bankers and consumers. That means that there is an opportunity for a challenger to step up. While other card associations will try to step up, the real challenge is likely to come from a different quarter and from a disruptive technology. The real question is whether a centralized or a decentralized system will win.

Look at the history of our banking and monetary system. It grew out of several practices and technologies. At first, banks were religious groups who built on the trust that people had in them. Later, the practice of being able to write drafts on funds that were on deposit with trusted holders gave us checks and clearing houses. Today's electronic transfers are all built on trust and using a centralized, trusted entity that routes everything.

Visa, MasterCard and the other card associations are built on a centralized model.

What about a distributed model? The Arabic Hawala system is a funds transfer system that does not have a centralized control and operates on a peer to peer basis. It can operate in situations where no centralized banking system is functioning such as war zones. It may be a good basis for an alternative funds transfer system.

History shows that governments will break the trust that people have granted to the financial system. (ex. King Philip IV) Somewhere, somehow, we will redevelop alternative methods of transferring credit and value. It will be interesting to see which ones will come about.

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Risky World

A German bank clerk fell asleep at the keyboard with a finger on a key and transferred 222,222,222.222 Euros from a customer's account. Lucky for the customer, the bank's internal system caught the error.

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